

# GUIDELINE ANSWERS

## EXECUTIVE PROGRAMME

DECEMBER 2018

MODULE 1



**THE INSTITUTE OF  
Company Secretaries of India**

**भारतीय कम्पनी सचिव संस्थान**

**IN PURSUIT OF PROFESSIONAL EXCELLENCE**

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The Guideline Answers contain the information based on the Laws/Rules applicable at the time of preparation. However, students are expected to be well versed with the amendments in the Laws/Rules made upto **six** months prior to the date of examination.

## C O N T E N T S

*Page*

### MODULE 1

1. Company Law	...	1
2. Cost and Management Accounting (OMR Based Exam)	...	18
3. Economic and Commercial Laws	...	40
4. Tax Laws and Practice (OMR Based Exam)	...	54

## EXECUTIVE PROGRAMME EXAMINATION

DECEMBER 2018

### COMPANY LAW

Time allowed : 3 hours

Maximum marks : 100

**NOTE :** 1. Answer ALL Questions.

2. All references to sections relate to the Companies Act, 2013 unless stated otherwise.

#### Question 1

Comment on the following :

- (a) Ajay, Sanjay & Vijay LLP was formed in 2012. It was observed that the LLP filed Statement of account & Solvency for year ended 31st March, 2013, 31st March 2014, 31st March, 2015 and 31st March, 2016 while filing status of its annual returns are up-to-date since the formation. However, Sanjay and Vijay resigned from the position of partners 4 months ago i.e. on 31st July, 2018. The Tribunal has served a notice on the LLP to wind up its business.
- (b) Banking and insurance companies are exempted from certain financial disclosures under the Companies Act, 2013.
- (c) Aarav Ltd. (a listed company) is having an audit committee consisting of six directors and the Board of Directors of the Company consists of eight directors of which three are independent directors. As a Practising company secretary, clarify whether Aarav Ltd. has complied with the requirement of appointment of independent directors with regard to Audit Committee.
- (d) X is a shareholder of Company A. At the AGM held on 27th Sep. 2018, Company A declared a Dividend of ₹20 per equity share. X wrote to the company saying that he does not want to take the dividend and advised the company not to send the dividend amount. Comment whether the waiver of dividend by X is tenable under the provisions of the Companies Act, 2013 ? (5 marks each)

#### Answer 1(a)

A limited liability partnership may be wound up by the Tribunal—

- (a) if the limited liability partnership decides that limited liability partnership be wound up by the Tribunal;
- (b) if, for a period of more than six months, the number of partners of the limited liability partnership is reduced below two;
- (c) if the limited liability partnership is unable to pay its debts;
- (d) if the limited liability partnership has acted against the interests of the sovereignty and integrity of India, the security of the State or public order;
- (e) if the limited liability partnership has made a default in filing with the Registrar

the Statement of Account and Solvency or annual return for any five consecutive financial years; or

- (f) if the Tribunal is of the opinion that it is just and equitable that the limited liability partnership be wound up.

In the given case there are two circumstances which can be considered

- (a) for a period of more than six months, the number of partners of the limited liability partnership is reduced below two;- In this case Sanjay and Vijay resigned only on 31st July, 2018, period of six months has not passed since, hence this is not a ground for winding up.
- (b) if the limited liability partnership has made a default in filing with the Registrar the Statement of Account and Solvency or annual return for any five consecutive financial years- There is no such period of default in filing of Statement of Account and Solvency or annual return with the Registrar, hence this is not a valid ground for winding up.

Hence, there is no sustainable ground for winding up the LLP by the tribunal.

#### **Answer 1(b)**

Section 129 (1) of Companies Act, 2013 states that the financial statements shall give a true and fair view of the state of affairs of the company or companies, comply with the accounting standards notified under section 133 and shall be in the form or forms as may be provided for different class or classes of companies in Schedule III.

The proviso to aforesaid section provides that nothing contained in Section 129(1) of Companies Act, 2013 shall apply to any insurance or banking company.

Further exemption has been granted to banking and insurance companies by providing that the financial statements shall not be treated as not disclosing a true and fair view of the state of affairs of the company, merely by reason of the fact that they do not disclose:

- (a) in the case of an insurance company, any matters which are not required to be disclosed by the Insurance Act, 1938, or the Insurance Regulatory and Development Authority Act, 1999;
- (b) in the case of a banking company, any matters which are not required to be disclosed by the Banking Regulation Act, 1949;

#### **Answer 1(c)**

Being a listed public company Aarav Ltd is required to comply with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act, 2013. Accordingly, it is required to have at least one-third of the total number of directors as independent directors (IDs). Any fraction contained in such one third numbers shall be rounded off as one. Accordingly, the company has complied with requirement of 1/3rd of its Board to have independent directors.

As per section 177(2) of the Companies Act, 2013, the Audit Committee shall consist of a minimum of three directors with independent directors forming a majority.

Further as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, every listed entity shall constitute a qualified and independent audit committee in accordance with the terms of reference, subject to the following:

- (a) The audit committee shall have minimum three directors as members.
- (b) Two-thirds of the members of audit committee shall be independent directors.
- (c) All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

On the basis of the legal requirements as mentioned above the audit committee of Aarav Ltd. is non-compliant with regard to appointment of independent directors.

**Answer 1(d)**

The Companies Act, 2013 is silent on waiver of dividend. However, enabling provision in Articles of Association of the company is necessary since the same is binding on all members. Under the provisions of Section 5(2) of Companies Act, 2013, the Company shall include additional matters in its Articles which may be considered necessary for its management.

Some Companies have altered their AOA to insert provisions for waiving/forgoing the Dividend. In case of final dividend, board of directors recommends the payment of dividend after complying with the statutory provisions, and the same is then approved by the shareholders of the company at the AGM.

Hence, shareholders of the company can waive their right to receive dividend once the same is proposed by the board of directors of the company but before it is declared.

Hence, the waiver instructions are to be provided every year by the members willing to forgo their rights of dividend. It should be preferably received by the Company before the record date is fixed for payment of the Dividend.

***Attempt all parts of either Q. No. 2 or Q. No. 2A***

**Question 2**

*Distinguish between the following :*

- (a) *Cyber security Vs. Secured system under Companies (Management & Administration) Rules, 2014.*
- (b) *Deemed prospectus Vs. Shelf prospectus.*
- (c) *Unpaid Dividend Account Vs. Consequences of Non-Transfer of Dividend to unpaid dividend account.*
- (d) *Appointment of Small Shareholders' Director Vs. Appointment of Independent Director.* (4 marks each)

***OR (Alternate question to Q. No. 2)***

**Question 2A**

- (i) *MAA Engineering Works Pvt. Ltd. advanced an amount of ₹ 25 lakh to GP Construction Solutions, a firm in which the Managing Director of MAA Engg.*

*Pvt. Ltd. is a partner in the firm. The paid up capital of MAA Engineering Works Pvt. Ltd. is ₹1.06 crore and the company has taken a term loan from a financial institution worth ₹10 crore. All the shareholders of the company are individuals and there are no repayment defaults in borrowings. Turnover of the company is ₹50 crore during the last year.*

*Ascertain if the grant of ₹25 lakh to GP Construction Solutions is in order under the provisions of the Companies Act, 2013. (4 marks)*

*(ii) A company registered under section 8 of the Act as “ABC Sports Club” wants to do the following – Advise the company on the course of action.*

*(a) ABC Sports Club decided to alter its Articles of Association.*

*(b) Decided to admit AB & Co. a partnership firm into the company as members. (4 marks)*

*(iii) Arnav is the Senior Manager (Purchase) of Future Products Ltd. The company is not listed in any stock exchange. It took ₹7 lakh from Arnav under an employment contract @ 4% interest per annum. Arnav is paid a salary of ₹75,000 per month. The auditor of the company has pointed out that there is a non-compliance of provisions of Companies Act, 2013. Examine the observation of the auditor with reference to the provisions of the Companies Act, 2013. (4 marks)*

*(iv) Swaroop wants to depute his friend Suraj to act as a Proxy in companies he holds shares. Advise him on the following :*

*(a) He wants his friend Suraj to speak and vote on his behalf.*

*(b) For how many persons, his friend Suraj can act as proxy ? (4 marks)*

### **Answer 2(a)**

**Cyber security** - As per explanation iii to rule 20 of Companies (Management & Administration) Rules, 2014 cyber security means protecting information, equipment, devices, computer, computer resource, communication device and information stored therein from unauthorized access, use, disclosures, disruption, modification or destruction.

**Secured system** - As per explanation ii to rule 20 of Companies (Management & Administration) Rules, 2014 secured system means computer hardware, software and procedure that –

- (a) are reasonably secure from unauthorised access and misuse;
- (b) provide a reasonable level of reliability and correct operation;
- (c) are reasonably suited to performing the untended functions; and
- (d) adhere to generally accepted security procedures.

### **Answer 2(b)**

#### **Deemed Prospectus**

According to section 25(1) of the Companies Act, 2013, when a company allots or agrees to allot any securities of the company with a view to all or any of those securities

being offered for sale to the public, any document by which the offer for sale to the public is made, shall, for all purposes, be deemed to be a prospectus issued by the company.

### **Shelf Prospectus**

Shelf Prospectus means a prospectus in respect of which the securities or class of securities included therein are issued for subscription in one or more issues over a certain period without the issue of a further prospectus. Accordingly as per Section 31 of Companies Act, 2013, any class of companies, as prescribed by the Securities and Exchange Board may file a shelf prospectus with the Registrar at the stage of the first offer of securities included therein which shall indicate a period not exceeding one year as the period of validity of such prospectus which shall commence from the date of opening of the first offer of securities under such prospectus. Further, in respect of a second or subsequent offer issued during the period of validity of shelf prospectus, no further prospectus is required.

### **Answer 2(c)**

#### **Unpaid Dividend Account**

Section 124(1) of Companies Act, 2013 states that where a dividend has been declared by a company but has not been paid or claimed within thirty days from the date of the declaration to any shareholder entitled to the payment of the dividend, the company shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed to a special account to be opened by the company in that behalf in any scheduled bank to be called the Unpaid Dividend Account.

#### **Consequences of Non- Transfer to investor education and protection fund**

Section 124(3) of Companies Act, 2013 states that if any default is made in transferring the total amount referred to in sub-section (1) or any part thereof to the Unpaid Dividend Account of the company, it shall pay, from the date of such default, interest on so much of the amount as has not been transferred to the said account, at the rate of twelve per cent per annum and the interest accruing on such amount shall ensure to the benefit of the members of the company in proportion to the amount remaining unpaid to them.

### **Answer 2(d)**

#### **Appointment of Small Shareholder Directors'**

According to Rule 7(1) of the Companies (Appointment and Qualification of Directors) Rules, 2014, a listed company, may upon notice of not less than (a) One thousand small shareholders; or (b) one tenth of the total number of such shareholders, whichever is lower; have a small shareholder's director elected by the small shareholder. A 'Small Shareholders' Director' may be elected voluntarily by any listed company. Thus, a listed company, may, on its own, act to appoint a Small Shareholders' Director. In such a case, no notice from small shareholder(s) is required.

#### **Appointment of Independent Director**

According to Section 149(4) of Companies Act, 2013 every listed public company shall have at least one-third of the total number of directors as independent directors.

Further as per Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, the following class or classes of companies shall have at least two directors as independent directors -

- (i) the Public Companies having paid up share capital of ten crore rupees or more;  
or
- (ii) the Public Companies having turnover of one hundred crore rupees or more; or
- (iii) the Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees:

In case a company covered under this rule is required to appoint a higher number of independent directors due to composition of its audit committee, such higher number of independent directors shall be applicable to it.

**Answer 2A(i)**

Section 185 of the Companies Act 2013 governs provisions as to loans to directors. Ministry of Corporate Affairs (MCA) vide its notification dated 5th June, 2015 provides that section 185 shall not apply to a private company;-

- (a) in whose share capital no other body corporate has invested any money;
- (b) if the borrowings of such a company from banks or financial institutions or any body corporate is less than twice of its paid up share capital or fifty crore rupees, whichever is lower; and
- (c) such a company has no default in repayment of such borrowings subsisting at the time of making transactions under this section.

As per facts mentioned in the case under consideration, borrowing of the company from financial institution is Rs. 10 crore which is more than twice its paid up capital of Rs. 1.06 crore. Thus, all the conditions of notification for exemption are not satisfied.

Therefore, the company should have complied with the provisions of section 185 of the Companies Act, 2013 while granting of loan of Rs. 25 lakh by the company to firm where managing director of the company is partner in the firm.

**Answer 2A(ii)**

- (a) According to Section 8(4) of Companies Act, 2013, a company registered under Section 8 shall not alter the provisions of its Memorandum or Articles of Associations except with the previous approval of the Central Government. The power to grant such approval has been delegated to the Regional Director having jurisdiction.

Hence, ABC sports club can alter its Articles only with the prior approval of the Central Government.

- (b) According to Section 8(3) of Companies Act, 2013, a firm may be a member of the company registered under Section 8. Hence, ABC Sports club can admit firm AB to Co. a firm as a member of the company registered under this section.



**Answer 2A(iii)**

Rule 2(c)(x) of Companies (Acceptance of Deposits) Rules, 2014 states that any amount received from an employee of the company not exceeding his annual salary under a contract of employment with the company in the nature of non-interest bearing security deposit is exempted from the definition of the Deposit.

In the given case, company took Rs. 7 lakh from Arnav under an employment contract @4% interest per annum. Arnav is paid a salary of Rs.75,000/- per month i.e. Rs.9 lakh per year. The amount taken by the company is less than annual salary of the employee. Thus one limb of the conditions of clause is fulfilled. However, the amount is interest bearing.

Hence, the dual conditions under rules are not complied with and the amount will fall within the meaning of term 'deposit'. The comment by the auditor that there is a non-compliance of provisions of the Companies Act, 2013 is correct.

**Answer 2A(iv)**

- (a) According to the first proviso to Section 105(1) of the Companies Act, 2013 a proxy shall not have the right to speak at such meeting.
- (b) According to fourth proviso to Section 105(1), a person appointed as proxy shall not act as proxy on behalf of more than fifty members and members holding in the aggregate more than ten percent of the total share capital of the company carrying voting rights.

However, a member holding more than 10% of the total share capital of the company carrying voting rights may appoint a single person as proxy, provided that such person shall not act as proxy for any other person or shareholder.

Hence, Suraj can be appointed as proxy on behalf of not more than fifty members and members holding in the aggregate more than ten percent of the total share capital of the company carrying voting rights.

**Attempt all parts of either Q. No. 3 or Q. No. 3A****Question 3**

- (a) *A trade union of auto drivers applied for shares in the fresh issue of a company. The company rejected the application, however, the Company was ready to allot shares in the Joint names of the members of the trade union. But the trade union members wanted the shares to be allotted only in the name of the trade union. Whether the rejection by the company to allot shares in the name of the trade union is justifiable ? (4 marks)*
- (b) *XY Ltd. is a (Unlisted) wholly owned subsidiary of ABC Ltd. (Listed). XY Ltd. annual turnover was ₹120 crore as per the last audited balance sheet. The auditor of XY Ltd. is of the opinion that, XY Ltd. is covered under Rule 4 of Companies (Appointment and Qualification of Directors) Rules, 2014 and so it should compulsorily appoint Audit Committee. Whether the observation of the auditor is tenable ? (4 marks)*
- (c) *Fireworks Limited had its AGM on 10th August 2018. After completion of all*

*ordinary business as stated in the AGM notice, there was a commotion and disorder at the meeting subsequent to which the Chairman of the meeting adjourned the meeting to 3rd September, 2018 though members present did not agree for such adjournment. The Chairman further said that the unfinished agenda that were listed in the AGM notice alone will be taken up for discussion at the adjourned meeting.*

*Comment on the action of Chairman with reference to Secretarial Standard 2.*  
(4 marks)

- (d) *Star Ltd. is an Indian company having registered office at Chennai. It has a foreign subsidiary incorporated in Brazil. The accountant of the foreign subsidiary has informed the secretary of Star Ltd. that audit is not necessary as per their local laws in Brazil. Star Ltd. decides to get the accounts of the subsidiary company audited by its own auditor and then file the consolidated accounts with the Registrar of Companies. State if the action of Star Ltd. is valid with reference to the provisions of the Companies Act, 2013.*  
(4 marks)

**OR (Alternate question to Q. No. 3)**

**Question 3A**

- (i) *Kamadenu Sugars Ltd. decided to issue Sweat equity shares to its employees for which it has passed the required special resolution and completed other formalities on it. Decide the validity of the following in respect the issue of Sweat equity shares :*
- (a) *Decided to issue the shares to an employee on a discount who is recruited as a temporary employee and joined in the company seven months ago.*
- (b) *Decided to allot shares at discount to a part-time director of the company.*  
(4 marks)
- (ii) *Mr. Y formed a One Person Company (OPC). For the year ending 31st March, 2018, it had clocked an average annual turnover of ₹2 crores and its paid up capital was raised from ₹5 lakhs to ₹50 lakhs. Comment on its conversion and if so, within what period such conversion to take place under the provisions of the Companies Act, 2013.*  
(4 marks)
- (iii) *The Board of Directors of Tiny Ltd. passed a resolution in its 70th meeting to issue bonus shares. Can Surajit, a director, certify a copy of the resolution when he did not attend the said meeting ? Can a certified true copy of the resolution be given before the minutes of the meeting are signed ?*  
(4 marks)
- (iv) *Metal Industries Ltd. passed a special resolution in the last general meeting to empower the Board of Directors to grant of loan to Subash Finance Ltd. in excess of the 60% of paid-up share capital, free reserves and securities premium account. However, the company auditor took a contrary view to the resolution passed stating that the resolution did not mention the loan amount that can be provided for. Besides, from the minutes of the Board Meeting in which such item was discussed had a dissenting vote by one of the directors of the company. Comment on the issued raised by the auditor.*  
(4 marks)

**Answer 3(a)**

A trade union registered under the Trade Union Act, 1926 can be registered as a member and can hold shares in a company in its own corporate name [*All India Bank Officers Confederation v. Dhanlakshmi Bank Ltd., (1997)*]. Hence, a registered trade union can become members of a company.

If the Auto drivers association is a registered trade union then the rejection by the company to allot shares in the Association name is not justifiable.

But if it is not registered then the members of the association can hold the shares in their joint names only and shares cannot be allotted in the name of the trade union.

**Answer 3(b)**

According to Rule 6 of the Companies (Meetings of Board and Its Powers) Rules, 2014, the Board of directors of every listed public company and a company covered under Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 shall constitute an Audit Committee of the Board.

Class of companies defined in Rule 4(1) of the Companies (Appointment and Qualification of Directors) Rules, 2014:-

- (i) all public companies with a paid up capital of ten crore rupees or more; or
- (ii) all public companies having turnover of one hundred crore rupees or more; or
- (iii) all public companies, having in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees.

Further, Rule 4(2) of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides that the following classes of unlisted public companies shall not be covered under above rule, namely:-

- (a) a Joint venture
- (b) a wholly owned subsidiary and
- (c) a dormant company.

Hence it is clear that the wholly owned subsidiary company XY Ltd is not covered under Rule 4 and so need not constitute Audit Committee of the Board.

**Answer 3(c)**

Secretarial Standard 2 -Para 15 deals with the adjournment of meetings. Under that, Chairman of a general meeting may also adjourn a meeting in the event of disorder or other like causes, when it becomes impossible to conduct the meeting and complete its business. In the given case, since there was a disorder and commotion during the meeting, the Chairman was right in adjourning the meeting though the same was not accepted by members present.

Further, SS-2 says that at an adjourned meeting, only the unfinished business of the original meeting shall be considered. Hence, the Chairman was right in considering the unfinished special business as set out in the AGM notice in the adjourned meeting.

**Answer 3(d)**

Section 137(1) of Companies Act, 2013 requires that a company shall attach along with its financial statements to be filed with the Registrar, the accounts of its subsidiary(ies) which have been incorporated outside India and which have not established their place of business in India.

In case of a foreign subsidiary, which is not required to get its accounts audited as per legal requirements prevalent in the country of its incorporation and which does not get such accounts audited, the holding / parent Indian company may place / file such unaudited accounts to comply with requirements of Section 137(1) as applicable. These, however, would need to be translated in English, if the original accounts are not in English. Further, the format of accounts of foreign subsidiaries should be, as far as possible, in accordance with requirements under Companies Act, 2013. In case this is not possible, a statement indicating the reasons for deviation may be placed / filed along with such accounts.

In light of above, there is no legal requirement for Star Ltd to get the accounts audited of the subsidiary incorporated in Brazil, however, the company may get accounts of its subsidiary audited for its satisfaction. Nowhere does the law prohibit the same.

**Answer 3A(i)**

Section 53 of Companies Act, 2013 read with Rule 8(1) of Companies (Share Capital and Debentures) Rules, 2014 deal with issue of sweat equity share by a company.

Accordingly, Employee as per explanation to Rule 8(1) of Companies (Share Capital and Debentures) Rules, 2014 is as under:

“Employee” means-

- (a) a permanent employee of the company who has been working in India or outside India, for at least last one year or;
- (b) a director of the company, whether a whole-time director or not; or
- (c) an employee or a director as defined in sub-clauses (a) or (b) above of a subsidiary, in India or outside India, or of a holding company of the company;

Considering the above,

- (a) Issuance of sweat equity shares by Kamadenu Sugars Ltd. to temporary employee accounts to non-compliance of the provisions of Companies Act, 2013.
- (b) Further issuance of sweat equity shares by Kamadenu Sugars Ltd. to part time director of the company is valid as employee includes ‘a director of the company whether a whole time director or not’.

**Answer 3A(ii)**

Rule 6 of Companies (Incorporation) Rules, 2014 states that when the paid-up share capital of an One Person Company exceeds Rs.50 lakhs or its average annual turnover during the relevant period exceeds Rs.2 crores, it shall cease to be entitled to continue as a One Person Company. Conversion of OPC into a Private limited company or a

Public company, shall be within 6 months of the date on which its paid-up share capital is increased beyond Rs.50 lakhs or the last day of the relevant period during which its average annual turnover exceeds Rs. 2 crores, as the case may be.

Applying the aforesaid provisions, in the given case the paid-up capital and turnover of One person Company has not exceeded the prescribed limit, there is no need for conversion of the OPC to a Private company or a Public company.

**Answer 3A(iii)**

Secretarial standard on Board Meetings SS-1 provides that any director duly authorized by the Board can certify the board resolution irrespective of whether he attended the relevant board meeting or not. Hence in the given case if the Surajit, a Director, is authorised by the Board to do so he may act accordingly.

As per Para 7.7.2 of SS-1, certified true copy of any resolution passed at a meeting may be issued even before signing of the minutes if the text of that resolution had been placed at the meeting.

**Answer 3A(iv)**

In terms of sec 186 (2) of the Companies Act, 2013, no Company shall, directly or indirectly:

- (a) give any loan to any person or other body corporate;
- (b) give any guarantee, or provide security, in connection with a loan to any other body corporate or person; and
- (c) acquire, by way of subscription, purchase or otherwise the securities of any other body corporate; exceeding 60% of its paid-up share capital, free reserves and securities premium account or 100% of its free reserves and securities premium account, whichever is more.

Where a loan and investment made, the amount for which guarantee or security provided to or in all other bodies corporate along with the investment, loan, guarantee or security proposed to be made or given by the Board exceeds the limits as specified above, no investment or loan shall be made or guarantee shall be given or security shall be provided unless previously authorized by a special resolution passed at a general meeting.

There is no requirement to mention the amount in such resolution however, all relevant details may be given in the resolution and explanatory statement as good corporate governance practice.

According to section 186(5), no investment shall be made or loan or guarantee or security given by the company unless the resolution sanctioning it is passed at a meeting of the Board with the consent of all the directors present at the meeting and the prior approval of the public financial institution concerned where any term loan is subsisting, is obtained.

**Question 4**

(a) *Following is the balance sheet of Fun Ltd. as on 31st March, 2018 :*

	<i>Liabilities (₹)</i>
<i>Equity shares of ₹10 each fully paid</i>	<i>12,50,000</i>
<i>Revenue reserve</i>	<i>15,00,000</i>
<i>Securities premium</i>	<i>2,50,000</i>
<i>Profit &amp; loss account</i>	<i>1,25,000</i>
<i>12% debenture</i>	<i>18,75,000</i>
<i>Unsecured loan</i>	<i>10,00,000</i>
<i>Current liabilities</i>	<i>16,50,000</i>
	<u><i>76,50,000</i></u>
 <i>Assets</i>	
<i>Fixed assets</i>	<i>46,50,000</i>
<i>Current assets</i>	<i>30,00,000</i>
	<u><i>76,50,000</i></u>

*Assuming the company has obtained necessary authorisation and approval under the Companies Act, 2013, ascertain the maximum number of shares that can be bought back on 1st April, 2018 at ₹20 per share. (8 marks)*

(b) *Ganesh and his wife Seema are the shareholders of the XY Company Ltd. holding jointly 3% of equity shares. Ganesh is working in the company as executive vice-president of Operations and he draws a salary of ₹8 lakh per month. His son Jackson is a technical specialist and is also employed in the same company drawing a salary of ₹9 lakh per month. The managing director of XY Company Ltd., Agarwal is paid an annual salary of ₹90 lakh.*

*Under these circumstances does the Board of Directors have any duty towards these employees under Section 197 of the Companies Act, 2013 ? (8 marks)*

**Answer 4(a)**

The buy-back of shares is governed under section 68 of Companies Act, 2013. The following conditions should be met under section 68:

According to sub-section 2, shareholders by a special resolution can approve buy-back up to 25% of the total paid-up capital and free reserves of the company. The buy-back shall be twenty-five per cent or less of the aggregate of paid-up capital and free reserves of the company. Further in respect of the buy-back of equity shares in any financial year, the reference to twenty-five per cent in this clause shall be construed with respect to its total paid-up equity capital in that financial year. The ratio of the aggregate of secured and unsecured debts owed by the company after buy-back is not more than twice the paid-up capital and its free reserves.

Accordingly,

A. Share Outstanding test

Number of equity share: 1,25,000

25% thereof = 31250

B. Resource Test

Buy back can be made upto 25% of Paid up capital (Rs. 12,50,000) + free reserves (Rs. 15,00,000+2,50,000+1,25,000) i.e. Rs. 31,25,000 \*25%= Rs. 7,81,250.

Buy Back price is Rs. 20 hence number of shares to be bought back is 7,81,250= 39062.5 shares which comes to total 39062 shares.

C. Debt Equity Ratio

Secured and unsecured debt= 18,75,000+ 10,00,000= 28,75,000

Debt Equity ratio post buy-back should be 2:1 or the equity should be half of the debt, hence desirable minimum capital is Rs. 14,37,500 (Rs. 28,75,000/2).

Shareholder Fund: Rs. 31,25,000

Maximum Amount that can be bought back is Rs. 31,25,000- Rs. 14,37,500= Rs. 16,87,500

Hence No of shares in this situation is Rs.16,87,500/20= 84375

In the present case maximum number of shares that can be bought back shall be 25% of equity shares i.e. 31250 shares can be bought back at Rs, 20 each.

**Answer 4(b)**

According to section 197 of Companies Act, 2013 read with Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and amendment thereunder the following disclosure on particulars of employees are to be made :

The board's report shall include a statement showing the names of top ten employees and the name of every employee of the company, who-

- (i) if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees;
- (ii) if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month;
- (iii) if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.

Since Ganesh and Seema jointly hold more than 2% equity shares and Ganesh

draws a salary more than that of Managing director, his name should be disclosed in the Board's report.

Further, his son employed in XY Company Ltd., drawing more than Rs. 9 lakh rupees a month, his name should also be disclosed in the Board's report.

### Question 5

- (a) *Mr. X who is a citizen of Pakistan, is a shareholder of an Indian company. The company held its last AGM on 15 September, 2018. There was a war between India and Pakistan between 10th August, 2018 and 28th September, 2018. Mr. X did not receive the AGM Notice and consequently could not do e-voting. He complained to the Chairman of the Company about non-receipt of AGM Notice resulting in non-exercise of e-voting. Comment on the eligibility and voting by Mr. X under the relevant provisions of the Companies Act, 2013. (4 marks)*
- (b) *After a raid conducted by the Chief Commissioner of Income Tax on Mr. Reddy, income tax liability was raised against him to a tune of ₹5 crores. Mr. Reddy immediately handed over shares standing in his name in Zinc Ltd. worth of ₹5 crores. Chief Commissioner of Income Tax had lodged a share transfer with Zinc Ltd. to transfer the shares in favour of Chief Commissioner of Income Tax as a part of recovery of tax liability. Comment on the possibility of such transfer under the provisions of the Companies Act, 2013. (4 marks)*
- (c) *SAM & Co. are the auditors of MAS Company Limited appointed at the AGM held in 15 September, 2017 for a period of 5 years. However, due to difference of opinion, SAM & Co. decided not to seek re-appointment as auditors at the AGM held on 28th September, 2018 but failed to inform their unwillingness in writing prior to AGM. Company went ahead and appointed them as auditors at the AGM held on 28th September, 2018. Post AGM (held on 28th September, 2018), SAM & Co. informed their unwillingness to act as auditors. Comment on the validity of such appointment and what steps to be taken by the company under these circumstances. (4 marks)*
- (d) *Sunny Ltd. is a listed company closed its register of members (Equity) and the register of debenture holders for a period from 1st July to 31st July at one stretch during the financial year 2017-18. During the same financial year, it had closed its register of other security holders for a period of 13 days at a different time. Comment on its validity in your Secretarial Audit report to the Company. (4 marks)*

### Answer 5(a)

A foreigner may take shares in an Indian company and become a member subject to the provisions of the Foreign Exchange Management Act, 1999, but in the event of war with his country, he becomes an alien enemy and his power of voting and his rights to receive notices are suspended.

Accordingly, in the given case there was a war between India and Pakistan between 10th August, 2018 and 28th September, 2018, the act of the chairman to suspend voting shareholder of enemy country is valid.



**Answer 5(b)**

The Companies Act, 2013 contains no provisions with regard to the registration of shares in the name of a public office. Shares cannot, therefore, be registered in the names of public offices like the Collector of Central Excise or Chief Commissioner of Income Tax etc.

Hence, the transfer lodged by Chief Commissioner of Income Tax to transfer the shares of Mr. Reddy is not tenable under the Companies Act, 2013.

**Answer 5(c)**

The present case is a resignation of auditor post AGM held on 28th Sep 2018. Hence, this becomes a resignation by the Auditor and SAM & Co. shall file a statement in ADT-3 indicating the reasons and other facts with regard to their resignation, with the Company and the registrar.

Any casual vacancy in the office of an auditor shall in the case of a company, be filled by the Board of Directors within thirty days. Where such casual vacancy is as a result of the resignation of an auditor, such appointment shall also be approved by the company at a general meeting convened within three months of the recommendation of the Board and he shall hold the office till the conclusion of the next annual general meeting.

**Answer 5(d)**

In terms of section 91 of the Companies Act, 2013, a Company may close the register of members or the register of debenture-holders or the register of other security holders for any period or periods not exceeding in the aggregate 45 days in each year, but not exceeding 30 days at any one time, subject to giving of previous notice of at least 7 days or such less period as may be specified by Securities and Exchange Board for listed companies.

Applying the aforesaid provisions to the instant case, the said company had violated Sec 91 by closing at one go for a period beyond 30 days (in the given case, it was for 31 days) but not violated the aggregate period of 44 days in a year ( in the given case, it was for 45 days during the financial year 2017-18).

**Question 6**

(a) *The issued, subscribed and paid up capital of Trustwell HR Solutions Ltd. is ₹5 lakh consisting of 45,000 equity shares of ₹10 each fully paid up and 5,000 preference shares of ₹10 each fully paid up. Out of members of the company, 400 members holding one preference share each and 50 members holding 500 equity shares applied for relief from oppression and mismanagement under the Companies Act, 2013. The company had 300 equity shareholders and 2,500 preference shareholders as per information obtained from its register of members. State if the above petition is maintainable under the Companies Act, 2013.*

(4 marks)

(b) *SAM is a Director of a Producer Company. The said Producer Company did not file Annual Accounts and Annual Return for the FY 2013-14, 2014-15 and 2016-17. Comment whether the said director will vacate his office under the provisions*

*of the Companies Act, 2013 ? The said Producer Company has in its articles to have a minimum of four Directors and a maximum of 16 Directors. Comment whether such provision in its articles is right ? (4 marks)*

*(c) Net India Ltd. has been under investigation by the Central Bureau of Investigation (CBI) in the public interest. However the investigation was assigned by central government to Serious Fraud Investigation Office (SFIO). The CBI continued to carry out the investigation contenting that it had superseding powers over the SFIO. Will CBI be justified in its contention ? (4 marks)*

*(d) Zinc Ltd. has acquired an immovable property in London and created a Charge in favour of a Bank in UNITED KINGDOM for having availed a loan against the said property under the Companies Act of United Kingdom on September 30th 2018. Advise whether the company has to create a charge under the provisions of the Companies Act, 2013 in India also ? (4 marks)*

### **Answer 6(a)**

As per section 244 (1) of the Companies Act, 2013, in the case of a company having a share capital, members eligible to apply for oppression and mismanagement shall be lowest of the following:

- 100 members; or
- 1/10th of the total number of members; or
- Members (including equity shareholder as well as preference shareholder) holding not less than 1/10th of the issued share capital of the company.

The application alleging oppression and mismanagement has been made by the members as follows:

Number of members making the application:

- Preference shareholders 400
- Equity shareholders 50
- Total members 450

As it is evident, the application made by 450 members meets the eligibility criteria specified u/ s 244. Therefore, the application is maintainable.

### **Answer 6(b)**

According to Section 581Q(1)(d)(a) of the Companies Act, 1956 as applicable to producer companies,

The office of the director of a Producer Company shall become vacant if the Producer Company, in which he is a director has not filed the annual accounts and annual return for any continuous three financial years commencing on or after the 1st day of April, 2002

The condition of three consecutive years has not be satisfy. Therefore the office of the director shall not be vacated.

Sec 581O of the Companies Act, 1956 provides that, every Producer Company shall have minimum of five Directors and not more than 15 Directors.

The provision of the Articles in the given case is inconsistency with the provision of the Act, and is ultra vires the Act.

**Answer 6(c)**

Section 212(2) of Companies Act, 2013 provides that where any case has been assigned by the Central Government to the Serious Fraud Investigation Office for investigation under this Act, no other investigating agency of Central Government or any State Government shall proceed with investigation in such case in respect of any offence under this Act and in case any such investigation has already been initiated, it shall not be proceeded further with and the concerned agency shall transfer the relevant documents and records in respect of such offences under this Act to the SFIO.

Section 212(2) provides a superseding power only to SFIO and not to any other investigating agency, CBI cannot proceed with the investigation; it has to transfer all relevant documents to SFIO.

**Answer 6(d)**

Section 77(1) of Companies Act, 2013 states that it shall be the duty of every company creating a charge within or outside India, on its property or assets or any of its undertakings, whether tangible or otherwise, and situated in or outside India, to register the particulars of the charge signed by the company and the charge-holder together with the instruments, if any, creating such charge in such form, on payment of such fees and in such manner, as may be prescribed, with the Registrar within 30 days of its creation.

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## **COST AND MANAGEMENT ACCOUNTING - SELECT SERIES**

*Time allowed : 3 hours*

*Maximum marks : 100*

*Total number of Questions : 100*

1. Product cost includes :
  - (A) All direct costs
  - (B) All variable costs
  - (C) Full Factory cost
  - (D) Factory overheads
2. Conversion cost is :
  - (A) Sum of direct material, direct labour, direct expenses and factory overheads
  - (B) Sum of direct material, direct labour, direct expenses and variable factory overheads
  - (C) Sum of direct labour and factory overheads
  - (D) Factory overheads only
3. Costs are classified as “Research and Development Costs” by the way of :
  - (A) Nature or Element
  - (B) Functions
  - (C) Degree of traceability
  - (D) Changes in Activity or Volume
4. Which one of the following industries adopts batch costing for determining the total cost ?
  - (A) Computer manufacturing
  - (B) Oil Refinery
  - (C) Car manufacturing
  - (D) Drug industry
5. While allocating service departments costs to production departments which one of the following is not a method of re-distribution ?
  - (A) Simultaneous equation method
  - (B) Capital values method
  - (C) Direct distribution method
  - (D) Repeated distribution method

6. The following data obtained from the cost records of CS Limited :

Item	Standard	Actual
Output in units	40,000	50,000
Hours worked	2,500	2,400
Fixed Overheads	₹6,00,000	₹9,00,000

Fixed Overhead Volume Variance will be :

- (A) ₹1,20,000 (F)  
 (B) ₹3,00,000 (A)  
 (C) ₹1,50,000 (F)  
 (D) ₹1,50,000 (A)
7. Which of the following is an examples for Key Factor ?  
 (A) Raw material price  
 (B) No. of plants used in manufacturing  
 (C) Labour turnover  
 (D) Plant capacity
8. In ..... both fixed and variable costs are charged to products.  
 (A) Marginal costing  
 (B) Multiple costing  
 (C) Absorption costing  
 (D) Direct costing
9. A devise used for the purpose of breaking up or separating costs into smaller sub-divisions, is known as :  
 (A) Cost Centre  
 (B) Responsible Centre  
 (C) Cost Classification  
 (D) Cost Unit
10. .... encourages managers to identify which activities are value added activities.  
 (A) Standard Costing  
 (B) Activity-based Costing  
 (C) Uniform Costing  
 (D) Direct Costing

11. Which of the following Cost Accounting Standards (CAS) is related to "Depreciation and Amortisation" ?
- (A) CAS-4
  - (B) CAS-12
  - (C) CAS-16
  - (D) CAS-21
12. Cost of Idle Time due to abnormal causes should be :
- (A) Treated as part of cost of production
  - (B) Not included as a part of cost of production
  - (C) Charged to costing profit and loss account
  - (D) Separately shown in the financial statements
13. Total number of workers : 100  
Idle time 10%, out of which 50% normal idle time  
Working days per year @ 8 hours per day : 300 days  
Factory overheads : ₹1,02,60,000  
Direct labour hour rate will be :
- (A) ₹42.75
  - (B) ₹45
  - (C) ₹47.5
  - (D) ₹47.025
14. ABC emphasise on :
- (A) More precise profit analysis
  - (B) More accurate costing
  - (C) Improved cost control
  - (D) All of the above three
15. The following particulars are related to Job No. 131 :
- |                 |         |
|-----------------|---------|
| Direct material | ₹16,000 |
| Direct labour   | ₹18,000 |
| Direct expenses | ₹2,400  |
- Factory overheads are recovered on the basis of 150 percent on direct labour

cost and administrative overheads at 10 percent on factory cost. The total cost of the job will be :

- (A) ₹1,01,000
  - (B) ₹63,400
  - (C) ₹69,740
  - (D) ₹67,100
16. If the loss as per financial accounts is ₹1,65,000 and opening stock is overvalued in cost accounts by ₹25,000 and closing stock is undervalued in cost accounts by ₹32,000, the loss as per cost accounts will be :
- (A) ₹1,08,000
  - (B) ₹1,58,000
  - (C) ₹1,72,000
  - (D) ₹2,22,000
17. The following are the data related to Job No. 102 :
- Raw materials ₹21,000
- Direct wages for 80 hours @ ₹150 per hour
- Factory overhead incurred for all jobs ₹4,80,000 for 4,000 hours.
- Factory cost of the Job No. 102 will be :
- (A) ₹33,000
  - (B) ₹42,600
  - (C) ₹51,300
  - (D) ₹22,020
18. The monthly requirement of a component is 4,000 units. The cost per order is ₹1,000 and the carrying cost per unit per annum is ₹24. The Economic Ordering Quantity is :
- (A) 2,000 units
  - (B) 4,000 units
  - (C) 577.35 units
  - (D) 1,825.74 units
19. During the time of inflation, which method of pricing of material issues leads to a higher material costs for a job ?
- (A) First in first out method
  - (B) Last in first out method
  - (C) Highest in first out method
  - (D) Standard pricing method

20. During the 48 hour week, Shri Sonu produced 2,100 units. The standard time allowed to produce one unit is 2 minutes. If he received wages for a guaranteed 48 hours per week at the rate of ₹50 per hour and bonus according to Rowan Plan, the total earnings will be :
- (A) ₹2,950
  - (B) ₹2,400
  - (C) ₹3,500
  - (D) ₹3,154
21. P/V Ratio 40%; Sales ₹65,00,000 and BEP ₹47,50,000. Profit will be :
- (A) ₹26,00,000
  - (B) ₹19,00,000
  - (C) ₹45,00,000
  - (D) ₹7,00,000
22. If standard output for 8 hours is 200 units and actual output in 10 hours is 350 units, the efficiency level will be :
- (A) 175%
  - (B) 140%
  - (C) 57.14%
  - (D) 71.42%
23. Which of the following is *not* an objective of Management Accounting ?
- (A) To formulate planning and policy
  - (B) To provide report
  - (C) To determine the selling price
  - (D) To assist in decision-making process
24. When loss as per cost accounts is ₹36,000 and factory overhead under absorbed being ₹1,15,000, the loss/profit as per financial accounts should be :
- (A) Loss ₹1,51,000
  - (B) Loss ₹79,000
  - (C) Profit ₹79,000
  - (D) Profit ₹1,51,000



25. The following information relates to a production department of Cheenu Limited:

₹	
Material used	5,00,000
Direct labour	4,00,000
Factory overhead	2,25,000

In an order carried out in the department, direct material amounted to ₹60,000 and direct labour amounted to ₹35,000. On the basis of prime cost, amount of the factory overhead chargeable to this order will be :

- (A) ₹19,688  
 (B) ₹23,750  
 (C) ₹27,000  
 (D) ₹42,750
26. From the following data, P/V Ratio will be :
- | Year    | Cost of Sales (₹) | Profit (₹) |
|---------|-------------------|------------|
| 2016-17 | 40,00,000         | 5,00,000   |
| 2017-18 | 60,00,000         | 15,00,000  |
- (A) 12%  
 (B) 25%  
 (C) 20%  
 (D)  $33\frac{1}{3}\%$
27. Given, Sales ₹80 Lakh; Net Profit ₹8 Lakh and Fixed Cost ₹12 Lakh. On the basis of the data, if sales is ₹120 Lakh, then the profit will be :
- (A) ₹18 Lakh  
 (B) ₹12 Lakh  
 (C) ₹10 Lakh  
 (D) ₹6 Lakh
28. Which of the following is a situation in which the bonus under Halsey 50% Plan as well as under Rowan Plan will be same ?
- (A) When time saved is less than time taken  
 (B) When time saved is more than time taken  
 (C) When time saved is equal to time taken  
 (D) No such situation is possible

29. A factory engaged in manufacturing LED Lamps is working at 60% capacity and produces 1,20,000 LED Lamps per annum.

The present cost-break-up and selling price for one LED Lamp is as under :

	₹
Direct Material	10
Direct Labour	16
Overheads	20 (60% fixed)
Selling Price	60

If the factory operates its 90% capacity, then profit will be :

- (A) ₹16,80,000  
 (B) ₹32,40,000  
 (C) ₹25,20,000  
 (D) ₹67,20,000
30. The data given below :

	<b>Standard</b>	<b>Actual</b>
Labour Hours	5,000	6,000
Variable Overheads	₹1,00,000	₹1,10,000
Output (Units)	10,000	8,000

Variable Overhead Efficiency Variance will be :

- (A) ₹10,000 (A)  
 (B) ₹40,000 (A)  
 (C) ₹30,000 (A)  
 (D) ₹30,000 (F)
31. In ..... technique of inventory control, quantities in hand of each item or class of stock is reviewed periodically say, 30, 45 or 60 days.
- (A) ABC Analysis  
 (B) Two-bin System  
 (C) Order Cycling System  
 (D) Perpetual Inventory System

32. If the Minimum Stock Level is 2,500 units, Normal Consumption is 150 units, Maximum Re-order Period is 10 days and Normal Re-order Period is 8 days, then Re-order Level will be :
- (A) 1,500 units
  - (B) 4,000 units
  - (C) 1,200 units
  - (D) 3,700 units
33. If annual total carrying cost, per unit carrying cost and cost per order are ₹15,000, ₹10 and ₹150 respectively, then Economic Order Quantity will be :
- (A) 1,500 units
  - (B) 3,000 units
  - (C) 100 units
  - (D) 200 units
34. Which of the following documents records quantity and value of the material ?
- (A) Bin card
  - (B) Stores ledger
  - (C) Both (A) and (B)
  - (D) None of (A) and (B)
35. Which one of the following methods of pricing of material issues is useful in process costing ?
- (A) First in first out method
  - (B) Last in first out method
  - (C) Simple average method
  - (D) Periodic weighted average method
36. .... is a budget which, by recognising different cost behaviour patterns, is designed to change in relation to the volume of output.
- (A) Production Budget
  - (B) Performance Budget
  - (C) Zero Base Budget
  - (D) Flexible Budget

37. Job card is a method of :
- (A) Time-Keeping
  - (B) Time-Booking
  - (C) Payroll preparation
  - (D) Job Analysis
38. Time allowed for a job to Mr. W is 10 hours and time taken by him is 4 hours. Wages rate is ₹75 per hour. If he wants to get higher amount of total wages, then the incentive plan to be opted by him will be :
- (A) Halsey 50% Plan
  - (B) Rowan Plan
  - (C) Halsey-Weir Plan
  - (D) Any of the above plans

39. The production cost of 1,000 units of an article is as follows :

Cost	₹
Direct Material	4,00,000
Direct Wages	3,00,000
Fixed and Variable Overheads	2,00,000

The company produced 5,000 units and sold at ₹1,000 per unit and earned a profit of ₹10,00,000. The amount of Variable overhead per unit is :

- (A) ₹200
  - (B) ₹75
  - (C) ₹100
  - (D) ₹120
40. Which of the following is not a method of segregating semi-variable costs into fixed and variable costs ?
- (A) Graphical presentation method
  - (B) Least square method
  - (C) Semi-average method
  - (D) High and low points method

41. Costs which are caused by a group of things being made or processed at a single time are referred to as :
- (A) Product-level costs
  - (B) Cost pool
  - (C) Organizational-level costs
  - (D) Batch level costs
42. Which of the following is *not* a benefit of Integrated Accounting System ?
- (A) No need for reconciliation
  - (B) Easy method to maintain accounts and avoid unnecessary complications
  - (C) More amount of profit, as cost and financial account profits are taken together
  - (D) There is saving of time
43. Suitable costing system for repair shops is :
- (A) Unit costing
  - (B) Operation costing
  - (C) Operating costing
  - (D) Job costing
44. Given, Contract price ₹40 Lakh, Work certified ₹25 Lakh and Cash received ₹20 Lakh. If loss amounted to ₹1.5 Lakh, then amount of loss transferred to profit and loss account will be :
- (A) ₹80,000
  - (B) ₹1,00,000
  - (C) ₹40,000
  - (D) ₹1,50,000
45. Contract price ₹200 Lakh, Profit recognized up to 31st March, 2017 ₹4.5 Lakh and Cost of work certified during 2017-18 ₹72 Lakh. If Estimated Profit and Estimated Total Cost respectively are ₹25.2 Lakh and ₹172.8 Lakh, profit to be recognized as per AS-7 in 2017-18 will be :
- (A) ₹9.072 Lakh
  - (B) ₹10.692 Lakh
  - (C) ₹6 Lakh
  - (D) ₹10.5 Lakh

46. The input in a process is 8,600 units and normal loss is considered at 5% of input. If the actual output is 8,200 units, then there will be :
- (A) Abnormal loss of 30 units
  - (B) Abnormal loss of 400 units
  - (C) Abnormal gain of 400 units
  - (D) Abnormal gain of 30 units
47. The input in a process is 10,000 units, Normal loss is considered as 5% of input which valued at ₹10 per unit and actual output is 9,350 units. If the total cost of the process is ₹2,71,000, then value of abnormal loss/gain will be :
- (A) Abnormal loss ₹4,200
  - (B) Abnormal gain ₹4,200
  - (C) Abnormal loss ₹1,500
  - (D) Abnormal loss ₹4,279
48. .... is valued in terms of equivalent production units.
- (A) Stock of raw material
  - (B) Stock of work-in-progress
  - (C) Stock of finished goods
  - (D) All the above three stocks
49. In oil refinery, during processing of crude oil, bitumen and chemical fertilizer are also obtained with the main product. These are examples of :
- (A) Joint products
  - (B) By-products
  - (C) Co-products
  - (D) Combined products
50. Which of the following is the commonly used method for apportioning joint process costs over the joint products ?
- (A) Standard cost method
  - (B) Opportunity cost method
  - (C) Survey method
  - (D) Replacement cost method

51. Standard output for 10 hours is 240 units, Actual output in 15 hours is 396 units and wages rate is ₹80 per hour. The amount of gross wages under Emerson Efficiency Plan will be :
- (A) ₹1,260  
(B) ₹1,309  
(C) ₹1,320  
(D) ₹1,560
52. If prime cost is ₹3,75,000; Factory cost is ₹6,00,000 and administrative overheads are 50% of the factory overheads, then the administrative overheads will be :
- (A) ₹2,25,000  
(B) ₹1,12,500  
(C) ₹1,87,500  
(D) ₹3,00,000
53. Opening stock, Production and Closing stock are 2,500 units, 32,500 units and 3,250 units respectively. If ₹15 per unit is spent on each unit sold, then total selling expenses will be :
- (A) ₹4,87,500  
(B) ₹4,98,750  
(C) ₹5,73,750  
(D) ₹4,76,250
54. A hotel having 100 rooms of which 80% are normally occupied in summer and 40% in winter. Period of summer and winter will be taken as 6 months each and normal days in a month be assumed to be 30 days. Total occupied room days in a year will be :
- (A) 28,800  
(B) 21,600  
(C) 14,400  
(D) 36,000
55. P/V Ratio for the firm is 60%, Total fixed costs are ₹10,40,000 and variable cost per unit is ₹720. If the sales are 20,000 units, then selling price per unit will be:
- (A) ₹1,200  
(B) ₹772  
(C) ₹1,930  
(D) ₹1,800

56. If the P/V Ratio is 30%, Margin of Safety is 40% and BEP is ₹48 Lakh, then profit will be :
- (A) ₹9.60 Lakh
  - (B) ₹14.40 Lakh
  - (C) ₹5.76 Lakh
  - (D) ₹24 Lakh
57. Fixed costs ₹45 Lakh, Variable costs ₹120 Lakh and Profit ₹35 Lakh, then P/V Ratio is :
- (A) 29.17%
  - (B) 37.5%
  - (C) 66.67%
  - (D) 40%
58. From the following information, the total passenger kilometers for the month of May, 2018 will be :
- |                                      |                 |
|--------------------------------------|-----------------|
| Number of Buses                      | 4               |
| Round trips made by each bus per day | 5               |
| Distance of route                    | 60 km           |
| Capacity of bus                      | 45 passengers   |
| Normal passenger travelling          | 90% of capacity |
| Days operated in the month           | All days        |
- (A) 15,06,600 Pass-km
  - (B) 7,53,300 Pass-km
  - (C) 7,29,000 Pass-km
  - (D) 14,58,000 Pass-km
59. Which of the following techniques of costing is also known as out-of-pocket costing ?
- (A) Standard Costing
  - (B) Historical Costing
  - (C) Marginal Costing
  - (D) Uniform Costing



60. Sales increased from ₹750 Lakh to ₹875 Lakh. If P/V Ratio is 30%, then increase in the contribution will be :
- (A) ₹262 Lakh  
 (B) ₹225 Lakh  
 (C) ₹37.50 Lakh  
 (D) ₹125 Lakh
61. The standard referred to the target which can be attained under the most favourable conditions with no allowance for normal losses, waste and machine down time, is known as :
- (A) Normal Standard  
 (B) Attainable Standard  
 (C) Basic Standard  
 (D) Ideal Standard
62. Which of the following techniques is most suitable to measure the performance of each segment of a concern ?
- (A) Activity Based Costing  
 (B) Uniform Costing  
 (C) Absorption Costing  
 (D) Standard Costing
63. If MCV = ₹7,500 (A), MPV = ₹2,000 (F) and MMV = ₹6,200 (A), then MYV will be :
- (A) ₹700 (F)  
 (B) ₹3,300 (A)  
 (C) ₹3,300 (F)  
 (D) ₹8,200 (A)
64. **Standard Mix**                      **Actual Mix**  
 Material-X : 60 kg                      Material-X : 112 kg  
 Material-Y : 40 kg                      Material-Y : 68 kg  
 Loss @ 20%                              Loss @ 25%
- Revised Standard Quantity (RSQ) will be :
- (A) X – 81 kg and Y – 54 kg  
 (B) X – 108 kg and Y – 72 kg

- (C) X – 72 kg and Y – 108 kg  
(D) X – 48 kg and Y – 32 kg
65. Which of the following variance is always adverse ?  
(A) Labour Rate Variance  
(B) Efficiency Variance  
(C) Labour Idle Time Variance  
(D) Capacity Variance
66. If LEV, LITV and LMV are ₹6,300 (A), ₹600 (A) and ₹1,800 (F) respectively, then LYV will be :  
(A) ₹5,100 (A)  
(B) ₹7,500 (A)  
(C) ₹1,200 (F)  
(D) ₹8,100 (A)
67. .... is an operating and financial plan of a business enterprise.  
(A) Forecast  
(B) Budget  
(C) Estimate  
(D) Standard
68. .... is based on the premise that every rupee of expenditure requires justification.  
(A) Zero Base Budgeting  
(B) Programme Budgeting  
(C) Performance Budgeting  
(D) Appraisal Budgeting
69. Which of the following Sections of the Companies Act, 2013 deals with the audit of Cost Accounting Records ?  
(A) Section 128  
(B) Section 145  
(C) Section 147  
(D) Section 148

70. Remuneration of cost auditor is to be determined in accordance with provisions of :
- (A) Section 148(3) of the Companies Act, 2013
  - (B) Section 143(12) of the Companies Act, 2013
  - (C) Section 147(1) of the Companies Act, 2013
  - (D) Section 148(5) of the Companies Act, 2013
71. Which of the following is *not* a commonly used method of analyzing financial statements ?
- (A) Common Size Statement
  - (B) Standard Size Statement
  - (C) Comparative Statement
  - (D) Funds Flow Statement
72. Total Assets Turnover Ratio is a :
- (A) Profitability Ratio
  - (B) Activity Ratio
  - (C) Financial Ratio
  - (D) Market Test Ratio
73. Common Size Statements are examples for :
- (A) Horizontal Analysis
  - (B) Vertical Analysis
  - (C) Lateral Analysis
  - (D) Cross Analysis
74. In case of financial enterprises, cash flow arising from interest and dividends should be classified as cash flow from :
- (A) Operating Activities
  - (B) Financing Activities
  - (C) Investing Activities
  - (D) Business Activities
75. Flow of funds takes place whenever :
- (A) Non-current assets change into noncurrent liabilities
  - (B) Current assets change into current liabilities
  - (C) Non-current assets change into current liabilities
  - (D) All the above three occasions

76. If Working Capital is ₹24 Lakh, Total Debt is ₹52 Lakh and Long-term Debt is ₹40 Lakh, then current ratio will be :
- (A) 2 : 1
  - (B) 3 : 1
  - (C) 0.6 : 1
  - (D) 1.9 : 1
77. If Stock, Current Assets and Working Capital are ₹25 Lakh, ₹80 Lakh and ₹30 Lakh respectively, then liquid ratio will be :
- (A) 2.67 : 1
  - (B) 1.45 : 1
  - (C) 1.83 : 1
  - (D) 1.1 : 1
78. If current ratio is 2.5 : 1 and Working Capital is ₹120 Lakh, then current liabilities are :
- (A) ₹48 Lakh
  - (B) ₹200 Lakh
  - (C) ₹80 Lakh
  - (D) ₹180 Lakh
79. If Average Inventory is ₹125 Lakh, Inventory Turnover Ratio is 8 times and Profit is 20% on sales, then amount of sales will be :
- (A) ₹1,000 Lakh
  - (B) ₹1,200 Lakh
  - (C) ₹800 Lakh
  - (D) ₹1,250 Lakh
80. Current Ratio is 2.5 : 1 and Liquid Ratio is 1.5 : 1. If inventory is ₹9,60,000, then the amount of current assets will be :
- (A) ₹9.6 Lakh
  - (B) ₹14.40 Lakh
  - (C) ₹24 Lakh
  - (D) ₹38.40 Lakh

81. Cost of Goods Sold is ₹90 Lakh, Purchases are ₹96 Lakh and Closing Stock is ₹18 Lakh, then Stock Turnover Ratio will be :
- (A) 5 times
  - (B) 6 times
  - (C) 6.4 times
  - (D) 4.29 times
82. If Closing balance of Profit and Loss Account is ₹50 Lakh, Depreciation is ₹5 Lakh, Goodwill written off is ₹15 Lakh, Non-operating income is ₹10 Lakh and Opening balance of Profit and Loss Account is ₹15 Lakh, funds from operations will be :
- (A) ₹45 Lakh
  - (B) ₹35 Lakh
  - (C) ₹55 Lakh
  - (D) ₹40 Lakh
83. Investments at the beginning and at the end of the year 2017-18 were ₹255 Lakh and ₹210 Lakh respectively. During the year 40 percent of original investments were sold at a profit of ₹63 Lakh. Amount of cash inflow and outflow respectively from investments will be :
- (A) ₹102 Lakh and ₹57 Lakh
  - (B) ₹165 Lakh and ₹57 Lakh
  - (C) ₹45 Lakh and Nil
  - (D) ₹147 Lakh and ₹39 Lakh
84. If Market Price per share, Earning per share and Dividend per share are ₹150, ₹16.50 and ₹15 respectively, then Price Earning Ratio will be :
- (A) 10 times
  - (B) 9.09 times
  - (C) 1.1 times
  - (D) 0.91 times
85. Capital Gearing Ratio is categorized as :
- (A) Profitability Ratio
  - (B) Activity Ratio
  - (C) Long-term Solvency Ratio
  - (D) Market Test Ratio

86. The Cost Accounting Standard (CAS) concerned with quality control cost is :
- (A) CAS 21
  - (B) CAS 19
  - (C) CAS 14
  - (D) CAS 8
87. The under recovery or over recovery of overheads should be :
- (A) Carried forward to the next period
  - (B) Charged by a supplementary rate
  - (C) Transferred to Costing Profit and Loss Account
  - (D) Adjusted by using any one of the above three
88. .... method of pricing of material issues is not popular as it always undervalues the stock and leads to creation of secret reserve.
- (A) Weighted Average Price
  - (B) Base Stock
  - (C) Highest in First Out
  - (D) Standard Price
89. Under Balance Sheet Method of preparing cash budget, budget is prepared on the basis of :
- (A) Current year balance sheet
  - (B) Previous year balance sheet
  - (C) Forecasted balance sheet
  - (D) Consolidated balance sheet
90. .... Level Activities are identified in traditional Absorption Costing.
- (A) Unit
  - (B) Batch
  - (C) Product
  - (D) Business
91. Cost Audit as per the direction of the Central Government shall be conducted by:
- (A) A Chartered Accountant in practice
  - (B) A Cost Accountant in practice
  - (C) A Chartered Accountant or Cost Accountant in practice
  - (D) The Auditor General of India

92. In an organisation labour turnover rates for a period are computed under Flux method, Replacement method and Separation method as 8%, 5% and 4% respectively. If the number of workers replaced during that period is 40, the average number of workers on roll is :
- (A) 400
  - (B) 600
  - (C) 800
  - (D) 1,000
93. .... trace or link the cost of performing certain activities to cost objects in Activity Based Costing system.
- (A) Resource Drivers
  - (B) Cost Drivers
  - (C) Cost Pools
  - (D) Cost Objects
94. Under Bedaux Point system, the standard points fixed for a job is 600. A worker while completing the job earned 720 points. If the time rate per hour is ₹30, the bonus for the worker is :
- (A) ₹60
  - (B) ₹45
  - (C) ₹30
  - (D) ₹15
95. Most companies use ..... standards as the standards are more realistic.
- (A) Basic
  - (B) Current
  - (C) Attainable
  - (D) Ideal
96. Blanket overhead rate is used in a factory :
- (A) Where only one product is produced continuously
  - (B) Where several products are produced and all products are pass through all departments
  - (C) Where several products are produced and all products are processed for same length of time in each department
  - (D) All of the above

97. Cost auditor who conducts an audit of the cost records of a company shall submit his report along with :
- (A) Form CRA-1
  - (B) Form CRA-2
  - (C) Form CRA-3
  - (D) Form CRA-8
98. Which of the following is a service department ?
- (A) Machining Department
  - (B) Inspection Department
  - (C) Finishing Department
  - (D) Polishing Department
99. In integrated system of accounting only ..... accounts are prepared.
- (A) Personal and Real
  - (B) Real and Nominal
  - (C) Personal and Nominal
  - (D) Personal, Real and Nominal
100. By-products are distinguished from ..... only in respect of degree of importance and value.
- (A) Joint Products
  - (B) Waste
  - (C) Scrap
  - (D) All of the above



**ANSWER KEY**  
**COST AND MANAGEMENT ACCOUNTING - SELECT SERIES**

Q.no.	Ans	Q.no.	Ans	Q.no.	Ans
1	C	33	B	67	B
2	C	34	B	68	A
3	B	35	D	69	D
4	D	36	D	70	A
5	B	37	B	71	B
6	C	38	A	72	B
7	D	39	B	73	B
8	C	40	C	74	A
9	D	41	D	75	C
10	B	42	C	76	B
11	C	43	D	77	D
12	C	44	D	78	C
13	B	45	C	79	D
14	D	46	D	80	C
15	C	47	A	81	B
16	D	48	B	82	A
17	B	49	B	83	B
18	A	50	C	84	B
19	B	51	D	85	C
20	D	52	B	86	A
21	D	53	D	87	D
22	B	54	B	88	C
23	C	55	D	89	C
24	A	56	A	90	A
25	B	57	D	91	B
26	D	58	*	92	C
27	A	59	C	93	B
28	C	60	C	94	B
29	B	61	D	95	B
30	B	62	D	96	D
31	C	63	B	97	C
32	D	64	B	98	B
		65	C	99	A
		66	B	100	D

\*Q.58 : The correct answer is 30,13,200 pass-km.

## ECONOMIC AND COMMERCIAL LAWS

*Time allowed : 3 hours*

*Maximum marks : 100*

**NOTE :** Answer ALL Questions.

### PART A

#### Question 1

- (a) *The Central Government being aggrieved with the decision/orders of the Adjudicating Authority and Special Director (Appeals), appointed under sections 16 and 17 of the Foreign Exchange Management Act (FEMA), 1999 respectively, desires to file an appeal against such orders. Advise, how to proceed with ?*
- (b) *What are the essential factors, which the Competition Commission of India must bear in mind (Section 4 of the Competition Act, 2002), to determine whether an enterprise enjoys dominant position or not ?*
- (c) *Write a note on the role of the Financial Action Task Force (FATF) for preventing money laundering.*
- (d) *What obligations may be imposed upon an exporter, who receives advance payment from a buyer outside India, under Foreign Exchange Management Act (FEMA), 1999 ?*
- (e) *Under what circumstances a trade mark can be removed, from the register of Trade Mark under the Trade Mark Act, 1999 ? (Section 47 of the Trade Mark Act, 1999.)* (5 marks each)

#### Answer 1(a)

Pursuant to section 19 of the FEMA, 1999, being aggrieved by the orders of Adjudicating Authority or Special Director (Appeals), Central Government may prefer an appeal to the Appellate Tribunal established under Section 18 of the Foreign Exchange Management Act, 1999.

The Appellate Tribunal is empowered to hear appeals against the orders of Adjudication Authorities and Special Director (Appeals).

Every appeal shall be filed within a period of forty-five days from the date on which a copy of the order made by the Adjudicating Authority or the Special Director (Appeals) is received by the Central Government and appeal shall be in prescribed form and fee.

The Appellate Tribunal may entertain an appeal after expiry of the said period of forty-five days if it is satisfied that there was sufficient cause for not filing it within that period.

On receipt of an appeal the Appellate Tribunal may, after giving the parties to the appeal an opportunity of being heard, pass such orders thereon as it thinks fit, confirming, modifying or setting aside the order appealed against.

**Answer 1(b)**

For the purpose of determining whether an enterprise enjoys dominant position or not under Section 4 of the Competition Act, 2002, the Competition Commission of India shall have due regard to all or any of the following factors, namely –

- (i) market share of the enterprise;
- (ii) size and resources of the enterprise;
- (iii) size and importance of the competitors;
- (iv) economic power of the enterprise including commercial advantages over competitors;
- (v) vertical integration of the enterprises or sale or service network of such enterprises;
- (vi) dependence of consumers on the enterprise;
- (vii) monopoly or dominant position whether acquired as a result of any statute or by virtue of being a Government company or a public sector undertaking or otherwise;
- (viii) entry barriers including barriers such as regulatory barriers, financial risk, high capital cost of entry, marketing entry barriers, technical entry barriers, economies of scale, high cost of substitutable goods or service for consumers;
- (ix) countervailing buying power;
- (x) market structure and size of market;
- (xi) social obligations and social costs;
- (xii) relative advantage, by way of the contribution to the economic development, by the enterprise enjoying a dominant position having or likely to have an appreciable adverse effect on competition;
- (xiii) any other factor which the Commission may consider relevant for the inquiry.

**Answer 1(c)**

The Financial Action Task Force (FATF) is an inter-governmental body established by the Ministers of its Member jurisdictions. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

The FATF has developed a series of Recommendations that are recognised as the international standard for combating of money laundering and the financing of terrorism and proliferation of weapons of mass destruction. The recommendations focus on ensuring that Anti-Money Laundering (AML) controls do not inhibit access to

well regulated financial services for financially excluded and undeserved groups, including low income, rural sector and undocumented groups.

The FATF monitors the progress of its members in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, reporting of suspicious transactions, and promotes the adoption and implementation of appropriate measures globally. In collaboration with other international stakeholders, the FATF works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.

**Answer 1(d)**

Where an exporter receives advance payment (with or without interest), from a buyer outside India, the exporter has been put under an obligation to ensure that -

- (i) The shipment of goods is made within one year from the date of receipt of advance payment;
- (ii) The rate of interest, if any, payable on the advance payment does not exceed London Inter-Bank Offered Rate (LIBOR) + 100 basis points, and
- (iii) The documents covering the shipment are routed through the Authorised Dealer through whom the advance payment is received.

However, in the event of the exporter's inability to make the shipment, partly or fully, within one year from the date of receipt of advance payment, no remittance towards refund of unutilised portion of advance payment or towards payment of interest, shall be made after the expiry of the said period of one year, without the prior approval of the Reserve Bank of India.

In case the export agreement provides for shipment of goods extending beyond the period of one year from the date of receipt of advance payment, the exporter shall require the prior approval of the Reserve Bank of India.

**Answer 1(e)**

Section 47 of the Trade Marks Act, 1999 deals with removal of a trade mark from the register on the ground of non-use and provides that a trade mark which is not used within five years of its registration, becomes liable for removal either completely or in respect of those goods or services for which the mark has not been used. The five years period starts from the date on which the trade mark is actually entered on the register.

Further, the trade mark was registered without any bona fide intention on the part of the applicant for registration that it should be used in relation to those goods or services by him or, in a case to which the provisions of section 46 apply, by the company concerned or the registered user, as the case may be, and that there has, in fact, been no bona fide use of the trade mark in relation to those goods or services by any proprietor thereof for the time being upto a date three months before the date of the application.

However, Section 47(3) of the Trade Marks Act, 1999 protects a mark from being removed from the register on ground of non-use if such non-use is shown to have been due to special circumstances in the trade which may include restriction imposed by any law or regulation on the use of trade mark in India and not to any intention to abandon or

not to use the trade mark in relation to the goods or services to which the application relates.

**Attempt all parts of either Q. No. 2 or Q. No. 2A**

**Question 2**

- (a) *Ram, a tenant entered into an agreement of lease with Shyam, the owner, for ten years. The lease agreement did not contain the provisions for cleaning, repairing and maintenance of the leased property. Ram requested to Shyam for providing maintenance services for the lease property. On refusal, Ram contended that he is a consumer, as he is paying rent of the leased property but Shyam has not provided the aforesaid services, which should be treated as the deficiency in service under Consumer Protection Act, 1986. Decide, whether the contention of Ram is tenable ? (3 marks)*
- (b) *Differentiate between 'Reversion' and 'Remainder', under the law relating to the Transfer of Property Act, 1882. (3 marks)*
- (c) *Define the term "Offshore Banking Unit". (3 marks)*
- (d) *Whether a Barrister of law, Advocate and/or Physicians and Surgeons can sue for his/her professional fee ? (3 marks)*
- (e) *When a contract becomes void, under the Indian Contract Act, 1872 ? (3 marks)*

**OR (Alternate question to Q. No. 2)**

**Question 2A**

- (i) *State the composition and functions of the Committee, on Quality Complaints and Trade Disputes in furtherance of the Foreign Trade Policy.*
- (ii) *When the instruments may be stamped with adhesive stamps, under the Indian Stamps Act, 1899 ? When and by whom such adhesive stamps may be cancelled?*
- (iii) *Who are entitled to make application for patent, under the Patents Act, 1970 ? (5 marks each)*

**Answer 2(a)**

The contention of Ram is not tenable.

The present case is similar to the case of *Laxmiben Laxmichand Shah v. Sakerben Kanji Chandan and others 2001 CTJ 401 (Supreme Court) (CP)*. In this case the Supreme Court held that the tenant entering into lease agreement with the landlord cannot be considered as consumer under Section 2(1)(d) of the Consumer Protection Act, 1986. Where there was no provision in the lease agreement in respect of cleaning, repairing and maintaining the building, the rent paid by tenant is not the consideration for availing these services and therefore, no question of deficiency in service arises.

**Answer 2(b)**

A "reversion" is the residue of an original interest which is left after the grantor has granted the lessee a small estate. For example, A, the owner of a land may lease

it to B for a period of five years. The person who grants the lease is the lessor and the person who takes the lease is called the lessee. Here, after the period of 5 years the lease will come to an end and the property reverts back to the lessor. The property which reverts back to him is called the reversion or the reversionary interest.

When the owner of the property grants a limited interest in favour of a person or persons and gives the remaining to others, it is called a "remainder". For instance, A the owner of a land transfers property to B for life and then to C absolutely. Here the interest in favour of B is a limited interest, i.e., it is only for life. So long as B is alive he enjoys the property. He has a limited right since he cannot sell away the property. His right is only to enjoy the property. If he sells this interest it will be valid so long as he is alive. So after B's death the property will go to C; this type of limited interest is called a remainder.

### **Answer 2(c)**

According to Section 2(u) of the Special Economic Zones Act, 2005, "Offshore Banking Unit" means a branch of a Bank located in a Special Economic Zone and which has obtained the permission under clause (a) of sub-section (1) of Section 23 of the Banking Regulation Act, 1949.

### **Answer 2(d)**

In England, barristers-at law are prohibited by the etiquette of their profession from suing for their fees. So also are the Fellow and Members of the Royal College of Physicians and Surgeons. But they can sue and be sued for all claims other than their professional fees.

In India, there is no such disability and a barrister, who is in the position of an advocate with liberty both to act and plead, has a right to contract and to sue for his fees (*Nihal Chand v. Dilawar Khan, 1933 All. L.R. 417*).

### **Answer 2(e)**

According to Section 2(g) of the Indian Contract Act, 1872, an agreement not enforceable by law is said to be void. Further, as per Section 2(j) of the Indian Contract Act, 1872 a contract which ceases to be enforceable by law becomes void when it ceases to be enforceable

A contract becomes void when, by reason of some event which the promisor could not prevent, the performance of the contract becomes impossible, e.g., by destruction of the subject-matter of the contract after the formation of the contract.

A contract becomes void by reason of subsequent illegality. A in India agrees to supply goods to B in Pakistan. After the formation of the contract war breaks out between India and Pakistan and the supply of goods to Pakistan is prohibited by legislation. The contract becomes void.

A contingent contract to do or not do to anything if an uncertain future event happens becomes void if the event becomes impossible.

### **Answer 2A(i)**

#### **Composition of the Committee on Quality complaints and Trade Dispute (CQCTD)**

For effective dealing of quality complaints and trade disputes, the CQCTD would be constituted. The CQCTD may comprise of the following members:

1. Additional DGFT/Joint DGFT/ (H.O.O): Chairperson

2. Representative of Bureau of India Standard (BIS): Member
3. Representative of Agricultural and Processed Food Products Export Development Authority: Member
4. Representative of the Branch Manager of the concerned Bank: Member
5. Representative of Federation of Indian Exporter Organisation (FIEO) / and OR Export Promotion Council: Member
6. Representative of Export Inspection Agency: Member
7. Nominee of Director of Industries of State Government: Member
8. Nominee of Development Commissioner of MSME: Member
9. Officer as nominated by Chairperson: Member Secretary
10. Any other agency, as co-opted by Chairperson: Member.

### **Functions of CQCTD**

The Committee (CQCTD) will be responsible for enquiring and investigating into all Quality related complaints and other trade related complaints falling under the jurisdiction of the respective Regional Authorities (RAs). It will take prompt and effective steps to redress and resolve the grievances of the importers, exporters and overseas buyers, preferably within three months of receipt of the complaint. Wherever required, the Committee (CQCTD) may take the assistance of the Export Promotion Councils/ FIEO/Commodity Boards or any other agency as considered appropriate for settlement of these disputes.

### **Answer 2A(ii)**

Section 11 of the Indian Stamp Act, 1899 provides that the following instruments may be stamped with adhesive stamps, namely –

- (a) instruments chargeable with a duty not exceeding 10 naya paise except parts of bills of exchange payable otherwise than on demand and drawn in sets;
- (b) bills of exchange and promissory notes drawn or made out of India;
- (c) entry as an advocate, vakil or attorney on the roll of a High Court;
- (d) notarial acts; and
- (e) transfers by endorsement of shares in any incorporated company or other body corporate.

Section 12(1)(a) of the Indian Stamp Act, 1899, provides that any the person affixing any adhesive stamp to any instrument chargeable with duty which has been executed by another person shall, when affixing such stamp cancel the same so that it cannot be used again.

Under Section 12(1)(b), an obligation has been imposed on person executing any instrument on any paper bearing an adhesive stamp, to cancel the stamp, if such cancellation has not been done, at the time of such execution.

Under Section 12(2) of the Indian Stamp Act, 1899, any instrument bearing an adhesive stamp which has not been cancelled, so that it cannot be used again is deemed to be unstamped.

**Answer 2A(iii)**

Section 6 of the Patents Act, 1970 provides that an application for a patent for an invention may be made by any of the following persons, that is to say:

- (a) by any person claiming to be the true and first inventor of the invention;
- (b) by any person being the assignee of the person claiming to be the true and first inventor in respect of the right to make such an application;
- (c) by the legal representative of any deceased person who immediately before his death was entitled to make such an application.

The application may be made by one of the persons either alone or jointly with any other person.

**Question 3**

- (a) *Enumerate the activities, which have been made outside India but having an effect on competition in India, under the Competition Act, 2002. (5 marks)*
- (b) (i) *What is meant by contravention under the Foreign Exchange Management Act (FEMA), 1999 ?*
- (ii) *Which kind of approval is essential for the following transactions, under the FEMA, 1999 :*
  - (a) *Yusuf, a non-resident Indian wants to transfer his shares of a company to non-resident.*
  - (b) *Karan, wants foreign exchange facility to visit England, for which he requires USD 3,50,000.*
  - (c) *Nalini, wants to get USD 2,50,000 for brain tumor surgery at London. (5 marks)*
- (c) *'X', a student, after making payment of Examination for Bachelor of Engineering took examination; but university failed to conduct examination in time. Consequently evaluation of answer sheets and declaration of result was also delayed. As a result Mr. 'X' could not get admission in Post-Graduation course of other university. He lost one academic session. Being aggrieved with the functioning of university, he filed a petition before the State Consumer Disputes Redressal Commission for compensation, will he succeed ? Answer with reference to leading case. (5 marks)*

**Answer 3(a)****Activities taking place outside India but having an effect on competition in India:**

- (a) an agreement referred to in Section 3 of the Competition Act, 2002 has been entered into outside India; or
- (b) any party to such agreement is outside India; or
- (c) any enterprise abusing the dominant position is outside India; or
- (d) a combination has taken place outside India; or



- (e) any party to combination is outside India; or
- (f) any other matter or practice or action arising out of such agreement or dominant position or combination is outside India.

The acts taking place outside India but having an effect on competition in India will be subject to the jurisdiction of Competition Commission of India under Section 32 of the Competition Act, 2002. The Competition Commission of India will have jurisdiction even if both the parties to an agreement are outside India but only if the agreement, dominant position or combination entered into by them has an appreciable adverse effect on competition in the relevant market of India.

**Answer 3(b)(i)**

Contravention is a breach of the provisions of the Foreign Exchange Management Act (FEMA), 1999 and rules / regulations / notification / orders / directions / circulars issued there under.

**Answer 3(b)(ii)(a)**

As per FEMA, 1999 Transfer of shares from a Non-Resident Indian to another Non-Resident requires prior approval of Reserve Bank of India.

In the present case, Yusuf has to take the prior approval of Reserve Bank of India.

**Answer 3(b)(ii)(b)**

According to Rule 5 of the Foreign Exchange Management (Current Account Transactions) Amendment Rules, 2015 read with Schedule III, Individuals can avail of foreign exchange facility for Private visits to any country (except Nepal and Bhutan) within the limit of USD 2,50,000 only. Any additional remittance in excess of the said limit shall require prior approval of the Reserve Bank of India.

In the present case, Karan has to take the prior approval of Reserve Bank of India because foreign exchange facility exceeds USD 2,50,000/-.

**Answer 3(b)(ii)(c)**

According to Rule 5 of the Foreign Exchange Management (Current Account Transactions) Amendment Rules, 2015 read with Schedule III, Individuals can avail of foreign exchange facility for the expenses in connection with medical treatment abroad within the limit of USD 2,50,000 only. Any additional remittance in excess of the said limit shall require prior approval of the Reserve Bank of India.

In the present case, Nalini is not required to take the prior approval of Reserve Bank of India because foreign exchange facility does not exceed USD 2,50,000/-.

**Answer 3(c)**

The present case is similar to the case of *Alex J. Rebello vs. Vice Chancellor, Bangalore University and others, 2003 CTJ 575 (CP) (NCDRC)*. In this case the National Commission has held that the University in conducting examination, evaluating answer sheets and publishing the result was not performing any service for consideration and a candidate who appeared for the examination cannot be regarded as a consumer.

Hence, 'X' will not succeed in his case.

**Question 4**

- (a) *What is meant by 'Arbitral Award' ? State the ingredients of an arbitral award under the Arbitration and Conciliation Act, 1996.* (8 marks)
- (b) *Analyse and discuss the law and procedure, regarding retention of records, if seized or frozen, under the Prevention of Money Laundering Act, 2002.* (7 marks)

**Answer 4(a)**

As per Section 2(1) (c) of the Arbitration & Conciliation Act, 1996, "arbitral award" includes an interim award.

The ingredients of an arbitral award are as follows:

1. The arbitral award is required to be made on stamp paper of prescribed value (as applicable at the place of making the award) and in writing.
2. The award is to be signed by the members of the arbitral tribunal.
3. The making of an award is a rational process which is accentuated by recording the reasons.
4. The award should be dated i.e. the date of making of the award should be mentioned in the award.
5. Place of arbitration is important for the determination of rules applicable to substance of dispute, and recourse against the award.
6. The arbitral tribunal may include in the sum for which award is made, interest upto the date of award and also a direction regarding future interest.
7. The award may also include decisions and directions of the arbitrator regarding the cost of the arbitration.
8. After the award is made, a signed copy should be delivered to each party for appropriate action like implementation or recourse against arbitral award.

**Answer 4(b)**

Section 21 of the Prevention of Money Laundering Act, 2002 deals with retention of records.

- (1) Section 21(1) states that where any records have been seized under section 17 or section 18 or frozen under section 17(1A) and the Investigating Officer or any other officer authorised by the Director in this behalf has reason to believe that any of such records are required to be retained for any inquiry under this Act, such records may if seized, be retained or if frozen, may continue to remain frozen, for a period not exceeding one hundred and eighty days from the day on which such records were seized or frozen, as the case may be.
- (2) The person, from whom records seized or frozen, shall be entitled to obtain copies of records.
- (3) On the expiry of the specified period, the records shall be returned to the person from whom such records were seized or whose records were ordered to be

frozen unless the Adjudicating Authority permits retention or continuation of freezing of such records beyond the said period.

- (4) The Adjudicating Authority, before authorising the retention or continuation of freezing of such records beyond the specified period shall satisfy himself that the records are required for the purposes of adjudication under section 8.
- (5) After passing of an order of confiscation under section 8 (5) or section 8 (7), the Adjudicating Authority shall direct the release of the records to the person from whom such records were seized.
- (6) Where an order releasing the records has been made by the Court under of section 8(6) or by the Adjudicating Authority under section 58B or under section 60(2A), the Director or any officer authorised by him in this behalf may withhold the release of any such record for a period of ninety days from the date of such order, if he is of the opinion that such record is relevant for the appeal proceedings under the Prevention of Money Laundering Act, 2002.

## PART B

### Question 5

- (a) Define the term 'Manufacturer' as used in Legal Metrology Act, 2009.
- (b) State the essential commodities, which have been enlisted in the schedule, under the Essential Commodities Act, 1955.
- (c) Under what circumstances, the "Payment of Interest" becomes chargeable on goods supplied or services provided by the micro and small enterprises to the buyer, and as to what rate of interest be charged ? Explain briefly.
- (d) Under what circumstances, to get the certificate of Registration for a factory is not necessary, under the Industries Development and Regulation Act, 1951.
- (e) The trust property consists of land, the trustee sells the land to a purchaser for a consideration without notice of the trust.

*Whether the trustee is liable ? What are remedies available to the beneficiary ?  
(3 marks each)*

### Answer 5(a)

As per section 2(i) of the Legal Metrology Act, 2009, "Manufacturer" in relation to any weight or measure, means a person who -

- (i) manufactures weight or measure,
- (ii) manufactures one or more parts, and acquires other parts, of such weight or measure and, after assembling those parts, claims the end product to be a weight or measure manufactured by himself or itself, as the case may be,
- (iii) does not manufacture any part of such weight or measure but assembles parts thereof manufactured by others and claims the end product to be a weight or measure manufactured by himself or itself, as the case may be,
- (iv) puts, or causes to be put, his own mark on any complete weight or measure made or manufactured by any other person and claims such product to be a

weight or measure made or manufactured by himself or itself, as the case may be.

**Answer 5(b)**

Schedule to the Essential Commodities Act, 1955 lists out following essential commodities:

- (1) drugs;
- (2) fertilizer, whether inorganic, organic or mixed;
- (3) foodstuffs, including edible oilseeds and oils;
- (4) hank yarn made wholly from cotton;
- (5) petroleum and petroleum products;
- (6) raw jute and jute textiles;
- (7) (i) seeds of food-crops and seeds of fruits and vegetables;  
(ii) seeds of cattle fodder; and  
(iii) jute seeds.

**Answer 5(c)**

According to Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 in case the buyer fails to make payment of the amount to the supplier, the buyer, notwithstanding anything contained in any agreement between the buyer and the supplier or in any law for the time being in force should pay compound interest with monthly rests to the supplier on that amount from the appointed day or, as the case may be, from the date immediately following the date agreed upon, at three times of the bank rate notified by the Reserve Bank.

**Answer 5(d)**

Where the undertaking concerned is not satisfying the definition of the term 'factory' under the Industries (Development and Regulation) Act, 1951, the certificate of registration of a factory is not necessary under the Industries (Development and Regulation) Act, 1951.

**Answer 5(e)**

As per Section 23 of the Trust Act, 188, if a trustee commits a breach of the trust, he is liable to make good the loss which the trust property of the beneficiary has suffered. However, in two cases he is not liable for such a loss. (i) Where the breach of the trust has resulted due to any fraud committed by the beneficiary; and (ii) Where the beneficiary, being competent to contract, has given his consent for that breach without any coercion or undue influence or subsequently acquiesced therein, with full knowledge of the facts.

In the present case, the trustee is liable at the option of the beneficiary. Further, the trustee is liable at the option of the beneficiary to purchase other land of equal value to be settled upon the like trust, or to be charged with the proceeds of the sale with interest.

**Attempt all parts of either Q. No. 6 or Q. No. 6A****Question 6**

- (a) *Whether a society registered under the Societies Registration Act, 1860, may be amalgamated with any other society ? State the procedure for such amalgamation.*
- (b) *State the procedure and powers of National Green Tribunal, under the National Green Tribunal Act, 2010.*
- (c) *Who can present the documents for registration under the Registration Act, 1908 ?* (5 marks each)

**OR (Alternate to question to Q. No. 6)****Question 6A**

- (i) *What is the main object of The Public Liability Insurance Act, 1991. How is the claim awarded and by which authority at primary level ?*
- (ii) *Gyan, applied for membership of 'Jan Kalyan Society', registered under the Societies Registration Act, 1860 and paid the subscription to the said society; but the management did not admit him, as a member of the society. Gyan filed a suit against the decision of 'Society', stating therein that he fulfills eligibility conditions as laid down in bye-laws of 'Society' to become the member of the said 'Society'. Decide the case, with reference to leading case.*
- (iii) *Describe the documents, of which the registration is optional, under the Registration Act, 1908.* (5 marks each)

**Answer 6(a)**

Under Section 12 of the Societies Registration Act, 1860, a society may be amalgamated with any other society, either wholly or partially by the governing bodies of the societies for the better utilisation of the properties, resources or any other purpose.

The procedure is as under:

1. Submission of the proposal of amalgamation by the governing body to the members of the society by a printed report;
2. Holding special general meeting by giving ten days' notice to the members for consideration and passing resolution for the proposed amalgamation by 3/5th majority of the members, present thereat;
3. Convening another special general meeting after a month for confirmation to the first resolution passed at the first special general meeting by 3/5th majority of the members present thereat.
4. The Government may order division or amalgamation of a society after giving the society an opportunity to represent against such proposal.

**Answer 6(b)**

Section 19 of the National Green Tribunal Act, 2010 deals with procedure and power of the National Green Tribunal.

National Green Tribunal shall not be bound by the procedure laid down in the Code of Civil Procedure, 1908 but shall be guided by the principles of natural justice.

The Tribunal has been empowered to regulate its own procedure and also not bound by the rules of evidence contained in the Indian Evidence Act, 1872.

National Green Tribunal for the purpose of discharging its functions, has been entrusted with the same powers as are vested in a Civil Court under the Code of Civil Procedure, 1908, while trying a suit, in respect of the following matters namely:

- (a) summoning and enforcing the attendance of any person and examining him on oath;
- (b) requiring the discovery and production of documents;
- (c) receiving evidence on affidavits;
- (d) subject to the provisions of section 123 and 124 of the Indian Evidence Act, 1872, requisitioning any public record or document or copy of such record or document from any office;
- (e) issuing summons for the examination of witnesses or documents;
- (f) reviewing its decisions;
- (g) dismissing a representation for default or deciding it ex-parte;
- (h) setting aside any order or dismissal of any representation for default or any order passed by it ex parte; and
- (i) pass an interim order (including granting an injunction or stay) after providing the parties concerned an opportunity to be heard, on any application made or appeal filed under this Act;
- (j) pass an order requiring any person to cease and desist from committing or causing any violation of any enactment specified in Schedule I;
- (k) any other matter which is required to be, or may be prescribed by the Central Government.

**Answer 6(c)**

Section 32 of the Registration Act, 1908 specifies the persons who can present documents for registration at the proper registration office.

Such persons are as follows:

- (a) some person executing or claiming under the same, or in the case of a copy of a decree or order, claiming under the decree or order, or
- (b) the representative or assign of such person, or
- (c) the agent of such person, representative or assign, duly authorised by power-of-attorney executed and authenticated in the manner hereinafter mentioned.

**Answer 6A(i)**

The main object of the Public Liability Insurance Act, 1991 is to provide immediate relief to the persons affected by accidents occurring while handling any hazardous substance and for other incidental and connected matters.

As per Section 6 of the Public Liability Insurance Act, 1991 an application for claim for relief may be made by the person who has sustained injury; by owner of the property to which damage has been caused; and in the case of death resulting from accident, by all or any of the legal representatives of the deceased; or by any agent duly authorised by such person or owner of such property.

Every application is required to be submitted to collector in the prescribed form along with prescribed documents.

Section 7 of the Act requires the collector, on receipt of application for claim for relief, to hold an inquiry into the claim or each of the claims, after giving notice of application to owner and after giving the parties an opportunity of being heard and make an award determining the amount of relief payable to person or persons.

#### **Answer 6A(ii)**

The claim of Gyan, being eligible to become a member of society by paying prescribed subscription is not his right to become a member.

The present case is similar to the case of *Abhoy Pado Bose v. Queen's Anglo Sanskrit School, Lucknow 34. 1.C.263 (Oudh)*. In this case Court held that no one can claim admission to a society as a matter of right on payment of the prescribed subscription. The discretion of the governing body is final concerning grant or refusal of admission to a person.

#### **Answer 6A(iii)**

Section 18 of the Registration Act, 1908 specifies documents, registration of which is optional. It provides that any of the following documents may be registered under this Act, namely:

- (a) instruments (other than instruments of gift and wills) which purport or operate to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest whether vested or contingent, of value less than one hundred rupees, to or in immovable property;
- (b) instruments acknowledging the receipt or payment of any consideration on account of the creation declaration, assignment; limitation or extinction of any such right, title or interest;
- (c) leases of immovable property for any term not exceeding one year and leases exempted under Section 17;
- (d) instruments transferring or assigning any decree or order of a court or any award when such decree or order or award purports or operates to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest, whether vested or contingent of a value less than one hundred rupees, to or in immovable property;
- (e) instruments (other than wills) which purport or operate to create declare, assign, limit or extinguish any right, title or interest to or in movable property;
- (f) wills; and
- (g) other documents not required by Section 17 to be registered.

## TAX LAWS AND PRACTICE - SELECT SERIES

Time allowed : 3 hours

Maximum marks : 100

Total number of Questions : 100

**Note :** All questions in Part-A relate to the Income-tax Act, 1961 and Assessment Year 2018-19, unless stated otherwise

### PART A

1. An employee director of a company was paid ₹5 lakh as a lump sum consideration for resigning from the directorship by XYZ Ltd. The amount so paid shall be treated in the accounts of the company as .....
  - (A) Deferred Revenue expenses
  - (B) Revenue expenses
  - (C) Capital expenses
  - (D) Gift to employee director
2. The basic exemption limit in case of a nonresident individual being a senior citizen for assessment year 2018-19 is :
  - (A) ₹5,00,000
  - (B) ₹3,00,000
  - (C) ₹2,50,000
  - (D) ₹1,80,000
3. Contribution made or given other than by way of cash by an Indian company in the previous year to any political party or to an electoral trust shall be allowed as deduction while computing its total income under section 80 GGB of Income Tax Act, 1961 of an amount maximum or upto :
  - (A) ₹50,000
  - (B) ₹1,50,000
  - (C) No monetary ceiling limit
  - (D) None of the above
4. Total income-tax including education cess payable in case of a resident individual aged 58 years, whose computed total income is ₹3,40,000 for assessment year 2018-19 shall be :
  - (A) ₹9,270
  - (B) ₹2,060



- (C) ₹4,120  
(D) ₹4,635
5. Hari Krishna Vidhyut Company Ltd. engaged in the business of generation and distribution of power and electricity has opted WDV method for claiming depreciation on its assets. Opening balance of the block of Plant and Machinery depreciated @ 15% on 1st April, 2017 was ₹15,00,000. New machines of an amount of ₹25,00,000 were purchased on 15th Nov. 2017 but put to use from 1st December, 2017. Computers for ₹2,00,000 were purchased on 9th Sept. 2017 and put to use in business since that date. The depreciation including the additional depreciation available to the company on plant and machinery and on the computers shall be of an amount of ..... for A.Y. 2018-19.
- (A) ₹4,92,500  
(B) ₹5,32,500  
(C) ₹7,82,500  
(D) ₹7,42,500
6. Radhey a trader having turnover of ₹90,00,000 from textile business inclusive of turnover of ₹20,00,000 carried through banking channel by way of drafts and online payments had opted to pay tax as per section 44AD of the Income Tax Act. The amount of income which shall be taken for the purpose of tax for Asst. Year 2018-19 under the head income from business and profession is .....
- (A) ₹9,00,000  
(B) ₹6,80,000  
(C) ₹7,20,000  
(D) ₹5,40,000
7. Sardar Sukhdev Singh engaged in the business of plying, hiring or leasing of heavy goods carriages owned 6 vehicles during the period 1st April, 2017 to 31st March, 2018 which were given on lease for plying to GS Transport Company on a fixed rate of ₹5,000 p.m. per truck for whole year. He had opted to pay tax as per section 44AE of the Income Tax Act. The amount of income which shall be taken for all such trucks for the purpose of tax for Asst. Year 2018-19 is.....
- (A) ₹5,40,000  
(B) ₹3,60,000  
(C) ₹6,48,000  
(D) ₹6,84,000
8. A capital asset purchased on 11th Sept., 2012 for ₹2,00,000 was sold for ₹3,00,000 on 18th Dec., 2017 by a Charitable Trust registered under section 12AA of the Income Tax Act. New capital assets after the sale was purchased

- on 1st January, 2018 for ₹2,60,000. The amount of capital gain arising from the sale of capital asset utilized in purchase of new asset for the A.Y. 2018-19 shall be ..... and taxable amount shall be .....
- (A) ₹40,000 and ₹60,000  
(B) ₹1,00,000 and ₹2,60,000  
(C) ₹2,60,000 and ₹1,00,000  
(D) ₹60,000 and ₹40,000
9. The base for determination of notional income arising from the operation of a ship, in case of Indian Shipping Company under section 115V to 115V2C of the Income Tax Act, 1961 is taken :
- (A) Aggregate turnover/receipt/sales of the ship  
(B) Tonnage of the ship  
(C) @ 8% of turnover/receipts/sales of the ship  
(D) Gross profit rate of preceding year
10. Which out of the following criteria determines the Place of Effective Management (POEM) in order to treat a foreign company as resident in India (resident company) during the previous year as per guidelines issued by CBDT and the provisions contained under the Income Tax Act, 1961 .....
- (A) General Meeting held in India  
(B) Research and Development work is done in India  
(C) Board Meetings are held in India  
(D) None of the above
11. DAS Pvt. Ltd. fulfilling all the conditions as being specified in section 35AD of the Income Tax Act, 1961 has incurred capital expenditure of ₹30 lakh on purchase of land, ₹80 lakh (₹75 lakh by cheque and ₹5 lakh in cash) on construction of building and ₹10 lakh on the plant and machinery during the previous year 2017-18 for setting up and operating a warehouse for the storage of sugar. The warehouse became operational on 1st March, 2018. The amount of deduction which the company can claim for such capital expenditure as per section 35AD in A.Y. 2018-19 shall be .....
- (A) ₹120 lakh  
(B) ₹180 lakh  
(C) ₹85 lakh  
(D) ₹90 lakh

12. Anand, a resident individual having computed for the previous year 1st April, 2017 to 31st March, 2018 his business loss at ₹60,000, short term capital gain on sale of gold of ₹40,000 long term capital gain on sale of house property of ₹3,60,000. The amount of total income to be declared in the return for the assessment year 2018-19 by Anand shall be .....
- (A) ₹4,00,000  
(B) ₹3,40,000  
(C) ₹4,00,000 and carry forward loss of ₹60,000  
(D) None of the above
13. State which out of the following gifts received during the year by Girish from different persons shall be subject to tax in the assessment year 2018-19 :
- (i) Wrist watch of ₹75,000 given by a non-resident friend.  
(ii) Cash of ₹51,000 given by elder brother.  
(iii) Cash of ₹21,000 each given by 4 friends on his birthday.  
(iv) Painting of ₹30,000 given by employer on his birthday.
- (A) (iii) and (iv)  
(B) (i), (iii) and (iv)  
(C) (ii) and (iii)  
(D) All the four in (i), (ii), (iii) and (iv)
14. Kapoor gifted ₹10,00,000 to his wife Sunita Kapoor on 15th May, 2017. The amount of gift of ₹10,00,000 was invested by his wife in debentures of a company on 1st June, 2017 earning interest @ 12% p.a. The income of interest of ..... from the debentures earned by Sunita Kapoor shall be ..... with the income of Kapoor in A.Y. 2018-19.
- (A) ₹1,20,000, not clubbed  
(B) ₹1,00,000, clubbed  
(C) ₹1,00,000, not clubbed  
(D) ₹1,20,000, clubbed
15. The assessee who has filed a return of income for A.Y. 2018-19 as per section 139(1) can file revise return any time :
- (A) before 1 year from the end of the relevant assessment year  
(B) before the end of the relevant assessment year or before the completion of assessment whichever is earlier  
(C) before the expiry of the relevant assessment year or before the completion of assessment whichever is later  
(D) before the completion of the assessment year

16. The time limit for filing an appeal by person denying liability to deduct tax in respect of payments payable to non-resident or a foreign company as provided in section 249(2)(a) of the Income Tax Act 1961 is within :
- (A) 30 days from the date of payment of tax deducted at source to the credit of Central Government
  - (B) 35 days from the date of payment of tax deducted at source to the credit of Central Government
  - (C) 45 days from the date of payment of tax deducted at source to the credit of Central Government
  - (D) 60 days from the date of payment of tax deducted at source to the credit of Central Government
17. The due date for e-filing of return of income by a Charitable Trust claiming exemption u/s 11 and 12 for assessment year 2018-19 is :
- (A) 31st March, 2018
  - (B) 30th September, 2018
  - (C) 31st August, 2018
  - (D) Between any time specified in (B) and (C)
18. An application for stay of demand to be filed before the Income Tax Appellate Tribunal (ITAT) has to be accompanied by requisite fee of :
- (A) ₹1,000
  - (B) ₹500
  - (C) ₹1,500
  - (D) ₹10,000
19. Which planning is based on the measures which circumvent the law ?
- (A) Long-range tax planning
  - (B) Purposive tax planning
  - (C) Short range planning
  - (D) Permissive tax planning
20. R sold a machine to H (Associated Enterprise) and in turn H sold the same machinery to N (an independent party) at sale margin of 40% for ₹6,00,000 but H has incurred ₹8,000 in sending the machine to N. The "Arm Length Price" (ALP) in respect of the machine sold on the basis of Retail Price Method as per provisions of the Income Tax Act, 1961 shall be :
- (A) ₹6 lakh
  - (B) ₹3.6 lakh
  - (C) ₹3.52 lakh
  - (D) ₹6.08 lakh

21. Income earned in the other contracting state from the operation of ships in international traffic as per Double Taxation Avoidance Agreements (DTAA), will be taxed in that contracting State where .....
- (A) PE (Permanent Establishment) is situated
  - (B) the place of effective management (POEM) of enterprises is situated
  - (C) the business of air and shipping originated
  - (D) none of the above
22. General Anti Avoidance Rule (GAAR) though were announced in the Finance Act, 2012 but had been deferred and been made applicable in India from :
- (A) Assessment year 2017-18
  - (B) Assessment year 2018-19
  - (C) Assessment year 2019-20
  - (D) None of the above
23. State the relevant Form No. for filing an application to Authority for Advance Ruling by a resident having transactions with a non-resident and the amount of fees to be paid for filing such application :
- (A) 34 EA & ₹5,000
  - (B) 34 C & ₹2,500
  - (C) 34 D & ₹10,000
  - (D) 34 E & ₹5,000
24. Qualification prescribed for appointment as a Chairman of Authority for Advance Ruling (AAR) as specified under the Income Tax Act, 1961 in Section 245-O is.....
- (A) Judge of High Court
  - (B) A law member from Indian Legal Service
  - (C) Judge of the Supreme Court
  - (D) A Revenue member from Indian Revenue Service
25. Depreciation whether to be allowed on the purchase and installation of a fire extinguisher by a practicing CS in his office, even when the same is not put to use or used during the year of acquisition as stipulated under section 32 of Income Tax, 1961 :
- (A) No, Failure to use for the profession or business
  - (B) Yes, Safety measures and kept stand by, treated as passive use and eligible for depreciation
  - (C) Yes, Allowable @ 10% of the cost
  - (D) Yes, Allowable @ 50% of the cost

26. XYZ Pvt. Ltd. had distributed income of ₹9,00,000 to Rajesh for the reason of buyback of its shares from him on 1st March, 2018. These shares were purchased by him for ₹5,00,000 on 1st March, 2012. The income out of the amount received by Rajesh against the buyback of shares from the company XYZ Pvt. Ltd. shall be subject to tax in A.Y. 2018-19 shall be of .....
- (A) ₹4 lakh  
(B) ₹9 lakh  
(C) Nil being exempt u/s 10 (34A) of Act  
(D) None of the above
27. Radhey has sold his residential house on 11th Sept., 2017 for ₹75 lakh. Value applied by the Stamp Valuation Authority on the date of registration of the Conveyance Deed on 15th Sept., 2017 was of ₹115 lakh. Radhey disputed the valuation made by the Stamp Valuation Authority and asked the departmental valuation officer to determine the value of the house on the date of registration of deed. The departmental valuation officer determined the value of the house on the date of registration of the deed at ₹120 lacs. Sale value of the house to be taken for calculation of capital gain in A.Y. 2018-19 as per section ..... shall be of .....
- (A) 50C, ₹115 lakh  
(B) 50C, ₹120 lakh  
(C) 48, ₹75 lakh  
(D) 45, Indexed cost of ₹75 lakh
28. DJPA, LLP, resident in India has received dividend of ₹15 lakh from R Ltd., an Indian company, on which the company R Ltd. had paid Dividend Distribution Tax (DDT) under section 115-O of the Income-Tax Act, 1961. The amount of tax payable by DJPA, LLP in respect of such dividend income for A.Y. 2018-19 shall be :
- (A) ₹5 lakh  
(B) ₹10 lakh  
(C) ₹51,500  
(D) ₹77,250
29. Radha engaged in the trading business and had contributed a sum of ₹1 lakh to an approved university in July, 17 to be used for scientific research, which is not related to her business. The amount of deduction for which she is eligible under section 35 of Income-Tax Act, 1961 for assessment year 2018-19 would be :
- (A) ₹1 lakh  
(B) ₹1.5 lakh  
(C) ₹1.75 lakh  
(D) ₹2 lakh

30. All income which arises or accrues to the minor child (not suffering from any disability as specified in section 80 U) shall be clubbed with the income of parent whose total income excluding the income to be included of the minor not derived from any activity involving application of his skill, talent or specialized knowledge :
- (A) in the hands of father only
  - (B) in the hands of mother only
  - (C) equally in the hands of both mother and father
  - (D) with the income of that parent whose total income is greater before clubbing of such income
31. The loss computed under the head "Income from house property" can be set-off by intra head adjustment during the same year from :
- (A) any other head of income upto maximum of ₹2,50,000
  - (B) any other head of income upto maximum of ₹ 3,00,000
  - (C) any other head of income upto maximum of ₹5,00,000
  - (D) any other head of income upto maximum of ₹2,00,000
32. An assessee is not eligible to claim any relief under section 89 of Income Tax Act, 1961, when he is in receipt of income as arrears or in advance during the previous year from his employer :
- (A) in respect of gratuity
  - (B) in respect of commutation of pension
  - (C) in respect of arrears of family pension
  - (D) in respect of amount received on voluntary retirement or termination of services
33. SJG Ltd., a manufacturer of leather goods in a factory located at Noida having an annual turnover of ₹50 crore. The company, during the year, employed 200 new regular workers in the factory, which was 20% of the existing work-force employed on the last day of the preceding year. It paid ₹30 lakh to the new workers during the year as additional wages. All workmen were employed from 1st May, 2017. The eligible amount of deduction which the company can claim under section 80 JJAA of Income-Tax Act, 1961 is :
- (A) ₹30 lakh
  - (B) ₹15 lakh
  - (C) ₹9 lakh
  - (D) ₹18 lakh

34. The quantum of deduction available to offshore Banking Units under section 80LA of Income-Tax Act, 1961 located in Special Economic Zone (SEZ) and satisfying all conditions from the Gross Total Income is :
- (A) 100% of such income for five consecutive assessment years, relating to the previous year in which the permission was obtained
  - (B) 50% of such income for next five consecutive years
  - (C) 25% of such income for next ten years
  - (D) both (A) and (B)
35. Ram & Co., a proprietorship firm has paid tax for the assessment year 2018-19 as per section 115JC of the Income Tax Act, 1961. Credit of such paid tax can be carried forward by the proprietor for a period of following number of assessment years immediately succeeding the assessment year 2018-19 :
- (A) 8 years
  - (B) 5 years
  - (C) 10 years
  - (D) 15 years
36. Which out of the following income is not to be clubbed while computing income of the Hindu Undivided Family (HUF) for the assessment year 2018-19 ?
- (A) Fees or remuneration received by the member as a director or a partner in the company or firm if the funds of the HUF are invested in a company or firm
  - (B) Income from 'stridhan' and personal income of the members
  - (C) Income of minor sons out of the investments of the family funds
  - (D) None of the above
37. The assessee opting to pay tax under the provisions of section 44ADA is not be required to maintain books of accounts as per section 44AA and gets the accounts audited under section 44AB of the Income Tax Act, 1961 where .....
- (A) It claims that the profit and gains from the profession is higher than the deemed profit and gains
  - (B) Total gross receipts should not exceed ₹60 lakh
  - (C) Its income does not exceed the maximum amount which is not chargeable to income tax
  - (D) Both (A) and (C)



38. The lock in period under the scheme of presumptive taxation based on the tonnage of the ship, in case of Shipping Company, under the provisions of sections 115 to 115 V2C is :
- (A) 5 years
  - (B) 7 years
  - (C) 10 years
  - (D) 3 years
39. Which of the undermentioned incomes of a Co-operative Society is not eligible for deduction under section 80 P of the Income Tax Act, 1961 when the gross total income of the society exceeds ₹20,000 ?
- (A) Agency business
  - (B) Income from letting of godown
  - (C) Income from house property
  - (D) Dividend from other Co-operative Societies
40. Tax shall be charged on the total income of the AOP at the maximum marginal rate under the provisions of section 167B of Income Tax Act, 1961 :
- (A) where individual shares of the members of an association or body are indeterminable or unknown in relation to the whole of income
  - (B) where members share equally
  - (C) where the individual shares of the members of an associate or body are indeterminable or unknown relating to any part of income
  - (D) Both (A) and (C)
41. Income tax on the income from the transfer of Carbon Credit under section 115BG of Income Tax, 1961 derived/earned during the previous year 2017-18 shall be taxable :
- (A) At normal rate of tax
  - (B) At concessional rate of 10% only
  - (C) At concessional rate of 10% (+SC+EC+SHEC)
  - (D) At 20% of concessional rate
42. Income Tax Act, 1961 distinguished a closely held company from widely held company significantly from the viewpoint of :
- (A) tax levied at different rates
  - (B) section 2(22)(e) where certain payments made to shareholders are treated as deemed dividend
  - (C) allowed to carry forward its business losses only if the conditions specified in section 79 are satisfied
  - (D) Both (B) and (C)

43. While calculating Book Profits under section 115 JB of Income Tax Act, 1961, which of the following is not to be added ?
- (A) The amount of dividend upto ₹10 lakh
  - (B) Interest on Income tax including surcharge and cess
  - (C) The amounts carried to any reserves
  - (D) The amount by way of provision for losses of subsidiary companies
44. While calculating book profits under section 115 JB of Income Tax Act, 1961 which of the following is not to be deducted ?
- (A) The amount withdrawn from any reserve or provision if any such amount is credited to the Profit & Loss Account
  - (B) The amount of income by way of royalty in respect of patent chargeable to tax under section 115BBF
  - (C) Long term capital gain referred under section 10(38) of the Act
  - (D) Brought forward loss/unabsorbed depreciation whichever is less
45. Income of a non-resident from airline business under section 44BBA of Income Tax Act, 1961 is calculated at the rate of ..... percentage of the aggregate amounts specified, on presumptive basis.
- (A) 7.5%
  - (B) 5%
  - (C) 10%
  - (D) 15%
46. Royalty of ₹105 lakh received by a foreign company from an Indian concern in pursuance of an agreement approved by the Central Government in the previous year 2017-18. The amount of tax payable on such royalty Income for Asst. Year 2018-19 is :
- (A) ₹10 lakh
  - (B) ₹11.03 lakh
  - (C) ₹20 lakh
  - (D) ₹22.06 lakh
47. Nargis during the previous year 1st April, 2017 to 31st March, 2018 had donated the amount of ₹50,000 each in Africa Fund, National Children Fund, National Illness Assistance Fund and further amount of ₹30,000 in Rajiv Gandhi Foundation. The amount of deduction eligible to be claimed by her as per section ..... in A.Y. 2018-19 shall be of .....
- (A) 80GG, ₹1,80,000

- (B) 80G, ₹1,65,000  
(C) 80GGB, ₹1,50,000  
(D) 80G, ₹90,000
48. Payment of ₹2,00,000 was made to Krishna Roadways Pvt. Ltd. owning nine heavy goods carriages and having PAN which was furnished by them to the payer of freight GG Carriers. The amount of tax to be deducted by the payer on such amount is ..... as per section .....
- (A) ₹2,000, 194C  
(B) ₹10,000, 194C  
(C) ₹4,000, 194C  
(D) Nil because PAN furnished, 194C(6)
49. State whether tax is required to be collected at source (TCS) under the provision of section 206C of Income Act, 1961 by a person making .....
- (A) Payment of dividend  
(B) Winning from horse races  
(C) Sale of motor vehicle of the value exceeding ₹10 lakh by a dealer to the customer  
(D) Payment to non-resident
50. It is obligatory for an assessee to make payment of tax under section 208 of Income Tax Act, 1961 .....
- (A) Where the advance tax payable is ₹10,000 or more  
(B) Where the advance tax payable is ₹2,500 or more  
(C) Where the advance tax payable is ₹5,000 or more  
(D) Where the advance tax payable is ₹1,000 or more
51. Interest is payable to an assessee on the amount of refund under the Income Tax Act, 1961 where the amount of refund is .....
- (A) more than ten percent of the tax as determined on regular assessment  
(B) more than five percent of the tax as determined on regular assessment  
(C) more than fifteen percent of the tax as determined on regular assessment  
(D) more than twenty percent of the tax as determined on regular assessment
52. Any person who has not filed the return within the time allowed under section 139(1) may file a belated return :
- (A) at any time before the end of the relevant previous year

- (B) at any time before the end of the relevant assessment year
  - (C) before the completion of assessment
  - (D) at any time before the end of the relevant assessment year or before the completion of the assessment whichever is earlier
53. The self-assessment tax computed u/s 140 A by an individual assessee is ₹1,50,000 which includes ₹15,000 as interest for late filing of return as per section 234A. The assessee has deposited ₹75,000 as self-assessment tax. In this case :
- (A) ₹75,000 so deposited shall be adjusted in the proportion of 9 : 1 towards tax and interest
  - (B) ₹15,000 shall be adjusted towards interest due and balance of ₹60,000 shall be adjusted towards tax due
  - (C) ₹75,000 so deposited shall be adjusted towards tax due
  - (D) None of the above
54. The assessee can file an application for rectification of mistake as per section 154 of the Act when it is .....
- (i) a mistake of fact
  - (ii) a mistake of law
  - (iii) glaring obvious or apparent from the records
  - (iv) a decision on debatable point of law
- (A) (i) and (iii)
  - (B) (i), (ii) and (iv)
  - (C) (i), (ii) and (iii)
  - (D) all of the above
55. The time limit for completion of Assessment/Re-assessment under section 143 and 144 of the Income Tax Act, 1961 is .....
- (A) 24 months from the end of relevant assessment year
  - (B) 18 months from the end of relevant assessment year
  - (C) 12 months from the end of relevant assessment year
  - (D) 9 months from the end of relevant assessment year
56. What are the items taken into consideration by Assessing Officer (AO) while processing a return at Centralised Processing Centre (CPC) ?
- (A) the total income or loss after making adjustments for any arithmetical error in the return

- (B) an incorrect claim, if such incorrect claim is apparent from any information in the return
  - (C) the fee payable under section 234F (fee for default in furnishing return of income) in computing the tax
  - (D) All of the above
57. The maximum penalty leviable for under reporting of income which results from misreporting of income by the assessee is :
- (A) Two hundred percent of the tax payable
  - (B) One hundred percent of the tax payable
  - (C) Fifty percent of the tax payable
  - (D) Three hundred percent of the tax payable
58. The rationale behind power of revision of orders prejudicial to the interest of revenue conferred on the Commissioner of Income Tax under section 263 of Income Tax, Act, 1961 is that :
- (A) the order passed is without inquiries or verification which should have been made
  - (B) the order is passed allowing any relief without inquiring into the claim
  - (C) the department has no right of appeal to the Commissioner (Appeals) against any order passed by the Assessing Officer
  - (D) the order has not been made in accordance with any order, direction or instruction issued by the Board under section 119
59. The Patna High Court following the decision laid down by the Bombay High Court in the case of Mahindra Sintered Products Ltd. held that to claim special deduction u/s 80 J, the assessee has to establish the fact/facts relating to .....
- (A) investment of substantial fresh capital in the new industrial undertaking so set up
  - (B) earning of profits clearly attributable to the said undertaking
  - (C) manufacture or production of articles on the said undertaking
  - (D) all of the above
60. The provisions of “deemed dividend” under section 2(22)(e) of the Income Tax Act, 1961, in respect of advances or loans to shareholders, or any payment on behalf of shareholders or any payment for the individual benefit of a shareholder are applicable to :
- (A) A Public Limited Listed Company
  - (B) A Public Limited Unlisted Company
  - (C) A Closely held Company
  - (D) None of the above

61. The benefit of carry forward and set-off of losses under section 79 of Income Tax Act, 1961, by a closely held Indian company which is a subsidiary of a foreign company as a result of amalgamation or demerger, is subject to the condition that specified percentage of the shareholders of the amalgamating or demerged foreign company continue to be the shareholders of the amalgamated or the resulting foreign company which is :
- (A) 51%
  - (B) 10%
  - (C) 26%
  - (D) 100%
62. A resident individual can avail the benefit of rebate of ₹2,500 or 100% of Income Tax whichever is less under section 87A of Income Tax Act, 1961 for the assessment year 2018-19 on fulfilling the condition that total income does not exceed :
- (A) ₹2,50,000
  - (B) ₹3,50,000
  - (C) ₹5,00,000
  - (D) ₹3,00,000
63. Surcharge on the amount of tax is to be levied at specified percentage when an individual is having income exceeding specified limits :
- (A) @ 7% having income exceeding ₹1 crore and @ 12% if the income exceeds ₹10 crores
  - (B) @ 2% having income exceeding ₹1 crore and @ 12% if the income exceeds ₹10 crores
  - (C) @ 15% having income exceeding ₹1 crore and @ 10% if the income exceeds ₹50 lakh but does not exceed ₹1 crore
  - (D) None of the above
64. D an individual resident of India, aged 62 years, received after TDS of professional fees of ₹2,50,000 on 1st July, 2017 and ₹3,00,000 on 1st March, 2018 for rendering services in Hong Kong on which TDS of ₹50,000 and ₹60,000 have been deducted respectively. He incurred ₹2,60,000 as expenditure for earning this fees. He deposited ₹1,00,000 in PPF account. His income from other sources is ₹1,50,000. Tax liability including cess of D for Asst. Year 2018-19 will be assuming that India do not have any tax treaty with Hong Kong :
- (A) ₹10,300
  - (B) Nil
  - (C) ₹7,725
  - (D) None of the above

65. The equalization levy would be applicable from a non-resident having permanent establishment in India, on gross consideration payable for a “specified service” at a specified percentage. The applicable rate of equalization levy is .....
- (A) 10%
  - (B) 5%
  - (C) 2%
  - (D) 6%
66. Engineering Instruments Ltd. is a 100% Indian subsidiary of a USA company. The parent company sells one of its products to the Indian subsidiary at a price of \$ 200 per unit. The same product is sold to unrelated buyers in India at a price of \$ 250 per unit. The Arm Length Price (ALP) of the product so sold to the Indian subsidiary by the parent company shall be taken in the case when there is no functional differences in both the prices at .....
- (A) \$ 50 per unit
  - (B) \$ 250 per unit
  - (C) \$ 200 per unit
  - (D) \$ 450 per unit
67. How the relief of double taxation is allowed when a person resident in India, in any previous year, has paid tax in any country with which India has no bilateral agreement under section 90 ?
- (A) Lower of tax paid in India and tax paid in foreign country
  - (B) Higher of tax paid in India and tax paid in foreign country
  - (C) Lower of average Indian Income tax rate or the average Foreign tax rate
  - (D) Higher of average Indian Income tax rate or the average Foreign tax rate
68. Which amongst the following is not a power of Authority for Advance Ruling (AAR) ?
- (A) Power to arrest
  - (B) Compelling the production of books of accounts and other documents
  - (C) Discovery and inspection
  - (D) Enforcing the attendance of any person including any officer of a banking company and examining him on oath
69. Find out from the following, when shall an arrangement be deemed to be lacking in commercial substance so as to invoke provisions of General Anti Avoidance Rule (GAAR) under the Income Tax Act, 1961 .....
- (i) not a round trip financing

- (ii) an accommodation party
  - (iii) elements having effect of offsetting or cancelling each other
  - (A) (i) and (ii)
  - (B) (ii) and (iii)
  - (C) (ii)
  - (D) all the three above in (i), (ii) and (iii)
70. An application for Advance Pricing Agreement (APA) was filed on 28th Feb., 2015 covering a period from financial years 2015-16 to 2019-20. The applicant applies for roll back of such APA. The roll back years can cover the period from .....
- (A) F.Y. 2015-16 to 2018-19
  - (B) F.Y. 2013-14 to 2016-17
  - (C) F.Y. 2012-13 to 2015-16
  - (D) F.Y. 2011-12 to 2014-15

**PART B**

71. Find out from the following, who will be the member in GST Council on behalf of each of the State :
- (A) Chief Minister of the State
  - (B) Home Minister of the State
  - (C) The Minister in charge of Finance or Taxation or any other Minister nominated by the State Government
  - (D) Chief Secretary of the State
72. The assessee is required mandatorily to mention the Harmonized System Nomenclature (HSN) or Service Accounting Code (SAC) on the tax invoice of the product or service supplied under GST :
- (A) having a turnover of ₹2 crore and above
  - (B) having a turnover of ₹3 crore and above
  - (C) having a turnover of ₹4 crore and above
  - (D) having a turnover of ₹5 crore and above
73. GST Council is being constituted for making recommendation on various issues relating to policy making, formulation of principle and implementation of policies relating to CGST Act, 2017. It is thus .....
- (A) An administrative body
  - (B) A Central level body
  - (C) A Committee of Finance Ministers
  - (D) An Apex Body



74. Exempt supply means supply of any goods or services or both which may be wholly exempt from tax under section 11 or under section 6 of the IGST Act and includes .....
- (i) Non-taxable supply
  - (ii) Zero rated supply
  - (iii) Supply having Nil rate of tax
  - (iv) Composite supply
- (A) (i), (ii) and (iii)  
(B) (i) and (iv)  
(C) (i) and (iii)  
(D) All the four above
75. The exception to the general rule that “normally, the supplier of goods and services is liable to pay tax on supply, even if he does not collect from his customer i.e. recipient of supply of goods or services” shall be applicable where there are :
- (A) supply from an unregistered dealer to registered dealer
  - (B) specified services through an e-commerce operator
  - (C) both (A) and (B)
  - (D) none of the above
76. Mr. S, a manufacturer of medicines, whose turnover for financial year 2017-18 was of ₹70 lakh opted to pay tax under GST as per composition scheme from 1st April, 2018. His turnover crosses ₹1 crore on 30 November, 2018. Will he be allowed to pay tax under composition scheme for the remainder of year i.e. from 1st December, 2018 to 31st March, 2019 ?
- (A) Yes, he can avail the benefit till 31st March, 2019
  - (B) No, the option availed shall lapse from the day on which his aggregate turnover during the financial year 2018-19 exceeds ₹1 crore
  - (C) Yes, the option can be availed upto completion of half financial year i.e. till 30th September, 2018
  - (D) None of the above
77. A supply made by a taxable person to a recipient of goods being buyer consisting of two or more taxable supplies of goods or services or of both or any combination thereof which are only bundled and supplied in conjunction with each other in the ordinarily course of business out of which one is a principal supply has been defined u/s 2(3) of CGST Act, 2017 as .....
- (A) Composite supply
  - (B) Mixed supply

- (C) Higher rate tax supply
  - (D) Bundled supply
78. Taxable person whose registration has been surrendered or cancelled is required to file the return within 3 months of the date of cancellation or date of cancellation order whichever is later in Form Number .....
- (A) GSTR-13
  - (B) GSTR-10
  - (C) GSTR-7
  - (D) GSTR-9
79. The payment of tax by electronic operator who does not have physical presence in taxable territory in India be made by .....
- (A) e-commerce operator himself
  - (B) his appointed representative in India
  - (C) the person who receives supply
  - (D) either (A) or (B)
80. The time of supply “where goods or services or both have been supplied in a situation where the invoice issued before the change in the rate of tax but payment received after the change in rate of tax” as per section 14 of the CGST Act, 2017 shall be :
- (A) Date of issue of invoice
  - (B) Date of receipt of payment or the date of issue of invoice whichever is earlier
  - (C) Date of receipt of payment
  - (D) None of the above
81. State the “Base Year” and “Projected Growth Rate” for the purpose of calculating the compensation amount payable by the Centre on account of revenue loss to the States as specified under the Goods and Services Tax (Compensation to States) Act, 2017 :
- (A) Financial Year 2014-15, @ 14%
  - (B) Financial Year 2015-16, @ 14%
  - (C) Financial Year 2016-17, @ 14%
  - (D) Financial Year 2017-18, @ 14%
82. The limit of nautical miles from base line of sea coast into the sea in order to determine the supply in territorial water as per section 9 of the IGST Act, 2017 is :
- (A) Upto 7 nautical miles
  - (B) Upto 10 nautical miles

- (C) Upto 12 nautical miles  
(D) Upto 20 nautical miles
83. Which of the following called the Union territory as being covered under Union Territory Goods and Service Tax Act, (UTGST), 2017 ?
- (A) Andaman and Nicobar Island  
(B) Puducherry  
(C) Daman and Diu  
(D) None of the above
84. Subsidy given by the Central Government or a State Government while determining value of taxable supply under Goods and Service Tax (GST) as per section 15 of the CGST Act, 2017 :
- (A) included in the transaction value i.e. (value of taxable supply)  
(B) just ignored no treatment  
(C) shall not be included in transaction value i.e. (value of taxable supply)  
(D) deducted from the transaction value i.e. (value of taxable supply)
85. Patel of Surat, Gujarat supplied goods to Patil of Mumbai, Maharashtra for ₹1,20,000 (excluding GST) but after adding 30% profit margin (on cost). Patil is also a taxable person. IGST rate is 18%. The amount of input tax credit that can be availed and the maximum time limit for availing such input tax credit by Patil of Mumbai, Maharashtra as per CGST Act, 2017 is .....
- (A) ₹28,080 and within 6 months from the date of issue of tax invoice  
(B) ₹7,020 and within next quarter from the date of issue of tax invoice  
(C) ₹1,600 and within 1 year from the date of issue of tax invoice  
(D) None of the above
86. The stipulated time limit within which inputs and capital goods sent to a job worker in a job work, shall be brought back and beyond that period it will be treated as supply and tax is payable by the principal as per CGST Act, 2017 is.....
- (A) 6 months and 1 year in case of inputs and capital goods respectively  
(B) 1 year and 2 years in case of inputs and capital goods respectively  
(C) 1 year and 3 years in case of inputs and capital goods respectively  
(D) None of the above

87. The credit of tax paid on input services used by more than one supplier be distributed as per provisions of the CGST Act, 2017 .....
- (A) only to one supplier
  - (B) equally among all the suppliers
  - (C) among the suppliers who used such input service on pro rata basis of turnover in such state
  - (D) cannot be distributed
88. The GST Council for ensuring single interface has distributed the administrative control of tax payers of certain percentage with Central Tax Administration :
- (A) 5% of tax payers having turnover below ₹1 crore
  - (B) 10% of tax payers having turnover below ₹1.5 crores
  - (C) 10% of tax payers having turnover below ₹1 crore
  - (D) 20% of tax payers having turnover below ₹1.5 crores
89. The time duration for retention of accounts and records under Goods and Services Tax (GST) as per section 36 of the CGST Act, 2017 is :
- (A) Until expiry of 36 months from the due date of furnishing of annual return for the year pertaining to such accounts and records
  - (B) Until expiry of 48 months from the due date of furnishing of annual return for the year pertaining to such accounts and records
  - (C) Until expiry of 60 months from the due date of furnishing of annual return for the year pertaining to such accounts and records
  - (D) Until expiry of 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records
90. Find out from the following, who are the persons not liable for registration under section 30 of the CGST Act, 2017 :
- (A) non-resident making taxable supply
  - (B) person supplying exempted goods and services or goods or services which are not liable for tax under GST
  - (C) an agriculturist, to the extent of supply of produce out of cultivation of land
  - (D) both (B) and (C)
91. Maximum validity period of certificate of registration issued to a casual and nonresident taxable person as per section 27 of the CGST Act, 2017 is :
- (A) 90 days from the effective date of registration
  - (B) 180 days from the effective date of registration
  - (C) 365 days from the effective date of registration
  - (D) none of the above

92. The quantum of punishment “where any person convicted of an offence under section 132(2) of the CGST Act, 2017 and again convicted of an offence under this section” is :
- (A) imprisonment for a term which may extent to five years and with fine
  - (B) imprisonment for a term which may extent to four years and with fine
  - (C) imprisonment for a term which may extent to three years and with fine
  - (D) imprisonment for a term which may extent to two years and with fine
93. The validity period specified for an e-way bill or a consolidated e-way bill under E-way rules as specified in rule 138 for .....
- (A) distance upto 1 km—half day
  - (B) distance upto 10 km—1 day
  - (C) for every 100 km or part thereof thereafter—one additional day
  - (D) both (B) and (C) above
94. Grounds which leads a commissioner to order for a special audit in case of a registered person by a communication in writing for getting his records including books of accounts examined and audited and by a person who .....
- (A) supplies any goods or service or both without issue of any invoice by Cost Accountant or Company Secretary
  - (B) avail input tax credit with bogus invoice by Company Secretary or Cost Accountant
  - (C) has not correctly declared the value or the credit availed is not within the normal limits, by a Chartered Accountant or a Cost Accountant
  - (D) none of the above
95. State the default committed on the part of a registered person which attracts an action by the proper officer to make best judgement assessment and also state the time limit within which such assessment is to be made :
- (A) furnish inaccurate data in return and within 2 years from the due date of annual return of the period to which the tax not paid relates
  - (B) fails to file general return under section 39 and within 5 years from the due date of annual return of the period to which tax not paid relates
  - (C) fails to file final return under section 45 even after notice under section 46 and within 5 years from the due date of annual return of the period to which tax not paid relates
  - (D) both (B) and (C) above

96. Section 51 of the CGST Act, 2017 mandates deduction of tax at source (TDS) at a specified percentage by the Government or Local Authorities from the payments made or credited to the supplier where the value of supply under a contract exceeds specified limit. State the specified percentage of TDS and the threshold limit of taxable goods or services or both under the contract .....
- (A) 0.50% & ₹1,00,000
  - (B) 0.75% & ₹1,50,000
  - (C) 2% & ₹5,00,000
  - (D) 1% & ₹2,50,000
97. Who is authorized under Integrated Goods and Service Tax (IGST) Act, to levy tax :
- (A) State
  - (B) Centre
  - (C) Union Territory
  - (D) Both (A) and (B)
98. State which shall be taken as the effective date of registration as per CGST Act, 2017 where the aggregate turnover of Madhur Company engaged in supply of taxable services in the state of Rajasthan exceeded ₹20 lakh during the year on 25th September, 2017, the application for registration under GST was filed on 19th October, 2017 and the registration certificate was granted on 29th October, 2017 by the authority :
- (A) 25-9-2017
  - (B) 19-10-2017
  - (C) 24-10-2017
  - (D) 29-10-2017
99. Consumer Welfare Fund has been constituted by the Government of India and as per section 57 of the CGST Act, 2017, the following amounts will be credited to this fund :
- (i) amount referred to in section 54(5)
  - (ii) refund of tax in pursuance of section 77
  - (iii) income from investment of the fund amount
  - (iv) refund of unutilized input tax credit
- (A) (ii) and (iii)
  - (B) (i) and (iii)
  - (C) (i), (ii) and (iv)
  - (D) All the four above

100. The available balance of input tax credit in the electronic ledger of the registered person on account of Union territory tax shall be utilized as per section 9 of UTGST Act, 2017 .....
- (A) first towards payment of central tax
  - (B) first towards payment of integrated tax
  - (C) first towards payment of union territory tax and the amount remaining, if any towards payment of integrated tax
  - (D) none of the above

\*\*\*

**ANSWER KEY**  
**TAX LAWS AND PRACTICE - SELECT SERIES**

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<b>PART A</b>					
<b>Qno</b>	<b>Ans</b>				
		Q34	D	Q69	B
		Q35	D	Q70	D
Q1	B	Q36	B		<b>Part B</b>
Q2	C	Q37	D	Q71	C
Q3	C	Q38	C	Q72	A/B/C/D *
Q4	B	Q39	C	Q73	D
Q5	D	Q40	D	Q74	C
Q6	B	Q41	C	Q75	C
Q7	A	Q42	D	Q76	B
Q8	*	Q43	*	Q77	A
Q9	B	Q44	C	Q78	B
Q10	C	Q45	B	Q79	B
Q11	C	Q46	B	Q80	A/C*
Q12	B	Q47	B	Q81	B
Q13	A	Q48	D	Q82	C
Q14	B	Q49	C	Q83	A/C*
Q15	B	Q50	A	Q84	C
Q16	A	Q51	A	Q85	C
Q17	B	Q52	D	Q86	C
Q18	B	Q53	B	Q87	C
Q19	B	Q54	A	Q88	B
Q20	C	Q55	B	Q89	D
Q21	B	Q56	D	Q90	D
Q22	B	Q57	A	Q91	A
Q23	C	Q58	C	Q92	A
Q24	C	Q59	D	Q93	*
Q25	B	Q60	C	Q94	C
Q26	C	Q61	A	Q95	D
Q27	A	Q62	B	Q96	D
Q28	C	Q63	C	Q97	B
Q29	B	Q64	D	Q98	A
Q30	D	Q65	D	Q99	B
Q31	D	Q66	C	Q100	C
Q32	D	Q67	C		
Q33	C	Q68	A		

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*Notes \**

- Q. No. 8 The correct option is ₹60,000 and ₹40,000 (assuming indexation is not considered while calculating capital gains).  
The correct option is ₹0 and ₹28,000 (assuming indexation is considered while calculating capital gains).
- Q. No. 43 All the options i.e., A, B, C & D are to be added while calculating Book Profits. However, please refer Section 115 JB of the Income Tax Act, 1961 for details not to be added while calculating book profit.
- Q. No. 72 All options A/B/C/D are correct.
- Q. No. 80 If the actual time of supply is before the change in rate of tax, then option A is correct whereas if actual time of supply falls after the change in rate of tax, then option C is correct.
- Q. No. 83 Both A and C options are included in Union Territory definition. Therefore, correct options are A or C .
- Q. No. 93 Distance upto 100 km —1 day.  
For every 100 km or part thereof thereafter—one additional day.

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