

GUIDELINE ANSWERS

EXECUTIVE PROGRAMME

JUNE 2016

MODULE 1



**THE INSTITUTE OF
Company Secretaries of India**

IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

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These answers have been written by competent persons and the Institute hopes that the **GUIDELINE ANSWERS** will assist the students in preparing for the Institute's examinations. It is, however, to be noted that the answers are to be treated as model answers and not as exhaustive and the Institute is not in any way responsible for the correctness or otherwise of the answers compiled and published herein.

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.

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(i)

NOTE: Guideline Answers of the last Sessions may require updation in the light of changes and references given below:

EXECUTIVE PROGRAMME

UPDATING SLIP

COMPANY LAW

MODULE – 1 – PAPER 1

<i>Examination Session</i>	<i>Question No.</i>	<i>Updating required in the answer</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>
All Previous Sessions	—	All answers are based on the notified provisions of Companies Act, 2013 and the provisions of Companies Act, 1956 which is still in force. Answers pertaining to Corporate Governance to be updated according to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

(ii)

UPDATING SLIP

COST AND MANAGEMENT ACCOUNTING

MODULE – 1 – PAPER 2

<i>Examination Session</i>	<i>Question No.</i>	<i>Updating required in the answer</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>
All Previous Sessions	—	All answers are based on the notified provisions of Companies Act, 2013 and the provisions of Companies Act, 1956 which are still in force.

(iii)

UPDATING SLIP

ECONOMIC AND COMMERCIAL LAWS

MODULE – 1 – PAPER 3

<i>Examination Session</i>	<i>Question No.</i>	<i>Updating required in the answer</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>
All Previous Sessions	—	Foreign Trade Policy 2015-20. Foreign Direct Investment Policy 2016.

(iv)

UPDATING SLIP

TAX LAWS AND PRACTICE

MODULE – 1 – PAPER 4

<i>Examination Session</i>	<i>Question No.</i>	<i>Updation required in the answer</i>
(1)	(2)	(3)
All Previous Sessions	—	<p>The Income Tax, Service Tax, Sales Tax, Central Excise and Customs Laws are subject to changes by the Annual Finance Acts. In order to update all the answers, the students are advised to refer to the latest law keeping in mind the following amendments for December 2016 examination.</p> <ul style="list-style-type: none">(i) For Direct taxes, Finance Act, 2015 is applicable.(ii) Applicable Assessment Year is 2016-17 (Previous Year 2015-16).(iii) Wealth Tax Act, 1957 has been abolished w.e.f. 1st April, 2016. The questions from the same will not be asked in examination from December 2015 session onwards.(iv) For Indirect taxes, all changes made by the Finance Act, 2016 are also applicable.(v) Students are also required to update themselves on all the relevant Circulars, Clarifications, Notifications, issued by CBDT / CBEC/ Central Government etc. which became effective, on or before six months prior to the date of the respective exams. <p>The questions based on case laws, in conflict with the latest law be treated as of academic interest only.</p>

EXECUTIVE PROGRAMME EXAMINATION

JUNE 2016

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) *It is mandatory for every director of a company to disclose his interest or nature of his concern in other companies in which he is a director.*
- (b) *There are certain circumstances under which investigation into the affairs of a limited liability partnership is conducted under the Limited Liability Partnership Act, 2008.*
- (c) *The time gap between the date of approval of financial statements by the Board of directors of a company and the date of notice of annual general meeting should be 45 days.*
- (d) *Three Singapore nationals who have never been to India have decided to be the shareholders holding 100% equity shares and the only directors of a private company in India in the year 2015 which is not a subsidiary of a public company.*
(5 marks each)

Answer 1(a)

It is duty of every director of the company to disclose the interest or nature of his concern in other companies in which he is a director.

Section 184 read with Rule 9 of Companies(Meetings of Board and its Powers) Rules, 2014 provides for the disclosure by directors relating his concern or interest in any company or companies or body corporate (including shareholding interest), firms or other association of individuals by giving a notice in writing at the first meeting of board after being appointed as director and at the first meeting of board in every financial year or whenever there is any change in the disclosure already made required to be disclosed in next board meeting.

As per section 184 (2) of the Act, every director is required to disclose the nature of his concern or interest at the meeting of board in which the contract or arrangement is discussed and he has not to participate in such meeting. However in case of private limited company the interested directors may participate in the Board Meetings after disclosure of interest.

The abovementioned interest may be direct or indirect and relating to some contract or arrangement or proposed contract or arrangement entered into or to be entered into

with a body corporate in which such director or such director in association with other director holds more than two percent shareholding or is a promoter, manager, Chief Executive Officer of that body corporate or with a firm or other entity in which such director is a partner, owner or member as the case maybe.

It shall be the duty of the director giving notice of interest to cause it to be disclosed at the meeting held immediately after the date of the notice.

Answer 1(b)

As per Section 43 of the Limited Liability Partnership Act, 2008, the Central Government may appoint one or more competent persons as inspectors to investigate the affairs of a limited liability partnership and to report on them in such manner as it may direct. Circumstances under which investigation may be conducted are as under:

- (a) if not less than one-fifth of the total number of partners of the limited liability partnership make an application along with supporting evidence and security amount as may be prescribed; or
- (b) if the limited liability partnership makes an application that the affairs of the limited liability partnership ought to be investigated; or
- (c) if, in the opinion of the Central Government, there are circumstances suggesting—
 - (i) that the business of the limited liability partnership is being or has been conducted with an intent to defraud its creditors, partners or any other person, or otherwise for a fraudulent or unlawful purpose, or in a manner oppressive or unfairly prejudicial to some or any of its partners, or that the limited liability partnership was formed for any fraudulent or unlawful purpose; or
 - (ii) that the affairs of the limited liability partnership are not being conducted in accordance with the provisions of this Act; or
 - (iii) that, on receipt of a report of the Registrar or any other investigating or regulatory agency, there are sufficient reasons that the affairs of the limited liability partnership ought to be investigated.

Answer 1(c)

There is no time prescribed in Companies Act, 2013 between the date of approval of financial statements by the Board of Directors of a company and the date of notice of Annual General Meeting.

Section 101 of the Companies Act, 2013 notice of AGM must be issued at least 21 clear days before the date of Annual General Meeting.

Hence, the gap between the board meeting in which the financial statements are approved and the AGM, should have a minimum gap of 21 clear days, unless the meeting is at a shorter notice

Answer 1(d)

Section 149 (3) of the Companies Act, 2013, provides that every company shall have at least one director who has stayed in India for a total period of not less than 182

days in the previous calendar year. MCA clarified vide Circular No. 25/2014, dated 26-6-2014 that Companies incorporated after 30-9-2014 needs to have the resident director from the date of incorporation itself.

In the present case three nationals of Singapore have not stayed in India for a total period of not less than 182 days in the previous calendar year. Hence none of them is a resident director

However all the shareholders of a company can be domiciled in a country outside India.

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

Question 2

Distinguish between the following :

- (a) 'Appointment of directors by nomination' and 'appointment of directors against casual vacancy'.
- (b) 'Informational services' and 'approval services (Registrar of Companies)' for categories of e-forms.
- (c) 'Notice of a charge' and 'satisfaction of a charge'.
- (d) 'Small company' and 'inactive company'. (4 marks each)

OR (Alternate question to Q.No. 2)

Question 2A

- (i) *Sanjay, a Chartered Accountant, is the financial controller of Sonik Industries (Pvt.) Ltd. for the last five years. The company now wants to appoint him as the statutory auditor of the company. Examining the provisions of the Companies Act, 2013, advise whether the company can appoint Sanjay as its statutory auditor.*
- (ii) *Board of directors of Ash Ltd. having its registered office at New Delhi decides to hold its next meeting at New York, USA since all the directors of the company are going to attend a sales exhibition to be held at New York. Examining the provisions of the Companies Act, 2013, advise the Board about the validity of its decision to hold the Board meeting at New York.*
- (iii) *Prism Ltd. has accepted `10 lakh as advance towards the supply of goods to certain parties. As per the agreement, the company will supply the goods after two years from the date of deposit. Later on, internal auditors qualified their report on the ground that the company has violated the provisions of the Companies Act, 2013. Directors explained that this is required to complete the order. Examining the relevant provisions of the Companies Act, 2013 state whether the explanation given by the directors is justified.*
- (iv) *Virat, a person of 21 years of age is pursuing MBA (Finance) course at a reputed recognised business school. He is not a shareholder of Grow (Pvt.) Ltd. He wishes to inspect the register of investments in securities not held in company's*

name and annual return of Grow (Pvt.) Ltd. He also wants to take copies thereof. Examining the relevant provisions of the Companies Act, 2013, advise Virat whether he would be successful in this regard. (4 marks each)

Answer 2(a)**Appointment of directors by nomination**

According to section 161(3) of the Companies Act, 2013 subject to the articles of a company, the Board may appoint any person as a director nominated by any institution in pursuance of the provisions of any law for the time being in force or of any agreement or by the Central Government or the State Government by virtue of its shareholding in a Government Company. The main objective of appointment of a nominee director is to ensure that borrower company complies with all legal requirements under various laws. In other words, nominee directors are watchdogs of the financial institutions to safeguard their investments.

Appointment of directors against casual vacancy

According to section 161(4) of the Companies Act, 2013, in the case of a public company, if the office of any director appointed by the company in general meeting is vacated before his term of office expires in the normal course, the resulting casual vacancy may, in default of and subject to any regulations in the articles of the company, be filled by the Board of Directors at a meeting of the Board

Further any person so appointed shall hold office only up to the date up to which the director in whose place he is appointed would have held office if it had not been vacated.

Answer 2(b)**Informational Services**

Informational Services with regard to e-forms means any intimation/ notice/ information to competent authority. (INC-20, INC-28, Form 35A)

Approval Services

Approval Services with regard to e-forms means an application which requires approval from competent authority(MCA, Regional Director, Registrar of Companies) (INC-6, INC24, MSC-1, MSC-4, GNL-1, FTE)

Answer 2(c)**Notice of Charge**

According to section 80 of the Companies Act, 2013, where any charge on any property or assets of a company or any of its undertakings is registered under section 77 of the Companies Act, 2013, any person acquiring such property, assets, undertakings or part thereof or any share or interest therein shall be deemed to have notice of the charge from the date of such registration.

The section clarifies that if any person acquires a property, assets or undertaking for which a charge is already registered, it would be deemed that he has complete knowledge of charge from the date the charge is registered.

Satisfaction of Charge

According to Section 82 and Rule 8(1) of the Companies (Registration of Charges) Rules, 2014, the company shall give intimation to the Registrar of the payment or satisfaction in full of any charge within a period of thirty days from the date of such payment or satisfaction in Form No.CHG-4 along with the fee.

Answer 2(d)

Small company

As per section 2(85) "small company" means a company, other than a public company,—

- (i) paid-up share capital of which does not exceed fifty lakh rupees or such higher amount as may be prescribed which shall not be more than five crore rupees; and
- (ii) turnover of which as per its last profit and loss account does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than twenty crore rupees:

Provided that nothing in this definition shall apply to—

- (A) a holding company or a subsidiary company;
- (B) a company registered under section 8; or
- (C) a company or body corporate governed by any special Act;

A small company enjoys various privileges and exemptions under the Companies Act, 2013.

Inactive company

According to explanation to section 455(1) of the Companies Act, 2013 "inactive company" means a company which has not been carrying on any business or operation, or has not made any significant accounting transaction during the last two financial years, or has not filed financial statements and annual returns during the last two financial years.

Inactive company may make an application under section 455 to the Registrar in prescribed manner for obtaining the status of dormant company.

Answer 2A(i)

According to Section 141(3)(b) of the Companies Act, 2013 an officer or employee of the company is not eligible to be appointed as statutory auditor of a company..

In the present case Mr. Sanjay is working as Financial controller of Sonik Industries (Pvt.) Ltd., and hence not eligible to be appointed as statutory auditor of the company.

Answer 2A(ii)

In the Companies Act, 2013 there is no such restriction of holding a board meeting outside India.

The decision of Ash Ltd. to hold a meeting in New York when all the directors present there stand valid.

Answer 2A(iii)

According to the Section 2(31) of the Act read with Rule 2(c) of Companies (Acceptance of Deposits) Rules, 2014 "deposit" includes any receipt of money by way of deposit or loan or in any other form by a company, but does not include any amount received in the course of or for the purposes of the business of the company as an advance for the supply of goods or provision of services provided that such advance is appropriated against supply of goods or provision of services within a period of three hundred and sixty five days from acceptance of such advance. In case of any advance which is subject matter of any legal proceedings before any court of law, the said time limit of three hundred and sixty five days shall not apply.

In the present case Prism Ltd. has accepted Rs. 10 Lakhs as advance towards the supply of goods to certain parties on an agreement to supply goods after two years from date of deposit. Considering the legal provision the amount so accepted by the company is deposit.

Answer 2A(iv)

Section 187 read with rule 14 of Companies (Meetings of Board and its Powers), Rules, 2014 provides that every company shall maintain Register of Investment in securities not held in company's name in Form MBP-3. Sub-section 3 of the section provides that such register shall be open to inspection by any member or debenture-holder of the company without any charge during business hours subject to such reasonable restrictions as the company may by its articles or in general meeting impose.

Thus, in the given case Virat who is not a member of the company is not eligible to inspect the Register of Investment in securities not held in company's name.

Section 94 provides that copies of annual return filed under section 92 shall be kept at registered office of the company. Further the copies of all the returns shall be open for inspection by any member, debenture-holder, other security holder or beneficial owner during business hours without payment of fees and by any other person on payment of such fees as may be prescribed under Companies (Registration office & fee) Rules, 2014. Further he may take a copy of the return on payment of such fees as may be prescribed in above said rules.

Hence Virat may inspect and take copy of Annual Return and not the Register of Investment in securities not held in company's name.

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

Question 3

- (a) *Prudent General Insurance Company Ltd. is engaged in the general insurance business. The company is not listed in any stock exchange in India but is a subsidiary of Reliable General Insurance Company Ltd., listed at Bombay Stock Exchange. The turnover of Prudent General Insurance Company Ltd. is ₹330 crore. Examining the provisions of the Companies Act, 2013, state whether the company is required to file XBRL enabled balance sheet. (4 marks)*

- (b) *Sweet (Pvt.) Ltd. has committed a default which is in violation of the provisions of the Companies Act, 2013. No specific penalty or punishment is provided in the Act for the said default. Decide the quantum of punishment for contravention where no specific penalty or punishment is provided under the Companies Act, 2013.* (4 marks)
- (c) *Sun & Moon LLP, Trademark and Patent Attorneys, seeks your advice as to the circumstances which would require their accounts to be audited. They have also asked you whether foreign direct investment is allowed in limited liability partnership. Examining the provisions of the Limited Liability Partnership Act, 2008 and the rules thereof, advise whether they can avail external commercial borrowings.* (4 marks)
- (d) *Paras, a director of Spike (Pvt.) Ltd. resigns from the office of director. He has forwarded a copy of resignation to the company and the Registrar of Companies (ROC) in time. The company, however, has not filed relevant form to the ROC. Explaining the provisions of the Companies Act, 2013 in this regard, decide the status of Paras.* (4 marks)

OR (Alternate question to Q.No. 3)

Question 3A

Write notes on the following :

- (i) *Public financial institutions*
- (ii) *Corporate social responsibility*
- (iii) *Resident director*
- (iv) *Punishment for failure to distribute dividend and exceptions.* (4 marks each)

Answer 3(a)

As per Rule 3 of Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2011, The following class of companies shall file their financial statement and other documents under section 137 of the Act, with the Registrar in e-form AOC-4 XBRL for the financial years commencing on or after 1st April, 2014 using the XBRL taxonomy given, namely:-

- (i) All companies listed with any Stock Exchange(s) in India and their Indian subsidiaries; or
- (ii) All companies having paid-up share capital of Rs. 5 crore and above; or
- (iii) All companies having turnover of Rs. 100 crore and above; or
- (iv) All companies which were hitherto covered under the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2011.

However, companies in Banking, Insurance, Power Sector and Non-Banking Financial companies are exempted from XBRL filing.

In present case Prudent General Insurance company Ltd. is engaged in general insurance business, thus XBRL filing is not applicable to the company.

Answer 3(b)

Section 450 of the Companies Act, 2013 provides that if a company or any officer of the company or any other person contravenes any of the provisions of Act or the rules made thereunder or any condition, limitation, or restriction subject to which any approval is given or granted for which no penalty or punishment is provided elsewhere in the Act, then the company and every officer thereof who is in default or such other person is punishable with fine which may extend to rupees ten thousand and where the contravention is a continuing offence, with a further fine extend to rupees one thousand for every day during which the contravention continues.

Therefore Sweet (Pvt.) Ltd. for the violation of the provisions of Companies Act, 2013 shall be governed under Section 450.

Answer 3(c)

Section 34(4) of the LLP Act, 2008 provides that the accounts of the LLP shall be audited in accordance with such rules as may be prescribed unless the LLP is exempted from audit under rule 24(8) of LLP Rules, 2009. An auditor/(s) of LLP shall be appointed for each financial year of the LLP, unless exempt from the provisions of audit requirement under rule. The audit of LLP may be done by a Chartered Accountant in Practice only.

Proviso to rule 24(8) of the LLP Rules, 2009 provides that a LLP shall be exempted from the audit of its accounts if

- (a) its turnover does not exceed, in any financial year, forty lakh rupees or
- (b) Its contribution does not exceed twenty-five lakh rupees

FDI in Limited Liability Partnerships (LLPs)

- FDI in LLPs is allowed, through the government approval route, only for LLPs operating in sectors/activities where 100% FDI is allowed through automatic route and there are no FDI linked performance related conditions (Such as 'Non-Banking Finance Companies' or 'Development of townships, housing, built-up infrastructure and Construction-development projects' etc.).
- FDI in LLP is not allowed at all even through government route in those sectors where 100% FDI is not allowed under automatic route.

LLPs are not be permitted to avail External Commercial Borrowings (ECBs). Therefore, Sun & Moon LLP is advisable not to avail ECB.

Answer 3(d)

As per section 168 of the Companies Act, 2013 read with Rule 15 and 16 of the Companies (Appointment and Qualification of Directors) Rules, 2014 a director may resign from his office by giving notice in writing. The Board shall, on receipt of such notice within 30 days intimate the Registrar in Form DIR-12 and also place the fact of such resignation in the Directors' Report of subsequent general meeting of the company and post the information on its website. The director shall also forward a copy of resignation alongwith detailed reasons for the resignation to the Registrar in Form DIR-11 within 30 days from the date of resignation. The notice shall become effective from the date on which the notice is received by the company or the date, if any specified by the director

in the notice, whichever is later. In case of failure of the company to intimate the Registrar, as the director has already informed the registrar of his resignation within time, the document would get registered in the records of the registrar.

In the present case Resignation of Mr. Paras shall remain valid and shall be recorded by the Registrar.

Answer 3A(i)

Public Financial Institution has been defined under section 2(72) of the Companies Act, 2013. According to Section 2 (72), "Public financial institution" means—

- (i) the Life Insurance Corporation of India, established under section 3 of the Life Insurance Corporation Act, 1956;
- (ii) the Infrastructure Development Finance Company Limited, referred to in clause (vi) of sub-section (1) of section 4A of the Companies Act, 1956 so repealed under section 465 of this Act;
- (iii) specified company referred to in the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;
- (iv) institutions notified by the Central Government under sub-section (2) of section 4A of the Companies Act, 1956 so repealed under section 465 of this Act;
- (v) such other institution as may be notified by the Central Government in consultation with the Reserve Bank of India:

However, no institution shall be so notified unless— (A) it has been established or constituted by or under any Central or State Act; or (B) not less than fifty-one per cent of the paid-up share capital is held or controlled by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments.

Answer 3A(ii)

The provisions of Corporate Social Responsibility are covered under section 135 of the Act and Companies (CSR Policy) Rules, 2014. The CSR provisions apply to the following classes of companies during any financial year: (i) Companies having Net Worth of rupees five hundred crore or more; or (ii) Companies having turnover of rupees one thousand crore or more; or (iii) Companies having Net Profit of rupees five crore or more. The companies specified above shall constitute a Corporate Social Responsibility Committee (CSR Committee) of the Board. The CSR Committee shall consist of three or more Directors (Except in case of private company, where the no. of directors is lesser than three, the committee shall consist of all the directors), out of which at least one Director shall be an Independent Director (if there is any). After taking into account the recommendations of the CSR Committee, the Board shall approve the CSR Policy for the company covering the activities to be undertaken as per Schedule VII of the Act. The contents of the Policy shall be disclosed in the Board's report and the Company's website, if any, in a manner to be prescribed by the Central Government. The eligible companies are required to spend in every financial year, at least two per cent of the Average Net Profits of the Company made during the three immediately preceding financial

years in pursuance of its CSR Policy. If the Company fails to spend the amount, the Board shall specify the reasons for not spending the amount in the Board's Report.

Answer 3A(iii)

Section 149(3) of the Companies Act, 2013, provides that every company is required to appoint at least one director who has stayed in India for a total period of not less than 182 days in the previous calendar year. Such director is called the resident Director.

Answer 3A(iv)

Section 127 of Companies Act 2013 provides that when a dividend has been declared by a company but has not been paid or the warrant in respect thereof has not been posted within thirty days from the date of declaration to any shareholder entitled to the payment of the dividend, every director of the company shall, if he is knowingly a party to the default, be punishable with imprisonment which may extend to two years and with fine which shall not be less than one thousand rupees for every day during which such default continues and the company shall be liable to pay simple interest at the rate of eighteen per cent per annum during the period for which such default continues.

Exceptions

Proviso to section 127 has provided a list where no offence under this section shall be deemed to have been committed:—

- (a) where the dividend could not be paid by reason of the operation of any law;
- (b) where a shareholder has given directions to the company regarding the payment of the dividend and those directions cannot be complied with and the same has been communicated to him;
- (c) where there is a dispute regarding the right to receive the dividend;
- (d) where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder; or
- (e) where, for any other reason, the failure to pay the dividend or to post the warrant within the period under this section was not due to any default on the part of the company.

Question 4

- (a) *Aman, Raman and Shraman are three brothers. They are in the process of subscribing to the memorandum of association of a proposed new company, Glamour (Pvt.) Ltd. They have been asked to file an affidavit in this regard. Stating the contents of the affidavit decide whether the affidavit has to be filed individually or jointly. (4 marks)*
- (b) *Bright Products Ltd. wishes to sell one of its undertakings for which it decides to call an extra-ordinary general meeting (EGM) and to pass a resolution thereat. State the material facts to be set out in the explanatory statement to be annexed to the notice of the EGM on this special business to be transacted at the meeting. (4 marks)*

- (c) *The paid-up equity share capital of Strong Foundry Ltd. is ₹45 lakh. President (Finance) of the company seeks your advice whether it is possible to re-open its books of account and recast the company's financial statements of the previous year. You being the Secretary of the company, advise the President (Finance) by preparing a note in this regard. (4 marks)*
- (d) *Pioneer Fisheries Ltd. has borrowed an amount of ₹50 crore from a financial institution. The annual general meeting of the company was held on 1st September, 2015. Examining the provisions of the Companies Act, 2013, state as to who will sign and certify the annual return while filing the same with the Registrar of Companies after the annual general meeting. (4 marks)*

Answer 4(a)

Section 7(1)(c) of the Companies Act, 2013 requires the filing of an affidavit from each of the subscribers to the memorandum and from persons named as the first directors, if any, in the articles that he is not convicted of any offence in connection with the promotion, formation or management of any company, or that he has not been found guilty of any fraud or misfeasance or of any breach of duty to any company under this Act or any previous company law during the preceding five years and that all the documents filed with the Registrar for registration of the company contain information that is correct and complete and true to the best of his knowledge and belief;

Rule 15 of The Companies (Incorporation) Rules, 2014 states that

For the purposes of clause (c) of sub-section (1) of section 7, the affidavit shall be submitted by each of the subscribers to the memorandum and each of the first directors named in the articles in Form No.INC.9.

Affidavit

(To be given individually by applicant)

Name of the proposed company:

I, being the subscriber to the memorandum/named as first directors of above name proposed company., hereby solemnly declare and affirm that:

1. I have not been convicted of any offence in connection with the promotion, formation or management of any company during the preceding five years; and
2. I have not been found guilty of any fraud or misfeasance or of any breach of duty to any company under this Act or any previous company law during the preceding five years; and
3. All the documents filed with the Registrar for registration of the company contain information that is correct and complete and true to the best of my knowledge and belief

Signature :

Date :

In the present case all the subscribers to the memorandum of Aman, Raman and Shraman have to file the affidavit individually.

Answer 4(b)

Following are the material facts to be set out in the explanatory statement to be annexed to the Notice of EGM of Bright Products Ltd as per Section 102(1) of Companies Act, 2013 :

- (a) the nature of concern or interest, financial or otherwise, if any, in respect of each items of—
 - (i) every director and the manager, if any;
 - (ii) every other key managerial personnel; and
 - (iii) relatives of the persons mentioned in sub-clauses (i) and (ii);
- (b) any other information and facts that may enable members to understand the meaning, scope and implications of the items of business and to take decision thereon

Further, where any item of special business to be transacted at a meeting of the company relates to or affects any other company, the extent of shareholding interest in that other company of every promoter, director, manager, if any, and of every other key managerial personnel of the first mentioned company shall, if the extent of such shareholding is not less than two per cent. of the paid-up share capital of that company, also be set out in the statement.

Answer 4(c)**The President (Finance)
Strong Foundry Ltd.**

Sub: Reopening of books of accounts and recast the company's financial statements

Dear Sir,

Section 130 of the Companies Act, 2013 provides for provisions relating to re-opening or re-casting of books of accounts of the company. Accordingly,

- (i) A company shall not re-open its books of account and shall not recast its financial statements, unless an application in this regard is made by any one or more of the following -
 - (a) the Central Government, or
 - (b) the Income-tax authorities, or
 - (c) the Securities and Exchange Board of India (SEBI), or
 - (d) any other statutory regulatory body or authority or any person concerned, and
 - (e) an order in this regard is made by a court of competent jurisdiction or the Tribunal.
- (ii) The re-opening and recasting of financial statements is permitted only for the following reasons –
 - (a) the relevant earlier accounts were prepared in a fraudulent manner; or

- (b) the affairs of the company were mismanaged during the relevant period, casting a doubt on the reliability of financial statements.
- (iii) The Court or the Tribunal, as the case may be, shall give the notice to-
 - (a) the Central Government,
 - (b) the Income-tax authorities,
 - (c) the Securities and Exchange Board,
 - (d) any other statutory regulatory body or authority concerned and shall take into consideration the representations, if any, made by Central Government or the income tax authorities, Securities and Exchange Board or the body or authority concerned before passing any order under this section.
- (iv) The accounts so revised or re-cast under this section shall be final.

Director's report of the year in which such provisions are invoked, should provide for the reasons or circumstances in which such revisions were warranted.

Further, Section 131 deals with power of Board to make application to tribunal and obtain approval for voluntary revision of financial statements and Board's Report of any of the preceding three financial years.

Hence, one time revision of financial accounts of the company may be made after obtaining approval of the tribunal subject to applicability and enforceability of Section 131 of Companies Act, 2013.

This is for information and record please.

Regards,

Name: abc xyz
Company Secretary

Answer 4(d)

As per section 92 of the Act, every company shall prepare a return in E-form MGT 7 containing the required particulars as they stood on the close of the financial year and signed by a director and the company secretary, or where there is no company secretary, by a company secretary in practice.

The annual return, filed by a listed company or, by a company having paid-up capital of ten crore rupees or more or turnover of fifty crore rupees or more, shall be certified by a company secretary in practice (Form No. MGT 8), stating that the annual return discloses the facts correctly and adequately and that the company has complied with all the provisions of this Act.

Here, it may be noted that borrowed amount is not any criteria for deciding about the authority/ eligibility of the person to sign and certify the annual return.

Thus, in the absence of information about whether the company falls under the listing or paid up share capital or Turnover category discussed above, it would not be wise to pronounce whether its annual return shall be signed and certified by a practising company secretary or not.

Question 5

- (a) Board of directors of Acute (Pvt.) Ltd., incorporated under the Companies Act, 2013, decides to convert the company into a one person company (OPC). Explain the procedure as provided under the Companies Act, 2013 to be followed in this regard. (8 marks)
- (b) Board of directors of Desire Ltd. decides to go for creditors' winding-up of the company. For this purpose the Board decides to call an extra-ordinary general meeting on 30th June, 2016. Draft a notice alongwith explanatory statement for convening the meeting. Assume facts. (8 marks)

Answer 5(a)

Rule 7 of Companies (Incorporation) Rules, 2014 relates to Conversion of Private Company Into One Person Company. The details are as under:

- (1) A private company other than a company registered under section 8 of the Act having paid up share capital of fifty lakhs rupees or less and average annual turnover during the relevant period is two crore rupees or less may convert itself into one person company by passing a special resolution in the general meeting.
- (2) Before passing such resolution, the company shall obtain No objection in writing from members and creditors.
- (3) The one person company shall file copy of the special resolution with the Registrar of Companies within thirty days from the date of passing such resolution in Form No. MGT-14
- (4) The company shall file an application in Form No. INC.6 for its conversion into One Person Company along with fees as provided in in the Companies (Registration offices and fees) Rules, 2014, by attaching the following documents, namely:-
 - (i) The directors of the company shall give a declaration by way of affidavit duly sworn in confirming that all members and creditors of the company have given their consent for conversion, the paid up share capital company is fifty lakhs rupees or less or average annual turnover is less than two crores rupees, as the case may be;
 - (ii) the list of members and list of creditors;
 - (iii) the latest Audited Balance Sheet and the Profit and Loss Account; and
 - (iv) the copy of No Objection letter of secured creditors.

On being satisfied and complied with requirements stated herein the Registrar shall issue the Certificate

Answer 5(b)**Notice of Extraordinary General Meeting**

Notice is hereby given that an Extraordinary General Meeting of the members of

Desire Ltd. will be held on 30th June, 2016 at 11:00 a.m. at the registered office of the company to transact the following special business:

To consider, and if thought fit, to pass, with or without, modification the following resolution as special resolution:

“Resolved that pursuant to Section 306 of Companies Act, 2013 the company be wound up voluntarily by the creditors.

Resolved further that Mr. ___ be and is hereby appointed as a liquidator of the company at a remuneration of 2% of the amount credited to the realization account and 1% of the amount debited to the realization account subject, however, to a minimum of Rs. 5000 per month plus actual out of pocket expenses incurred in connection with performance of duties and that the said liquidator be and is hereby authorized to exercise all powers as specified under Section 314 and 343 read with Section 290 of Companies Act, 2013.

Resolved further that a committee of inspection consisting of the following members be and is hereby constituted and that the said committee of inspection be authorized to discharge the functions specified under the Companies Act, 2013.”

Mr. ___

Mr. ___

Place

Date:

By order of Board of Directors

____ Ltd.

Secretary

Explanatory Statement pursuant to section 102 of The Companies Act, 2013

In the context of dwindling income and mounting liabilities, it is proposed to initiate winding up of the company by creditors as provided for in Section 306 of the Companies Act, 2013. A copy of the statement of position of the company's affairs together with a list of creditors is attached with the notice. It is also proposed to appoint a liquidator and constitute a committee of inspection to carry out the creditors' winding up.

No directors, key managerial personnel or their relatives is interested or concerned in the resolution.

The Board recommends the resolution for the approval of members.

Question 6

- (a) *Explaining the provisions of the Companies Act, 2013, state the duties of Nomination and Remuneration Committee.*
- (b) *Krugen Holdings Ltd. promoted Ms. Bhavna and designated her as the Director (Administration). Examine the validity of such a designation under the provisions of the Companies Act, 2013.*

- (c) *Board of directors of Green Field Ltd. decides to accept deposits from the public at a compound interest rate of 12% per annum. Examining the provisions of the Companies Act, 2013, advise whether the Board can go ahead with its proposal.*
- (d) *Referring to the provisions of the Companies Act, 2013, explain whether the Company Secretary being a Chief Financial Officer of the company can be held liable for maintenance of books of account of the company.*

(4 marks each)

Answer 6(a)

Nomination and Remuneration Committee

The Board of Directors of every listed company and such other class or classes of companies, as may be prescribed shall constitute the Nomination and Remuneration Committee consisting of three or more non executive directors out of which not less than one half shall be independent director.

As per section 178(3) of the Act, the Committee shall formulate the criteria, for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to remuneration for directors, KMPs and other employees

The duties of the Nomination and Remuneration Committee have now been specified. They include

- (a) identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down;
- (b) recommend to the Board their appointment and removal;
- (c) carry out evaluation of every Director's performance;
- (d) formulate the criteria for determining qualifications, positive attributes and independence of a Director and
- (e) recommend to the Board a policy, relating to the remuneration for the Directors, KMP and other employees.

Answer 6(b)

A special director or an executive director is a full-time employee of a company and is given this designation in appreciation of his merit and his usefulness to the company.

Such directors may not be the members of the Board and as such they cannot be called directors within the meaning of the provisions of the Companies Act. However, the Department of Company Affairs(now MCA) has, vide Circular No.2/1982(1/1/82-CL-V;23/44/79-CL-II) dated 20th January, 1993 (ascertained by revised circular No.11/1990 (3/5/89-CL-V) dated 29th May, 1990), advised companies to desist from giving designations as 'Special Director', 'Director Administration', etc., to their executives, who are not members of the Board, as such designations give an impression to the public at large and those dealing with the companies and the executives that they are full-fledged directors entitled to act as such on behalf of the company.

Based on these circulars Krugen Holdings Ltd. is advised not to use the designation 'Director (Administration)' for its executive Ms. Bhavana.

Answer 6(c)

As per Rule 3(6) of the Companies (Acceptance of Deposits) Rules, 2016 no company under section 73(2) or any Eligible company shall invite or accept or renew any deposits in any form, carrying a rate of interest or pay brokerage thereon at a rate exceeding the maximum rate of interest or brokerage prescribed by the Reserve Bank of India for acceptance of deposits by non-banking financial companies.

Green Field Ltd. is advised to go ahead with the proposal carrying a rate of interest not exceeding the maximum rate of interest or brokerage prescribed by the Reserve Bank of India for acceptance of deposits by non-banking financial companies.

Answer 6(d)

The Companies Act, 2013 specifically provides under sub-section (6) of Section 128, the persons responsible to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of accounts etc.

- (i) Managing Director
- (ii) Whole-Time Director, in charge of finance
- (iii) Chief Financial Officer
- (iv) Any other person of a company charged by the Board with duty of complying with provisions of section 128.

Therefore, a Company Secretary being a Chief Financial Officer of the company can be held liable for maintenance of books of accounts of the company.

COST AND MANAGEMENT ACCOUNTING - SELECT SERIES

Time allowed : 3 hours

Maximum marks : 100

Total number of Questions : 100

1. Which of the following statements are true —
- (i) Conversion costs and overheads are interchangeable terms
 - (ii) Notional cost and imputed cost means the same thing
 - (iii) Cost accounting is not needed by a non-profit organisation
 - (iv) Rent on owned building is included in cost accounts.

Select the correct answer from the options given below —

- (A) (i) and (ii)
 - (B) (iii) and (iv)
 - (C) (ii) and (iv)
 - (D) All of the above.
2. XYZ Ltd. had 4,000 units of inventory in hand on 1st March, 2016, costing ₹4 per unit. Purchases and issues of material during the month were as follows :

<i>Date</i>	<i>Purchase</i>	<i>Issue</i>
March 8	500 units @ ₹5 per unit	—
March 15	—	2,000 units
March 20	6,000 units @ ₹6 per unit	—
March 28	—	4,000 units

The cost of inventory as on 31st March, 2016 under FIFO and weighted average cost method will be —

- (A) ₹27,000 and ₹24,498
- (B) ₹27,000 and ₹23,625
- (C) ₹22,000 and ₹23,625
- (D) ₹22,000 and ₹24,498

3. What journal entry is to be passed in non-integrated accounting system when finished goods are sold at cost —
- (A) Debit General ledger adjustment account and Credit Costing profit and loss account
- (B) Debit General ledger adjustment account and Credit Finished goods stock ledger account
- (C) Debit Cost of sales account and Credit Costing profit and loss account
- (D) Debit Cost of sales account and Credit Finished goods stock ledger control account.

4. Match the following industry/product with appropriate cost unit :

<i>Industry/Product</i>	<i>Cost unit</i>
(i) Toy Industry	(a) Per batch
(ii) Steel Industry	(b) Tonne-kilometre
(iii) Chemical	(c) Tonne
(iv) Transport	(d) Gallon

Select the correct answer using the codes given below —

	(i)	(ii)	(iii)	(iv)
(A)	(a)	(c)	(d)	(b)
(B)	(a)	(b)	(d)	(c)
(C)	(a)	(d)	(c)	(b)
(D)	(b)	(a)	(c)	(d)

5. Which one of the following statements is false —
- (A) Management accountant uses cost accounting tools and techniques for planning and decision making
- (B) Management accounting is mostly historical in its approach and it projects the past
- (C) Cost accounting system can be installed without management accounting
- (D) Management accounting focuses on wealth maximisation.
6. 4,000 Kgs. of material is purchased @ ₹2 per Kg. Normal wastage is estimated at the rate of 10%. The wastage has recovery value of ₹1.10 per Kg. Calculate cost of material of work order of 600 units, if each unit requires 1.5 Kg. of material —
- (A) ₹1,260

- (B) ₹1,800
 - (C) ₹1,620
 - (D) ₹1,890
7. What is the treatment of unrealised profit in process costing —
- (A) Transferred to profit and loss account
 - (B) Closing stock valued at transfer price
 - (C) Eliminated by creating stock reserve
 - (D) Treated as abnormal gain.
8. Cost-Volume-Profit analysis is based on several assumptions. Which one of the following is not one of these assumptions —
- (A) Sales mix of the products is constant
 - (B) The behaviour of both sales and variable cost is linear throughout the relevant range
 - (C) Variable cost per unit will remain constant
 - (D) Productivity and operational efficiency will change according to output.
9. Which of the following is/are not a purpose of time keeping —
- (i) Ascertaining labour cost of a job/product/activity
 - (ii) Evaluating labour performance by comparing actual and budgeted time
 - (iii) Providing internal check against dummy workers.
- Select the correct answer from the options given below —
- (A) (i) and (ii)
 - (B) (ii) and (iii)
 - (C) (i) and (iii)
 - (D) (ii) only.
10. Pride Ltd. has profit after tax ₹90,000, depreciation ₹17,000, and decrease of debtors ₹20,000. The cash generated from operating activities will be —
- (A) ₹87,000
 - (B) ₹93,000
 - (C) ₹1,27,000
 - (D) ₹53,000

11. Classify the following expenses as direct (D) and indirect (I) —
- (i) Royalties charged as a rate per unit
 - (ii) Cost of making a design, pattern for a specific job
 - (iii) Salesman's commission
 - (iv) Power, fuel, lighting of factory and office.
- Select the correct answer using the codes given below —
- | | (i) | (ii) | (iii) | (iv) |
|-----|-----|------|-------|------|
| (A) | (D) | (D) | (I) | (I) |
| (B) | (D) | (D) | (I) | (D) |
| (C) | (D) | (D) | (D) | (D) |
| (D) | (D) | (D) | (D) | (I) |
12. Under Merrick's multiple piece rate system, 110% of the ordinary piece rate is given to workers whose level of performance lies between _____ of the standard output.
- (A) 83% and 100%
 - (B) 73% and 100%
 - (C) 83% and 90%
 - (D) 80% and 90%.
13. Current liabilities of a firm are ₹1,50,000. Its current ratio is 3:1 and liquid ratio is 1:1. The value of stock will be —
- (A) ₹3,00,000
 - (B) ₹4,50,000
 - (C) ₹2,50,000
 - (D) ₹1,50,000
14. The state of production at which separate products are identified is known as—
- (A) Split-off point
 - (B) Break-even point
 - (C) Re-order point
 - (D) Cost indifference point.

15. Under marginal costing, unit product cost would most likely be increased by—
- (A) A decrease in the number of units produced
 - (B) An increase in the number of units produced
 - (C) An increase in the commission paid to salesman for each unit sold
 - (D) A decrease in the commission paid to salesman for each unit sold.
16. A company reported current year profit as ₹70,000 after the following adjustments:
- | | | |
|--------------------------------------|---|---------|
| Loss on sale of equipment | : | ₹9,000 |
| Premium on debenture redemption | : | ₹1,500 |
| Tax provision | : | ₹22,000 |
| Dividend income | : | ₹4,000 |
| Profit on revaluation of fixed asset | : | ₹2,500 |
- The amount of fund from operations will be —
- (A) ₹96,000
 - (B) ₹93,000
 - (C) ₹78,000
 - (D) ₹61,000
17. In process costing, abnormal effectives would arise if —
- (A) Actual units lost during the process were more than the normal loss
 - (B) Closing stock at end of the period was higher than opening stock
 - (C) Actual units lost during the process were less than the normal loss
 - (D) Estimate of cost per unit was below the actual cost per unit of output.
18. A company producing three products, viz., X,Y and Z has sales mix in the ratio of 2:1:3. The profit volume ratio of the products X, Y and Z are 15%, 30% and 20% respectively. The total fixed cost of the company is ₹3,50,000.
- The break-even point of the company will be —
- (A) ₹16,15,390
 - (B) ₹17,50,000
 - (C) ₹23,33,333
 - (D) ₹11,66,667

19. Which one of the following is a non-current item —

- (A) Securities premium
- (B) Outstanding wages
- (C) Trade payables
- (D) Bank balance.

20. Match the following :

<i>Overheads</i>	<i>Basis of apportionment</i>
(i) Insurance of stock	(a) Floor area
(ii) Rent and other building expenses	(b) Number of workers
(iii) Fringe benefits	(c) Direct wages
(iv) Holiday pay	(d) Capital value

Select the correct answer using the codes given below —

	(i)	(ii)	(iii)	(iv)
(A)	(a)	(c)	(d)	(b)
(B)	(d)	(a)	(b)	(c)
(C)	(d)	(b)	(a)	(c)
(D)	(c)	(a)	(b)	(c)

21. Match the following statements with prescribed forms :

<i>Statements</i>	<i>Forms</i>
(i) Cost Audit Report to Central Government by the company	(a) CRA 3
(ii) Cost Auditor to submit report to the Board of Directors	(b) CRA 2
(iii) Intimation of appointment of Cost Auditor to MCA by the company	(c) CRA 4

Select the correct answer using the codes given below —

	(i)	(ii)	(iii)
(A)	(a)	(b)	(c)
(B)	(c)	(a)	(b)

(C) (b) (a) (c)

(D) (c) (b) (a)

- 22.** Identify the cost which is not relevant or useful for decision making —
- (A) Shut down cost
 - (B) Marginal cost
 - (C) Imputed cost and replacement cost
 - (D) Sunk cost.
- 23.** EOQ is 200 units, ordering cost ₹20 per order and total purchases 4,000 units. The carrying cost per unit will be —
- (A) ₹2
 - (B) ₹6
 - (C) ₹4
 - (D) None of the above.
- 24.** From the following particulars, calculate the selling price per unit, if the break-even point is brought down to 10,000 units :
- Selling price per unit : ₹20
- Variable cost per unit : ₹16
- Fixed expenses : ₹60,000
- Choose the correct option —
- (A) ₹25
 - (B) ₹20
 - (C) ₹22
 - (D) ₹32
- 25.** Standard time allowed for a job is 20 hours @ ₹2 per hour. Actual time taken by a worker is 15 hours. The earning and effective wage rate under Halsey Plan (50% sharing) will be —
- (A) ₹35 and ₹2.33
 - (B) ₹35 and ₹1.75

(C) ₹40 and ₹2.67

(D) ₹40 and ₹2.00

26. Operating and accounting figures for the month of January, 2015 with respect to overheads were as under :

Actual overheads ₹8,600

Actual direct labour hours ₹6,000

Standard labour hours ₹5,000

Budget equation = ₹3,000 +
(90 paise × Actual direct hours)

Absorption equation = ₹1.50
× Standard direct labour hours

The budgeted overheads amounted to ₹8,400 and absorbed overheads to ₹8,250.

The overheads volume variance is —

(A) ₹150 (A)

(B) ₹158 (F)

(C) ₹142 (A)

(D) ₹140 (F).

27. *Assertion (A)* : A current ratio of 2:1 is considered satisfactory as a rule of thumb but it should not be followed blindly.

Reason (R) : The greatest weakness of current ratio is the possibility of window dressing and manipulation.

Select the correct answer from the options given below —

(A) Both A and R are true and R is the correct explanation of A

(B) Both A and R are true, but R is not the correct explanation of A

(C) A is true, but R is false

(D) A is false, but R is true.

28. What is the proper sequence of events in an 'activity based costing' system—

(i) Calculation of overheads application rates.

(ii) Identification of cost drivers

- (iii) Identification of cost pools
- (iv) Assignment of overheads cost to products.

Select the correct answer from the options given below —

- (A) (i), (iii), (iv), (ii)
- (B) (ii), (iii), (i), (iv)
- (C) (iii), (ii), (i), (iv)
- (D) (ii), (iii), (iv), (i)

29. Calculate machine hour rate from the following :

Cost of machine	:	₹19,200
Estimated scrap value	:	₹1,200
Average repair and maintenance charges per month	:	₹150
Standing charges allocated to machine per month	:	₹50
Effective working life of machine	:	10,000 hours
Running time per month	:	166 hours
Power used by machine 5 units per hour @	:	19 paise per unit

Choose the correct option —

- (A) ₹4
- (B) ₹3.95
- (C) ₹5.95
- (D) ₹3.50

30. During the year ended 31st March, 2015, the profit of the company is ₹63,450 as per financial records. The following details are given :

Opening stock overstated in cost accounts	:	₹8,500
Closing stock understated in cost accounts	:	₹7,600
Factory overheads under recovered in cost accounts	:	₹4,500

The profit as per cost accounts will be —

- (A) ₹69,950
- (B) ₹65,950

- (C) ₹51,850
- (D) ₹56,950
- 31.** Cost Accounting Standard _____ is related to bringing uniformity and consistency in the principles and methods of determining the selling and distribution overheads with reasonable accuracy.
- (A) 10
- (B) 12
- (C) 15
- (D) 4
- 32.** Which of the following statements is wrong with reference to contract costing—
- (A) Cost plus contract is suitable where it is not possible to compute the cost in advance
- (B) Upward and downward revision may be possible in contract price by inserting escalation/de-escalation clause
- (C) If certified work-in-progress is $\frac{1}{4}$ or more but less than $\frac{1}{2}$ of the contract price, no profit is to be transferred to profit and loss account
- (D) Loss on incomplete contracts should be transferred to profit and loss account.
- 33.** Which one of the following statements is true in ABC classification of materials—
- (A) 'C' items of material have moderate % of cost and high % of quantity
- (B) 'A' items of material have high % of cost and low % of quantity
- (C) 'A' items of material have high % of cost and high % of quantity
- (D) 'B' items of material have moderate % of cost and low % of quantity.
- 34.** Aman Ltd. sells its products at ₹16 per unit. In a period, if it produces and sells 20,000 units, it incurs a loss of ₹2 per unit. If the volume is doubled, it earns a profit of ₹2.20 per unit. The amount of fixed cost and break-even point (in units) will be —
- (A) ₹1,68,000 and 26,250 units
- (B) ₹8,000 and 53,333 units
- (C) ₹1,60,000 and 25,000 units
- (D) ₹1,70,000 and 42,500 units.

35. In a situation of rising prices, profit and tax liability would be lower under _____ method than under _____ method of material issue pricing.
- (A) FIFO; LIFO
 (B) LIFO; FIFO
 (C) LIFO; Average
 (D) FIFO; Average.
36. The purchase of machinery by issuing long-term notes payable should be reported as a —
- (A) Non-cash investing and financing activity
 (B) Cash outflow in the operating activity
 (C) Cash outflow in the investing activity
 (D) Cash outflow in the financing activity.
37. A standard that represents the most likely scenario can be referred to as —
- (A) Attainable standard
 (B) Basic standard
 (C) Ideal standard
 (D) Normal standard.
38. Stock turnover : 6 times
 Total sales : ₹3,00,000
 Gross profit ratio : 20%
 Closing stock : ₹4,000 more than opening stock
 The opening stock is —
- (A) ₹36,000
 (B) ₹38,000
 (C) ₹40,000
 (D) ₹42,000
39. To produce one unit of 'A', two ingredients, *i.e.*, 2 Kgs. of X and 3 Kgs. of Y are required :

<i>Stock levels</i>	<i>Opening</i>	<i>Closing</i>
A (Units)	5,000	8,000
X (Kgs.)	11,000	14,000
Y (Kgs.)	18,000	21,000

What will be the quantity of consumption of ingredients X and Y, if 20,000 units of A are sold —

- (A) 46,000 Kgs. and 69,000 Kgs. respectively
- (B) 49,000 Kgs. and 72,000 Kgs. respectively
- (C) 40,000 Kgs. and 60,000 Kgs. respectively
- (D) 43,000 Kgs. and 63,000 Kgs. respectively.

40. Which one of the following would not form part of master budget —

- (A) Cash budget
- (B) Statement of profit and loss
- (C) Statement of financial position
- (D) None of the above.

41. Standard time for a job is 40 hours @ ₹2 per hour. Actual time taken by a worker is 30 hours. His total earnings under Rowan plan and Halsey plan will be —

- (A) ₹75 and ₹70 respectively
- (B) ₹70 and ₹75 respectively
- (C) ₹60 and ₹70 respectively
- (D) ₹75 and ₹60 respectively.

42. Section _____ of the Companies Act, 2013 gives the cost auditor same power as the financial auditor has under section _____ of the Companies Act, 2013.

- (A) 148, 143
- (B) 143, 148
- (C) 147, 148
- (D) 143, 144

43. Balance of investment account is ₹20,000 on 31st March, 2014 and ₹30,000 on 31st March, 2015. As per additional information, dividend received ₹3,000 includes ₹1,000 from pre-acquisition profit which is credited to investment account. The amount of investment purchased/ sold during the year 2014-15 is —

- (A) ₹13,000 purchased

- (B) ₹11,000 purchased
- (C) ₹9,000 purchased
- (D) ₹9,000 sold.
44. Which one of the following statements is correct —
- (A) Lower debt equity ratio means lower financial risk
- (B) Increase in net profit ratio means increase in sales
- (C) A higher receivable turnover is not desirable
- (D) Interest coverage ratio depends upon tax rate.
45. Direct labour cost will include —
- (A) All labour cost attributable to a production department
- (B) Labour cost of production and production support services
- (C) Cost of direct labour engaged in converting raw materials into manufactured articles
- (D) Cost of labour recruited directly by the management and through contractors.
46. Following information is provided in respect of a contract :
- | | | |
|-------------------------------------|---|------------|
| Contract price | : | ₹10,00,000 |
| Cost incurred | : | ₹5,60,000 |
| Cash received | : | ₹5,40,000 |
| Work not certified | : | ₹60,000 |
| Deduction by way of retention money | : | 10% |
- The amount of notional profit is —
- (A) ₹40,000
- (B) ₹1,00,000
- (C) ₹4,40,000
- (D) None of the above.
47. Those fixed costs which continue to be incurred even when there is no production are called —
- (A) Period costs

- (B) Discretionary costs
 - (C) Committed costs
 - (D) Output costs.
- 48.** Which one of the following is not a part of reciprocal method for re-distribution of service departments' overheads to production departments —
- (A) Simultaneous equation method
 - (B) Step method
 - (C) Repeated distribution method
 - (D) Trial and error method.
- 49.** Profit : ₹50,000
Contribution : ₹70,000
Sales : ₹7,00,000
- The amount of margin of safety will be —
- (A) ₹4,00,000
 - (B) ₹5,00,000
 - (C) ₹2,50,000
 - (D) ₹1,45,000
- 50.** Which one of the following is not an advantage of budgetary control —
- (A) Maximisation of profit through effective planning
 - (B) Planned approach for expenditure
 - (C) Create necessary conditions for setting-up of standard costs
 - (D) Based on quantitative data and represent only an impersonal appraisal to the conduct of business activity.
- 51.** Job analysis is the analysis of each job to determine a list of _____ needed by workers to perform the work satisfactorily.
- (A) Qualifications
 - (B) Manual methods
 - (C) Mechanical methods
 - (D) Various jobs.

52. The technique of economic order quantity is losing significance since the development of —
- (A) Perpetual inventory
 - (B) Just-in-time
 - (C) First-in-first-out
 - (D) ABC analysis.
53. A firm plans to produce 1,980 units of a product per 8 hour shift. The standard productivity is 2 units per man hour. Average labour efficiency is 91%, idle time is 15% of attendance time and absenteeism is 20%. How many workers should be recruited to produce planned output —
- (A) 200
 - (B) 124
 - (C) 136
 - (D) 151
54. Two articles A and B are produced in a factory. Their specifications show that 4 units of A or 2 units of B can be produced in one hour. The budgeted production for January, 2015 is 800 units of A and 200 units of B. The actual production for the month was 900 units of A and 180 units of B. Actual labour hours spent were 350.
- The efficiency ratio for January, 2015 is —
- (A) 80%
 - (B) 85%
 - (C) 90%
 - (D) 95%.
55. A direct cost is a cost which can be classified on the basis of —
- (A) Behaviour
 - (B) Traceability
 - (C) Controllability
 - (D) Relevance.
56. Following information is given :
- Input raw material 2,000 units @ ₹20 per unit
- Direct material : ₹8,400

Direct wages	:	₹13,000
Production overheads	:	₹12,350
Output transferred to Process-II	:	1,800 units
Normal loss of input	:	5%
Scrap value per unit	:	₹6

Value of abnormal loss will be —

- (A) ₹3,657.50
- (B) ₹3,881.60
- (C) ₹3,850.00
- (D) ₹3,687.50

57. The original standard rate of pay in a factory was ₹4 per hour. Due to settlement with Trade Unions, this rate of pay per hour was increased by 15%. During a particular period, 5,000 actual hours were worked whereas work done was equivalent to 4,400 hours. Actual labour cost was ₹24,000. Labour cost variance will be —

- (A) ₹6,400 (A)
- (B) ₹6,000 (A)
- (C) ₹6,400 (F)
- (D) ₹6,000 (F).

58. Following information relates to a travel agency :

Distance of one way route	:	40 Kms.
Round trips per day	:	3
Days operated in a month	:	25
Seating capacity (80% occupied)	:	50 passengers

The effective passenger-km per annum will be —

- (A) 2,40,000
- (B) 28,80,000
- (C) 14,40,000
- (D) 24,00,000

59. Which method of joint cost apportionment is suitable where further processing costs after separation point are not incurred proportionately or all the joint products are not subject to further processing —
- (A) Physical unit method
 - (B) Contribution margin method
 - (C) Relative market value method
 - (D) Market value after further processing method.
60. The ratio of variable cost to sales is 75%. The break-even point occurs at 64% of the capacity sales when fixed cost is ₹1,20,000. The 100% capacity sales will be —
- (A) ₹4,80,000
 - (B) ₹2,50,000
 - (C) ₹7,50,000
 - (D) None of the above.
61. Which of the following statement(s) is/are true :
- (i) Common size balance sheet is vertical financial analysis
 - (ii) Financial analysis performed on behalf of shareholders is called internal analysis
 - (iii) Trend percentage may be used for both balance sheet and profit and loss account.
- Select the correct answer from the options given below —
- (A) (i) and (ii)
 - (B) (ii) and (iii)
 - (C) (i) and (iii)
 - (D) (ii) only.
62. Following information is given :
- | | |
|--|--------|
| Standard fixed overheads rate per hour : | ₹5 |
| Budgeted hours : | 12,500 |
| Standard number of working days : | 25 |
| Actual hours : | 11,500 |
| Actual number of working days : | 22 |

Calendar variance will be —

- (A) 2,840 (A)
- (B) 5,000 (A)
- (C) 2,500 (A)
- (D) 7,500 (A).

63. Management accounting does not include the function of —

- (A) Planning and control
- (B) Product costing
- (C) Preparation of financial statements
- (D) Decision-making.

64. Kriti Ltd. has provided following information for the quarter January to March :

	<i>January</i>	<i>February</i>	<i>March</i>
Sales @ ₹20 per unit (<i>units</i>)	1,000	2,000	3,000
Closing debtors (₹)	16,000	40,000	64,000

20% of the sales are on cash basis and balance on credit basis. The amount to be collected from debtors in the month of February and March will be —

- (A) Zero and ₹8,000 respectively
- (B) ₹8,000 and ₹16,000 respectively
- (C) ₹8,000 and ₹24,000 respectively
- (D) ₹16,000 and 36,000 respectively.

65. Following information is given for Component 'A' :

Normal usage 50 units per week, maximum usage 75 units per week, reorder period 4 to 6 weeks. The minimum level of stock will be —

- (A) 250 Units
- (B) 150 Units
- (C) 450 Units
- (D) 200 Units.

66. From the following financial data, compute stock turnover ratio and stock velocity (assume 360 days in a year) —

Opening stock	:	₹58,000
Purchases	:	₹5,02,000

Return outwards	:	₹18,000
Sales	:	₹6,53,000
Return inwards	:	₹13,000
Gross profit	:	25% on sales

Choose the correct option —

- (A) 8 times; 45.62 days
- (B) 8 times; 45 days
- (C) 10.67 times; 33.75 days
- (D) 7.74 times; 46.51 days.

67. Which statement contains opening as well as closing balances of cash and cash equivalents and prepared on accrual basis —

- (A) Cash flow statement
- (B) Fund flow statement
- (C) Both (A) and (B) above
- (D) Statement of income and expenditure.

68. Quarterly consumption of materials : 2,000 Kgs.

Cost of placing an order : ₹50

Cost per unit : ₹40

Storage and other carrying costs : 8% of average inventory

The economic order quantity and number of orders to be placed per quarter of the year will be —

- (A) 400 Kgs. and 5 orders
- (B) 500 Kgs. and 4 orders
- (C) 500 Kgs. and 12 orders
- (D) 400 Kgs. and 6 orders.

69. Which of the following account will be debited under the integrated accounting system when materials are purchased on credit —

- (A) Purchases account
- (B) Stores ledger control account

(C) Cost ledger control account

(D) None of the above.

70. Cost of production for 10,000 units : ₹1,60,000
 Opening stock of finished goods (1,000 units) : ₹18,000
 Closing stock of finished goods (FIFO) : 2,000 units
 Selling and distribution overheads : ₹2 per unit sold
 Profit mark-up on selling price : 20%

The amount of profit will be —

- (A) ₹39,800
 (B) ₹40,500
 (C) ₹41,000
 (D) ₹40,800

71. 8% Preference share capital : ₹3,00,000
 Equity share capital (₹10 per share) : ₹8,00,000
 Profit after 30% tax : ₹2,80,000
 Market price of equity share : ₹40

The earnings per share and the price-earnings ratio will be —

- (A) ₹3.50 and 11.43
 (B) ₹5 and 8
 (C) ₹4.70 and 8.51
 (D) ₹3.20 and 12.50

72. Re-order quantity : 300 Kgs.
 Minimum usage : 20 Kgs. per day
 Minimum lead time : 5 days
 Maximum stock level : 400 Kgs.

Re-order level will be —

- (A) 350 Kgs.
 (B) 200 Kgs.

- (C) 375 Kgs.
(D) 150 Kgs.
73. Cost of maintenance of an equipment for 12,000 hours of running is ₹1,70,000 and for 18,500 hours of running, it is ₹2,09,000. The cost of maintenance for 14,000 hours will be —
- (A) ₹1,81,500
(B) ₹1,80,000
(C) ₹1,82,000
(D) ₹1,90,000

74. For a department, the standard overheads rate is ₹2.50 per hour and the overheads allowances are as follows :

<i>Activity level (hours)</i>	<i>Budget overheads allowance (₹)</i>
3,000	10,000
7,000	18,000
11,000	26,000

Calculate the normal capacity level on the basis of which the standard overheads rate has been worked out —

- (A) 8,000 Hours
(B) 7,000 Hours
(C) 6,000 Hours
(D) 9,000 Hours.
75. Acute Ltd. is committed to supply 24,000 bearings per annum to Mighty Ltd. on a steady basis. It is estimated that it costs 10 paise as inventory holding cost per bearing per month and that the set-up cost per run of bearing manufacture is ₹324.
- The optimum run size for bearing manufacture would be —
- (A) 3,800 Units
(B) 4,000 Units
(C) 3,600 Units
(D) 3,400 Units.

76. Following information is supplied regarding a contract in progress :

<i>Details</i>	<i>Amount</i> (₹)	<i>Stage of completion</i> (%)
Erection cost to date	7,500	25
Fabrication cost to date :		
Material	60,000	60
Wages and other expenses	47,500	50
Contract value	2,00,000	

The estimated profit or loss at the completion of the contract will be —

- (A) ₹25,000 (Profit)
 (B) ₹25,000 (Loss)
 (C) ₹26,000 (Profit)
 (D) ₹26,000 (Loss).
77. Which one of the following is the correct sequence of the purchase procedure of inventory —
- (A) Indenting for material, issuing tenders, receiving quotations, and placing order
 (B) Issuing tenders and receiving quotations, indenting for material, and placing order
 (C) Placing order, issuing tenders and receiving quotations, and indenting for material
 (D) Indenting for material and placing order.
78. PQR Ltd. has prepared the budget for the production of one lakh units of the only commodity manufactured by them for a costing period as follows :

<i>Cost elements</i>	₹ (<i>in lakh</i>)
Raw material	252
Direct labour	75
Direct expenses	10
Works overheads (60% fixed)	225

Administrative overheads (80% fixed)	40
Selling overheads (50% fixed)	20

If the actual production during the period was 60,000 units, the revised budget cost per unit will be —

- (A) ₹740
- (B) ₹800
- (C) ₹700
- (D) ₹840

79. Match the following overtime reasons to charge in cost accounting :

	<i>Reason</i>	<i>Charged to</i>
(i)	Overtime due to circumstances beyond control	(a) Job directly
(ii)	Overtime due to negligence or delay of workers	(b) General overheads
(iii)	Overtime resorted due to desire of customer	(c) Costing profit and loss account
(iv)	Overtime due to general pressure of work	(d) Particular department

Select the correct answer using the codes given below —

	(i)	(ii)	(iii)	(iv)
(A)	(c)	(a)	(d)	(b)
(B)	(c)	(d)	(a)	(b)
(C)	(d)	(a)	(b)	(c)
(D)	(b)	(c)	(a)	(d)

80. There are two similar plants under the same management. The management desires to merge these two plants. The following particulars are available :

<i>Details</i>	<i>Plant-I</i>	<i>Plant-II</i>
Capacity operation	100%	60%
	₹(in lakh)	₹(in lakh)
Sales	600	240
Variable costs	440	180
Fixed costs	80	40

The capacity of the merged plant to be operated for the purpose of break-even will be —

- (A) 45.14%
- (B) 48.12%
- (C) 50.76%
- (D) 46.16%.

81. Following information is given for an order :

Materials (<i>direct</i>)	:	₹25,000
Wages (<i>direct</i>)	:	₹20,000
Factory overheads	:	75% of wages (<i>direct</i>)
Sales	:	₹85,800
Profit	:	10% on cost of production

Office overheads are charged as a percentage of factory cost. The amount of office overheads and its percentage to factory cost will be —

- (A) ₹78,000 and 30%
- (B) ₹18,000 and 30%
- (C) ₹25,800 and 43%
- (D) ₹33,000 and 55%.

82. Total number of workers : 100
 Idle time : 5%
 Working days per year : 300
 Factory overheads : ₹11,400
 No. of hours worked per day : 8

Direct labour hour rate will be —

- (A) 6 paise per hour
- (B) 4 paise per hour
- (C) 8 paise per hour
- (D) 5 paise per hour.

83. Match the following events with type of activity :

<i>Event</i>	<i>Type of activity</i>
(i) Material ordering	(a) Product level activity
(ii) Designing the product	(b) Facility level activity

- (iii) Production manager salary (c) Unit level activity
 (iv) Use of consumables (d) Batch level activity

Select the correct answer using the codes given below —

- | | | | | |
|-----|-----|------|-------|------|
| | (i) | (ii) | (iii) | (iv) |
| (A) | (d) | (c) | (b) | (a) |
| (B) | (d) | (c) | (a) | (b) |
| (C) | (a) | (d) | (b) | (c) |
| (D) | (d) | (a) | (b) | (c) |

- 84.** From the following particulars relating to Job No. 555, ascertain the total cost:

	₹
Direct materials	16,000
Direct labour	8,000
Direct expenses	1,600

Works overheads are recovered on the basis of 50% on prime cost and administrative overheads at 10% of works cost.

Choose the correct option —

- (A) ₹45,000
 (B) ₹45,240
 (C) ₹42,240
 (D) ₹43,000
- 85.** In financial analysis, 'time series analysis' refers to —
- (A) Making a time series of various ratios to assess a firm's profitability
 (B) A graphical comparison of a firm's sources of finance
 (C) The comparison of financial ratios over a period of time to assess the direction of change and the financial performance of a firm
 (D) A comparison of time values for various ratios of a firm.
- 86.** Input material : 10,000 units
 Normal loss of total input : 8%
 Closing work-in-progress : 900 units

Degree of completion for closing stock of work-in-progress and abnormal loss:

Material – 100%

Labour – 70%

Output transferred to next process 7,900 units.

From the above information, equivalent production units for material and labour are :

- (A) 9,200 and 8,930 respectively
- (B) 9,200 and 8,810 respectively
- (C) 8,800 and 8,930 respectively
- (D) 8,800 and 8,810 respectively.

- 87.** The standard material required to manufacture one unit of Product-A is 5 Kgs. and the standard price per Kg. of material is ₹3. The cost accountant's records, however, reveal that 16,000 Kgs. of material costing ₹52,000 were used for producing 3,000 units of Product-A.

Material price variance will be —

- (A) ₹4,000 (A)
- (B) ₹4,000 (F)
- (C) ₹4,300 (A)
- (D) ₹4,300 (F).

- 88.** Which of the following statements is/are false :

- (i) Product can be sold below marginal cost in certain special circumstances
- (ii) Cost per unit of key factor is the basis of ranking products on profitability
- (iii) When there are no inventories, profit figures under marginal and absorption costing are identical.

Select the correct answer from the options given below —

- (A) (ii) only
- (B) (i) and (ii)
- (C) (i) and (iii)
- (D) (ii) and (iii).

- 89.** Which of the following is/are the characteristics of service costing :

- (i) Use of composite cost units

- (ii) Documents like daily log sheet, cost sheet, *etc.* are used for collection of cost data
- (iii) Expenses are divided on functional basis as in unit costing.

Select the correct answer from the options given below —

- (A) (i) only
- (B) (i) and (ii)
- (C) (ii) and (iii)
- (D) (i) and (iii).

90. Following data are given :

	<i>Product-A</i>	<i>Product-B</i>
Contribution per unit (₹)	30	28
Direct labour (<i>hours per unit</i>)	5	4
Maximum possible production (<i>units</i>)	10,000	10,000

Direct labour hours available 72,000 hours.

What should be the number of units of A and B to be produced to maximise profit of the company —

- (A) A-10,000 units, B-5,500 units
 - (B) B-10,000 units, A-5,500 units
 - (C) B-10,000 units, A-6,400 units
 - (D) 10,000 units of each A and B.
91. The formula for computing overheads efficiency variance is —
- (A) Absorbed overheads – Standard overheads
 - (B) Standard overheads – Revised budgeted overheads
 - (C) Absorbed overheads – Budgeted overheads
 - (D) Absorbed overheads – Actual overheads.
92. If average collection period is 15 days and average account receivables is ₹45,000, the total amount of credit sales will be (assume 360 days in a year)—
- (A) ₹10,80,000

- (B) ₹16,20,000
(C) ₹6,75,000
(D) ₹1,87,500
93. A process in which management is looking outward to examine how others achieve their performance levels and to understand the process they use, is called —
- (A) Balanced score card
(B) Target costing
(C) Bench marking process
(D) Performance analysis.
94. Cost of goods sold : ₹4,00,000
Administration and office expenses : ₹35,000
Selling and distribution expenses : ₹45,000
Net credit sales : ₹4,75,000
Cash sales : ₹1,25,000
- Operating profit ratio will be —
- (A) 30%
(B) 35%
(C) 20%
(D) 25%.
95. Which one of the following is not a statistical technique of cost audit —
- (A) Monte-Carlo simulation
(B) Inter-firm comparison
(C) Network analysis
(D) Exponential smoothing.
96. If provision for taxation is treated as a current liability, then payment of tax is —
- (A) An application of funds
(B) A source of funds

- (C) No flow of funds
- (D) None of the above.
97. Margin of safety is ₹8,000 which represents 40% of sales. P/V ratio is 50%. Fixed cost will be —
- (A) ₹6,000
- (B) ₹5,500
- (C) ₹6,500
- (D) ₹7,000
98. What is the proper sequence in standard costing to control cost and measure efficiency —
- (A) Try to achieve targets, compare actual costs with targets, set targets
- (B) Set targets, compare actual costs with targets, try to achieve targets
- (C) Set targets, compare actual costs with targets, report to management, revise the targets
- (D) Set targets, try to achieve targets, compare actual with targets, report to management.
99. Direct material cost ₹45,000
- Direct labour cost is 40% of direct material cost
- Royalties on production ₹4,000
- Other direct expenses are 20% of prime cost.
- Prime cost will be —
- (A) ₹78,750
- (B) ₹83,750
- (C) ₹80,400
- (D) None of the above.
100. A budget in which a responsibility centre manager must justify each planned activity and its budgeted total cost is called —
- (A) Traditional budget
- (B) Zero based budget
- (C) Master budget
- (D) Functional budget.

ANSWER KEY
COST AND MANAGEMENT ACCOUNTING - SELECT SERIES

Qno	Ans	Qno	Ans	Qno	Ans
1	C	35	B	69	B
2	A	36	A	70	C
3	D	37	A	71	D
4	A	38	B	72	B
5	B	39	A	73	C
6	D	40	D	74	A
7	C	41	A	75	C
8	D	42	A	76	B
9	D	43	B	77	A
10	C	44	A	78	A
11	Either A or D or both	45	C	79	B
12	A	46	B	80	D
13	A	47	C	81	B
14	A	48	B	82	D
15	C	49	B	83	D
16	A	50	D	84	C
17	C	51	A	85	C
18	B	52	B	86	B
19	A	53	A	87	A
20	B	54	C	88	A
21	B	55	B	89	B
22	D	56	C	90	C
23	C	57	A	91	A
24	C	58	B	92	A
25	A	59	C	93	C
26	A	60	C	94	C
27	A	61	C	95	C
28	C	62	D	96	C
29	B	63	C	97	A
30	C	64	C	98	D
31	C	65	D	99	B
32	C	66	B	100	B
33	B	67	B		
34	A	68	B		

Q. 11: Both the options (A and D) are correct.

ECONOMIC AND COMMERCIAL LAWS

Time allowed : 3 hours

Maximum marks : 100

NOTE : Answer ALL Questions.

PART A

Question 1

- (a) What are the factors which the Competition Commission of India shall take into consideration to ascertain whether an agreement has an appreciable adverse effect on competition under the Competition Act, 2002 ?
- (b) What is meant by 'money laundering' ? Mention the provisions of the Prevention of Money Laundering Act, 2002 regarding the obligations of banking companies, financial institutions and intermediaries.
- (c) Which organisations/individuals are specifically prohibited from receiving foreign contribution under the Foreign Contribution (Regulation) Act, 2010 ?
- (d) Enumerate the properties which cannot be transferred under the provisions of the Transfer of Property Act, 1882.
- (e) What are the grounds for setting aside an arbitral award under the Arbitration and Conciliation Act, 1996 ? (5 marks each)

Answer 1(a)

Section 19(3) of the Competition Act, 2002 provides that while determining whether an agreement has appreciable adverse effect on Competition, the Competition Commission of India shall give due regard to all or any of the following factors, namely–

- (a) creation of barriers to new entrants in the market;
- (b) driving existing competitors out of the market;
- (c) foreclosure of competition by hindering entry into the market;
- (d) accrual of benefits to consumers;
- (e) improvements in production or distribution of goods or provision of services;
- (f) promotion of technical, scientific and economic development by means of production or distribution of goods or provision of services.

Answer 1(b)

Money Laundering

Money laundering is the processing of criminal proceeds to disguise its illegal origin. In the Prevention of Money Laundering Act, 2002, money laundering has been defined

as “any process or activity connected with proceeds of crime including its concealment, possession, acquisition or use and projecting or claiming it as untainted property”.

Provisions of the Prevention of Money Laundering Act, 2002 regarding the obligations of banking companies, financial institutions and intermediaries:

- (i) Section 12 of the Prevention of Money Laundering Act, 2002 requires every banking company, financial institution and intermediary to maintain a record of all transactions covered as per the nature and value of which may be prescribed, in such manner as to enable it to reconstruct individual transactions;
- (ii) They shall furnish to the Director, Financial Intelligence Unit-India (FIU) within such time as may be prescribed information relating to such transactions, whether attempted or executed, the nature and value of which may be prescribed;
- (iii) They shall verify the identity of its clients in such manner and subject to such conditions as may be prescribed;
- (iv) They shall identify the beneficial owner, if any, of such of its clients, as may be prescribed;
- (v) They shall maintain record of documents evidencing identity of its clients and beneficial owners as well as account files and business correspondence relating to its clients for a period of five years in case of record and information relating to transactions; and
- (vi) They shall maintain the same for a period of five years after the business relationship between a client and the reporting entity has ended or the account has been closed, whichever is later.

Answer 1(c)

The following individuals/organisations are specifically prohibited from receiving foreign contribution under the Foreign Contribution (Regulation) Act, 2010:-

- (a) Candidate for election;
- (b) Correspondent, columnist, cartoonist, editor, owner, printer or publisher of a registered newspaper;
- (c) Judge, Government servant or employee of any corporation or any other body controlled or owned by the Government;
- (d) Member of any Legislature;
- (e) Political party or office-bearer thereof;
- (f) Organisation of a political nature as may be specified by the Central Government;
- (g) Association or company engaged in the production or broadcast of audio news or audio visual news or current affairs programmes through any electronic mode, or any other electronic form as defined in clause (r) of sub-section (1) of section 2 of the Information Technology Act, 2000 or any other mode of mass communication;
- (h) Correspondent or columnist, cartoonist, editor, owner of the association or company referred to in (g) above

Answer 1(d)

Section 6 of the Transfer of property Act, 1882 contains some exceptions to the general rule that property of any kind may be transferred. Consequently, the following properties cannot be transferred, namely:

- (a) The chance of an heir apparent succeeding to an estate, the chance of a relation obtaining a legacy on the death of a kinsman, or any other mere possibility of a like nature, cannot be transferred.
- (b) A mere right of re-entry for breach of a condition subsequent cannot be transferred to anyone except the owner of the property affected thereby.
- (c) An easement cannot be transferred apart from the dominant heritage.
- (d) All interest in property restricted in its enjoyment to the owner personally cannot be transferred by him.
- (e) A right to future maintenance in whatsoever manner arising, secured or determined, cannot be transferred.
- (f) A mere right to sue cannot be transferred.
- (g) A public office cannot be transferred nor can the salary of a public officer, whether before or after it has become payable.
- (h) Stipends allowed to military, naval, air force and civil pensioners of the Government and political pensions cannot be transferred.

Answer 1(e)

Following are the grounds for setting aside an arbitral award under section 34 of the Arbitration and Conciliation Act, 1996:-

- Incapacity of a party;
- Invalidity of the arbitration agreement;
- Party applying was not given proper notice of the appointment of the arbitrator or of the arbitral proceedings or was otherwise unable to present his case;
- Award not in accordance with the terms of submission to arbitration in regard to the dispute;
- Arbitral tribunal not properly constituted or the arbitral procedure was not in accordance with the agreement of the parties;
- Subject matter of the dispute not capable of settlement by arbitration under the law for the time being in force;
- Award being in conflict with the public policy of India;
- Court finds that the award is vitiated by patent illegality appearing on the face of the award.

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

Question 2

- (a) *How does a valid contract get discharged by impossibility of performance ?*
- (b) *Distinguish between 'moveable property' and 'immoveable property'.*

- (c) *Distinguish between 'assignment of a trademark' and 'transmission of a trademark' under the Trade Marks Act, 1999. (5 marks each)*

OR (Alternate question to Q.No. 2)

Question 2A

- (i) *What do you understand by 'crystallisation of floating charge' under the Transfer of Property Act, 1882 ? (5 marks)*
- (ii) *What is meant by 'bid rigging' ? What are the most commonly used ways in which bid rigging may occur ? (5 marks)*
- (iii) *"Every agreement in which anyone is restrained from exercising a lawful profession, trade or business of any kind is, to that extent, void." Discuss. (5 marks)*

Answer 2(a)

Section 56 of the Indian Contract Act, 1872 deals with the provision of discharge of contract by impossibility of performance. A contract which is entered into to perform something that is clearly impossible is void.

Sometimes subsequent impossibility (i.e. where the impossibility supervenes after the contract has been made) renders the performance of a contract unlawful and stands discharged. In this connection Section 56 provides that a contract to do an act, which after the contract is made, becomes impossible or by reason of some event which the promisor could not perform, unlawful, becomes void when the act becomes impossible or unlawful.

If the impossibility is not obvious and the promisor alone knows of the impossibility or illegally then existing or the promisor might have known as such after using reasonable diligence, such promisor is bound to compensate the promisee for any loss he may suffer through the non-performance of the promise inspite of the agreement being void ab-initio.

Illustrations

- (a) A agrees with B to discover treasure by magic. The agreement is void.
- (b) A and B contract to marry each other. Before the time fixed for the marriage, A goes mad. The contract becomes void.

Answer 2(b)

Moveable Property

The Transfer of Property Act does not define the term "moveable property". Therefore, it is to be defined with the help of other statutes. For e.g., it has been defined in the General Clauses Act, 1897 as to mean "property of every description except immoveable property". The Registration Act defines "moveable property" to include property of every description excluding immoveable property but including standing timber, growing crops and grass.

Moveable property is sometimes regarded as immoveable property. This may happen

when a thing of chattel is attached or embedded in earth. If the machinery is fixed on the land permanently then it becomes immovable property, whereas if the machinery or engine or any other thing is fixed on a temporary basis, then it will be regarded as moveable property.

Immovable Property

The term “immovable property” is also not defined under the Transfer of Property Act. However, it is defined in the negative sense as “the immovable property does not include standing timber, growing crops, or grass”. Standing timber are trees fit for use for building or repairing houses. This is an exception to the general rule that growing trees are immovable property.

The General Clauses Act defines the term "immovable property" but not exhaustively. It states: “immovable property shall include land, benefits to arise out of land and things attached to the earth, or permanently fastened to anything attached to the earth”. The Indian Registration Act expressly includes under to immovable property the benefits to arise out of land, hereditary allowances, rights of way, lights, ferries and fisheries.

Answer 2(c)

As per Section 2(1)(b) of the Trade Marks Act, 1999 “assignment” means an assignment in writing by act of the parties concerned;

As per Section 2(1)(zc) of the Trade Marks Act, 1999 "transmission" means transmission by operation of law, devolution on the personal representative of a deceased person and any other mode of transfer, not being assignment;

Assignment or transmission of a trade mark refers to the process by which proprietorship of a registered trade mark/ trade mark whose registration is being sought, is passed from one party to another/ devolves upon the other party, as the case may be.

Any registered trade mark can be assigned or transmitted with or without goodwill.

Any person who becomes entitled by assignment or transmission to a registered trade mark should apply for registration of the assignment/transmission, as the case may be, in the prescribed manner.

Section 37 to 45 of the Trade Marks Act, 1999 deals with provisions regarding assignment and transmission of trademarks.

Answer 2A(i)

Crystallisation of floating charge

Crystallization is the process by which a floating charge becomes a fixed charge. A floating charge becomes fixed or crystallises in the following cases:

1. When the money becomes payable under a condition in the debenture and the debenture holder, (i.e., the creditor) takes some steps to enforce the security;
2. When the company ceases to carry on business; and
3. When the company is being wound-up.

Answer 2A(ii)

Section 3 of the Competition Act, 2002 defines the term 'bid rigging' as any agreement between enterprises or persons which has the effect of eliminating or reducing competition for bids or adversely affecting or manipulating the process for bidding.

Some of the most commonly adopted ways in which collusive bidding or bid rigging may occur are:

- agreements to submit identical bids
- agreements as to who shall submit the lowest bid
- agreements for the submission of cover bids (voluntarily inflated bids)
- agreements not to bid against each other
- agreements on common norms to calculate prices or terms of bids
- agreements to squeeze out outside bidders
- agreements designating bid winners in advance on a rotational basis, or on a geographical or customer allocation basis.

Answer 2A(iii)

Section 27 of the Indian Contract Act, 1872 states that every agreement by which any one is restrained from exercising a lawful profession, trade or business of any kind, is, to that extent, void.

If the restraint is one which is really necessary for the carrying on business, the same is not prohibited. Other type of restrains are personal covenants between an employer and his employee whereby the latter agrees not to compete with the former or serve with any of his competitors after employment. If restraint was necessary for the protection of the company's interests then the agreement is not void. Restraint beyond the term of service would be void and the only ground on which it can be justified is by showing it is necessary for the protection of the employer's goodwill.

The words "to that extent" in Section 27 make it clear that if in an agreement there are some covenants which are prohibited whereas the others are not and if the two parts can be separated then only those covenants which operate as restraint of trade would be void and not whole of the agreement itself. To illustrate, in *Brahmputra Tea Co. Ltd. v. Scarth* (1885) I.L.R. Cal. 545, the employee agreed with the employer firstly, not to compete with latter after leaving the job and, secondly, not to injure employer's interest during employment. The Court held that the first condition is a restraint of trade but the second is binding.

Question 3

- (a) "If once the 'instrument' has been admitted in evidence, it shall not be questioned later on in the same suit on the ground that it does not bear the adequate stamp duty or no stamp." Discuss briefly with reference to case law. (5 marks)
- (b) "Every transfer of immoveable property made with intent to defeat or delay the

creditors of the transferor shall be voidable at the option of any creditor so defeated or delayed, for which he may move to the court." Comment.

(5 marks)

(c) *What is meant by alternative dispute resolution (ADR) ? Which are the areas in which ADR works ?*

(5 marks)

Answer 3(a)

Section 36 of the Indian Stamp Act, 1988 provides that where an instrument has been admitted in evidence, such an admission shall not (except as provided in Section 61) be called in question at any stage of the same suit or proceeding on the ground that the instrument has not been duly stamped. Section 36 is mandatory (*Guni Ram v. Kodar*, AIR 1971 All 434, 437).

If notwithstanding any objection, the trial Court admits the document, the matter ends there and the Court cannot subsequently order the deficiency to be made and levy penalty (*Bhupathi Nath v. Basanta Kumar*, AIR 1936 Cal. 556; AIR 1933 Lah. 240).

Answer 3(b)

Where a person transfers his property so that his creditors shall not have anything out of the property, the transfer is called a fraudulent transfer. A debtor in order to defeat or delay the rights of a creditor may transfer his property to some person, who may be his relative or a friend. The law does not allow this. Section 53 of the Transfer of Property Act, 1882 embodies the principle. It states that "Every transfer of immoveable property made with intent to defeat or delay the creditors of the transferor shall be voidable at the option of any creditor so defeated or delayed."

Thus, where an owner of the property contracts a debt and then transfers his property to someone so that the creditor cannot proceed against the property to realise his debt, such a transfer is voidable at the option of the creditor. The transfer is valid so long as the creditor does not challenge it in a Court of law and gets a declaration that the transfer is invalid. A suit instituted by a creditor to avoid a transfer on the ground that it has been made with intent to defeat or delay the creditors of the transferor shall be instituted on behalf of, or for the benefit of all the creditors. Once the creditor sues the debtor and says that the debtor has the intention to deceive him, the transfer can be declared invalid by the Court. The creditor has to satisfy the Court that there was an intention on the part of the debtor to defeat his rights. If he does not prove this, then the creditor will fail and the transfer is valid. The question arises as to when we can say that the transferor has the necessary intention to defeat the claim of the creditor. This can be gathered from the surrounding circumstances.

Answer 3(c)

Alternative Dispute Resolution ("ADR") refers to any means of settling disputes outside of the Court room. ADR typically includes negotiation, conciliation, mediation, and arbitration. The ADR processes provide procedural flexibility, save valuable time and money and avoid the stress of a conventional trial.

Areas in which ADR works

Almost all disputes including commercial, civil, labour and family disputes, in respect

of which the parties are entitled to conclude a settlement, can be settled by an ADR procedure. ADR techniques have been proven to work in the business environment, especially in respect of disputes involving joint ventures, construction projects, partnership differences, intellectual property, personal injury, product liability, professional liability, real estate, securities, contract interpretation and performance and insurance coverage.

Question 4

- (a) Explain the meaning of the term 'consumer' as defined in the Consumer Protection Act, 1986. (3 marks)
- (b) Ramesh purchased a tractor from Mahi Ltd. for tilling the land but he used it in idle time for transportation of agricultural produce on hire. Some defects were developed in the engine of the tractor. He complained to Mahi Ltd., but all in vain. Then he filed a suit in Consumer Disputes Redressal Forum for damages caused by the defects. Mahi Ltd. pleaded that Ramesh is not a 'consumer' within the definition of section 2(1)(d) of the Consumer Protection Act, 1986, as he is using the tractor for commercial purposes.
- Whether Ramesh will succeed in his case? Refer to relevant provisions of law in support of your answer with reference to case law, if any. (5 marks)
- (c) What is meant by 'onerous gift'? (4 marks)
- (d) If the gift of an immoveable property is accepted but not registered, does it amount to a valid gift? Give reasons. (3 marks)

Answer 4(a)

As per Section 2(1)(d) of the Consumer Protection Act, 1986, Consumer means any person who-

- (a) buys any goods for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any user of such goods other than the person who buys such goods for consideration paid or promised or partly paid or partly promised, or under any system of deferred payment when such use is made with the approval of such person, but does not include a person who obtains such goods for resale or for any commercial purpose; or
- (b) hires or avails of any services for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any beneficiary of such services other than the person who hires or avails of the services for consideration paid or promised, or partly paid and partly promised, or under any system of deferred payment, when such services are availed of with the approval of the first mentioned person but does not include a person who avails of such services for any commercial purpose.
- “Commercial purpose” does not include use by a person of goods bought and used by him and services availed by him exclusively for the purposes of earning his livelihood by means of self-employment.

Answer 4(b)

In the case of *Bhupendra Jang Bahadur Guna v. Regional Manager and Others* (II

1995 CPJ 139), the National Commission held that a tractor purchased primarily to till the land of the purchaser and let out on hire during the idle time to till the lands of others would not amount to commercial use.

In the case of *Laxmi Engineering Works v. P.S.G. Industrial Institute*, Supreme Court held that the explanation to Section 2(1)(d) of the Consumer Protection Act, 1986 is clarificatory in nature. It observed that whether the purpose for which a person has bought goods is a 'commercial purpose' is always a question of facts and to be decided in the facts and circumstances of each case. If the commercial use is by the purchaser himself for the purpose of earning his livelihood by means of self-employment such purchaser of goods would yet be a consumer.

Yes, In the light of the above facts and circumstances, Ramesh will succeed in his own case. He is still a consumer within the definition of Section 2(1) (d) of the Consumer Protection Act, 1986.

Answer 4(c)

Several things are transferred as a gift by single transaction. Whereas some of them are really beneficial, the others convey burdensome obligations. The result is that the benefit which it confers is more than counter balanced by the burden it places. For instance, A makes a gift of shares in the companies X and Y. X is prosperous but heavy calls are expected in respect of shares in Y company. The gift is onerous. The rule as laid down in Section 127 of Transfer of Property Act, 1882 is that the donee takes nothing by the gift unless he accepts it fully. Where the gift is in the form of two or more independent transfers to the same person of several things, the donee is at liberty to accept one of them and refuse the other.

Answer 4(d)

If the gift of an immoveable property is accepted but not registered, it has been held by the Courts that the gift is valid. While registration is a necessary formality for the enforcement of a gift of immoveable property, it does not suspend the gift until registration actually takes place. The donee in such a case can ask the donor to complete the gift by registration. Thus, the most essential thing for the validity of a gift is its acceptance. If the gift is accepted but not registered it is a valid gift. The *Privy Council in Kalyan Sundram v. Kumarappa*, A.I.R. 1925 P.C. 42, decided that after acceptance of the deed of gift and before registration, the donor cannot revoke the gift. The gift which is accepted by the donee, will take effect from the date of the execution of the document by the donor, even though it is registered at a later date.

Neither death nor the express revocation by the donor, is a ground for refusing registration, provided other conditions are complied with.

In a case where the donor dies before registration, the document may be presented for registration after his death and if registered it will have the same effect as registration in his life time. On registration the deed of gift operates as from the date of execution.

PART B

Question 5

(a) *Gyan, a trustee, improperly leaves trust property outstanding. If such trust*

property is subsequently lost, is Gyan liable to make good the property lost ? Explain. (5 marks)

- (b) *An enterprise which is engaged in hazardous or inherently dangerous activity and an industry which poses a potential threat to the health and safety of the persons and of those residing in the surrounding areas owes an absolute and non-delegatable duty to the community. Discuss. (5 marks)*
- (c) *Distinguish between 'seizure' and 'confiscation' of an essential commodity under the Essential Commodities Act, 1955. (5 marks)*

Answer 5(a)

It is the duty of trustee under the Indian Trust Act, 1882 to protect and preserve the trust property.

If a trustee commits a breach of the trust, than he is liable to make good the loss which the trust property of the beneficiary has suffered under Section 23 of the Indian Trust Act, 1882.

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 light of the above provisions Gyan is liable to make good the property lost but he is not liable to pay interest thereon.

Answer 5(b)

Supreme Court of India in the case of *M.C. Mehta and Another v. Union of India and others* [(1987) 1 Comp. LJ 99 (SC)] ruled that an application for compensation in a pollution case can be maintained under Article 32 of the Constitution, for, such application is for the protection of the fundamental rights of the people and the Court has all incidental and ancillary powers including the power to forge new remedies and fashion new strategies designed to enforce fundamental rights. On the question of liability of an enterprise engaged in hazardous activities, the Supreme Court laid down for the first time a far-reaching ruling, that an enterprise which is engaged in hazardous or inherently dangerous activity and an industry which poses a potential threat to the health and safety of the persons working in the factory and of those residing in the surrounding area owes an absolute and non-delegatable duty to the community to ensure that no harm results to any one on account of an hazardous or inherently dangerous nature of the activity which it has undertaken. The Court further reiterated that the rule in *Rylands v. Fletcher* [(1861-73) All.E.R. 146 HL] of strict liability would apply in India but without any exceptions whatsoever recognised in England. The Court also ruled that the measure of compensation must be correlated to the magnitude and capacity of the enterprise because such compensation must have a deterrent effect.

Answer 5(c)

The general distinction between confiscation and seizure, in the context of the Essential Commodities Act, 1955 it could be seen that an essential commodity which

has been seized, could be confiscated. Therefore, confiscation is an action posterior to the seizure of the essential commodity. A commodity that has not been seized cannot be confiscated. Seizure itself does not imply confiscation. The seizure should have been made by virtue of an order passed under Section 3 of the Essential Commodities Act.

Section 3 of the Essential Commodities Act, empowers the Government to make an order for seizure of any essential commodity if an order made by the Central Government controlling production, supply, distribution etc. of essential commodities has been or is about to be contravened. Therefore, any contravention or intended contravention of an order passed by the Government under the Act may lead to seizure, and under the circumstances mentioned in Section 6A such seized commodity could be confiscated.

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

Question 6

- (a) *Mention the provisions of the Societies Registration Act, 1860 regarding the vesting of property of the society.* (5 marks)
- (b) *Write a note on the jurisdiction and powers of the National Green Tribunal under the National Green Tribunal Act, 2010.* (5 marks)
- (c) *Distinguish between the 'day of acceptance' and the 'day of deemed acceptance' under the Micro, Small and Medium Enterprises Development Act, 2006.* (5 marks)

OR (Alternate question to Q.No. 6)

Question 6A

- (i) *What is meant by 'noise pollution' ? How can noise pollution be controlled ?* (5 marks)
- (ii) *Explain the circumstances under which the Central Government can takeover the management or control of an industrial undertaking without investigation under the Industries (Development and Regulation) Act, 1951.* (5 marks)
- (iii) *Mention the provisions of the Indian Trusts Act, 1882 regarding extinction of a trust.* (5 marks)

Answer 6(a)

Section 5 of the Societies Registration Act, 1860 lays down the provisions for vesting of property of the Society. It is presumed that the property, both movable and immovable, belonging to the Society, vests in trustees. But if it is not vested in trustees, Section 6 provides that then it shall be deemed to be vested in the governing body of such Society for the time being. In all civil or criminal proceedings the property may be described as the property of the governing body of such society by their proper title.

The Act does not create in the members of the registered Society any interest other than that of the bare trustees. A property, which has vested in the trustees before registration of the Society, becomes as, from the registration of the Society, a property

belonging to the Society and must be deemed to be the property of the Society. As a matter of fact there is no transfer of ownership that which belonged to a registered Society continues after the change in status of that Society on being registered, as belonging to the registered Society.

Answer 6(b)

Chapter III of the National Green Tribunal Act, 2010 deals with jurisdiction and power of the National Green Tribunal. As per Section 14; National Green Tribunal shall have the jurisdiction over all civil cases where a substantial question relating to environment (including enforcement of any legal right relating to environment), is involved and such question arises out of the implementation of the Water (Prevention and Control of Pollution) Act, 1974; Water (Prevention and Control of Pollution) Cess Act, 1977; The Forest (Conservation) Act, 1980; Air (Prevention and Control of Pollution) Act, 1981; Environment (Protection) Act, 1986; Public Liability Insurance Act, 1991 and Biological Diversity Act, 2002.

Section 15 of National Green Tribunal Act, 2010 empowers the Tribunal, by an order, to provide relief and compensation to the victims of pollution. National Green Tribunal to have appellate jurisdiction under Section 16 of National Green Tribunal Act, 2010.

Under Section 19 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. The 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.

Answer 6(c)

Explanation to Section 2(b) (i) of the MSMED Act, 2006 defines "the day of acceptance" as to mean the day of the actual delivery of goods or the rendering of services; or where any objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, the day on which such objection is removed by the supplier.

Explanation to Section 2(b) (ii) of the MSMED Act, 2006 defines "the day of deemed acceptance" to mean, where no objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, the day of the actual delivery of goods or the rendering of services.

Answer 6A(i)

Noise pollution simply connotes unwanted sound in the atmosphere. It is unwanted because it lacks the agreeable musical quality. Noise is therefore, sound, but it is pollution when the effects of sound become undesirable.

In order to control the noise pollution caused from various sources such as industrial activity, construction activity, generator sets, loud speakers, public address system, music systems, vehicular horns and other mechanical devices the Central Government has framed certain rules known as 'The Noise Pollution (Regulation and Control) Rules,

2000. The rules provide for the ambient air quality standard in respect of noise for different areas/zones. An area comprising 100 metres around hospitals, educational institutions and courts has been declared as the silence area/zone. The ambient air quality standards shall also be considered by the all development authorities, local bodies while taking any development activity. A loud speaker or a public address system shall not be used at night (between 10:00 p.m. to 6:00 a.m.) except in closed premises for communication. Whoever commits any offence of playing music or uses any sound amplifiers, beats a drum or blows a horn, etc. in a silence zone/area shall be liable to a penalty.

Answer 6A(ii)

Section 18AA of the Industries (Development and Regulation) Act, 1951 empowers the Central Government to take over industrial undertakings without investigation under certain circumstances.

Section 18AA of the Act empowers the Central Government to authorise, by a notified order, any person or body of persons to take-over the management of whole or part of any industrial undertaking and to exercise prescribed functions of control, provided the Government is satisfied on the basis of documentary or other evidences in its possession that

- the persons in charge of such industrial undertaking have, by reckless investments or creation of encumbrances on the assets of the industrial undertaking, or by diversion of funds, brought about a situation which is likely to affect the production of articles manufactured or produced in the industrial undertaking and that immediate action is necessary to prevent such a situation; or
- it has been closed for a period of not less than three months (whether by reason of the voluntary winding up of the company owning the industrial undertaking or for any other reason) and such closure is prejudicial to the concerned scheduled industry and that the financial condition of the company owning the industrial undertaking and the condition of the plant and machinery of such undertaking are such that it is possible to restart the undertaking and such restarting is necessary in the interests of the general public.

Answer 6A(iii)

Section 77 of Indian Trust Act, 1882 deals with the provision of extinction of a trust

A trust is extinguished:

- (a) When its purpose is completely fulfilled; or
- (b) When its purpose becomes unlawful; or
- (c) When the fulfilment of its purpose becomes impossible by destruction of the trust property or otherwise; or
- (d) When the trust being revocable, is revoked.

TAX LAWS AND PRACTICE - SELECT SERIES

Time allowed : 3 hours

Maximum marks : 100

Total number of Questions : 100

Note : All references to sections mentioned in Part-A of the question paper relate to the Income-Tax Act, 1961 and relevant Assessment Year 2016 - 17 unless stated otherwise.

PART A

1. Arun, a non-resident of India celebrated his 80th birthday on 10th October 2015. If his total income for the previous year is ₹6,00,000, his income-tax liability for the previous year 2015-16 is —
 - (A) ₹46,350
 - (B) ₹41,200
 - (C) ₹20,600
 - (D) Nil.

2. Alpha Ltd. is an Indian company. It carries its business in Delhi and London. Total control and management of the company is situated in London. More than 85% of its business income is from the business in England. If so, its residential status will be —
 - (A) Resident
 - (B) Non-resident
 - (C) Not ordinarily resident
 - (D) Foreign company.

3. Ramson Industries acquired a factory building for self use in November, 2015. The value of land underneath the building was ₹5 lakh and value of building was ₹10 lakh. The amount of eligible depreciation allowable for assessment year 2016-17 is —
 - (A) ₹1,50,000
 - (B) ₹25,000
 - (C) ₹1,00,000
 - (D) ₹50,000

4. Dividend distribution tax under section 115-O shall be deposited within _____ days from the date of declaration/ distribution/payment of dividend, whichever is earlier.
- (A) 7 Days
(B) 10 Days
(C) 14 Days
(D) 20 Days.
5. Ms. Smita inherited a vacant site land consequent to the demise of her father on 10th June, 1990. The land was acquired by her father on 10th April, 1970 for ₹40,000. The fair market value of the land on 1st April, 1981 was ₹60,000 and on the date of inheritance, *i.e.*, 10th June, 1990 was ₹2,00,000. The cost of acquisition for Ms. Smita is —
- (A) ₹10,000
(B) Nil
(C) ₹60,000
(D) ₹2,00,000
6. Raghu traced a missing girl by spending ₹20,000. For this, he was awarded with a sum of ₹1,20,000. In this case the award is taxable to the extent of —
- (A) ₹1,00,000
(B) ₹1,20,000
(C) ₹1,15,000
(D) Nil.
7. An employee of a company, who was entitled for a gratuity of ₹8,00,000, also received ₹12,00,000 by commuting 40% of his pension. The taxable amount of commuted pension is —
- (A) ₹2,00,000
(B) ₹4,00,000
(C) ₹12,00,000
(D) ₹22,00,000
8. Ravi is receiving ₹10,000 as medical allowance from his employer. Out of this, he spends ₹5,000 on his own medical treatment, ₹2,000 on the medical treatment of his dependent wife and another ₹3,000 for the medical treatment of his major son who is not a dependent on him. The amount of medical allowance taxable in his hand is —
- (A) ₹10,000
(B) ₹5,000

- (C) ₹3,000
- (D) Nil.
9. Ms. Janhvi is provided with an interest free loan by her employer for the purchase of a house. The value of the perquisite shall be —
- (A) Simple interest computed at the rate charged by the Central Government to its employees on 1st April of the previous year
- (B) Simple interest computed at the rate charged by State Bank of India on 1st April of the previous year
- (C) Simple interest computed at the rate charged by National Housing Bank on 1st April of the previous year
- (D) Simple interest computed at the rate determined by the employer on 1st April of the previous year.
10. Ms. Padmaja let out a property for ₹20,000 per month during the year 2015-16. The municipal tax on the let-out property was enhanced retrospectively. Hence, she paid ₹60,000 as municipal tax which included arrears of municipal tax of ₹45,000. Her income from house property is —
- (A) ₹1,80,000
- (B) ₹1,57,500
- (C) ₹1,26,000
- (D) ₹1,36,500
11. Chola Ltd., engaged in manufacture, acquired machineries for ₹30 crore in July, 2014 and for ₹27 crore in April, 2015. All the machines were used within 45 days of acquisition. The deduction under section 32AC for the assessment year 2016-17 will be —
- (A) ₹40,50,000
- (B) ₹45,00,000
- (C) ₹85,50,000
- (D) ₹54,00,000
12. Where an asset used for scientific research for more than three years is sold without having been used for other purposes, then the sale proceeds to the extent of the cost of the asset already allowed as deduction under section 35 in the past shall be treated as —
- (A) Business income
- (B) Long-term capital gain

- (C) Short-term capital gain
- (D) Exempted income.
- 13.** Where an assessee doing a business incurs any expenditure in respect of which payments made to a person in a day exceeds ₹20,000 should be paid through account payee cheque or demand draft to claim deduction for such expenditure. This restriction does not apply to —
- (A) Payments made to RBI
- (B) Payments made to cultivators
- (C) Payment of terminal benefits to employees not exceeding ₹50,000
- (D) All of the above.
- 14.** Appu Ltd. contributed ₹8,70,000 towards provident fund account of its employees. It actually remitted ₹5,00,000 upto 31st March and ₹2,50,000 upto the due date for filing the return specified in section 139(1). The amount liable to tax in its assessment would be —
- (A) 3,70,000
- (B) ₹1,20,000
- (C) Nil
- (D) ₹8,70,000
- 15.** Under which section, the assessee has to reinvest the entire net consideration to claim full exemption for the long-term capital gains earned during a previous year —
- (A) Section 54EC
- (B) Section 54F
- (C) Section 54GA
- (D) Section 54D.
- 16.** Short-term capital gains arising from the transfer of equity shares in a company or units of an equity oriented fund or units of a business trust charged with security transaction tax are subject to income-tax at the rate of —
- (A) 10%
- (B) 15%
- (C) 20%
- (D) Normal rate.
- 17.** Rishabh received the following gifts during the previous year :
- (i) ₹50,000 from his employer

- (ii) ₹1,00,000 from mother's sister
- (iii) ₹10,000 from his friend on the occasion of his marriage
- (iv) ₹60,000 in the form of scholarship from a registered charitable trust.

The amount of taxable gift under the head 'income from other sources' is —

- (A) Nil
 - (B) ₹50,000
 - (C) ₹1,50,000
 - (D) ₹2,10,000
- 18.** The time-limit for making revisional order under section 263(2) and 263(3) is —
- (A) 6 Months from the date of assessment
 - (B) 6 Months from the date of order
 - (C) One year from the end of the financial year in which the order was passed
 - (D) None of the above.
- 19.** Balu paid ₹1,00,000 to Raj for purchase of standing crop (paddy). He harvested the produce, *i.e.*, paddy by incurring expenditure of ₹25,000. He sold the said paddy for ₹1,80,000 to a trader. His other income for the year ended 31st March, 2016 was ₹4,60,000. The total income of Balu is —
- (A) ₹6,40,000
 - (B) ₹5,15,000
 - (C) ₹4,85,000
 - (D) ₹5,60,000
- 20.** Bharat, engaged in business, claimed that he paid ₹10,000 per month by cheque as rent for his residence. He does not own any residential building. His total income computed before deduction under section 80GG is ₹3,40,000. The amount he can claim as deduction under section 80GG is —
- (A) ₹24,000
 - (B) ₹34,000
 - (C) ₹1,20,000
 - (D) ₹60,000

21. Raman & Co., a partnership firm, received ₹5,00,000 from an insurance company under keyman insurance policy consequent to demise of partner Pramod. The amount of premium ₹2,30,000 paid earlier was claimed as deduction under section 37 by the firm. The amount received from the insurance company is —
- (A) Tax-free under section 10(10D)
 - (B) Fully taxable as income
 - (C) ₹2,70,000 is taxable
 - (D) ₹2,30,000 is taxable.
22. Which of the following losses available after inter source set-off, cannot be set-off from incomes in other heads in the same assessment year —
- (A) Speculation losses
 - (B) Loss from specified business
 - (C) Loss under the head capital gains
 - (D) All of the above.
23. To carry forward and set-off losses, a loss return must be filed by the assessee within the stipulated time and gets the loss determined by the Assessing Officer. However, this condition is not applicable to —
- (A) Loss from house property
 - (B) Loss from speculation
 - (C) Loss from discontinued business
 - (D) Loss from capital assets.
24. Rajan paid ₹25,000 to LIC of India for the maintenance of his disabled son and incurred ₹15,000 for the treatment of his handicapped wife who is working in State Bank of India. The deduction allowable to him under section 80DD is —
- (A) ₹15,000
 - (B) ₹25,000
 - (C) ₹50,000
 - (D) ₹75,000
25. Deduction in respect of interest on savings accounts under section 80TTA shall be allowed with respect to savings account with —
- (A) Bank
 - (B) Co-operative society

- (C) Post office
(D) All of the above.
26. A return filed by Ms. Mala was found to be defective. The Assessing Officer gave notice of the defect to the assessee. The time-limit for rectification of the defect is —
- (A) 30 Days
(B) 15 Days
(C) 45 Days
(D) 60 Days.
27. The book profit of a partnership firm is ₹1,20,000. The actual remuneration paid to working partners is ₹3,54,000. The allowable deduction under section 40(b) towards remuneration to partners is —
- (A) ₹1,50,000
(B) ₹3,54,000
(C) ₹1,08,000
(D) ₹1,20,000
28. The assessment of Julie (Pvt.) Ltd. under section 143(3) for the assessment year 2014-15 was completed on 12th October, 2015. The notice of demand was served on 27th October, 2015. The assessee has to file appeal before the Commissioner (Appeals) within —
- (A) 30 Days
(B) 60 Days
(C) 15 Days
(D) 90 Days.
29. Raghu, aged 62 years, has pension income of ₹2,40,000 and rental income (*computed*) of ₹3,60,000 for the financial year 2015-16. How much amount he must have paid as advance tax in September, 2015 —
- (A) ₹12,000
(B) ₹10,000
(C) ₹30,000
(D) Nil.
30. Acrylic Ltd. sourced its new materials from Breeze Ltd. The relationship of associated enterprises would be established when Acrylic Ltd. buys raw material from Breeze Ltd. exceeding —
- (A) 50% of total raw material purchased
(B) 90% of total raw material purchased

- (C) 25% of total raw material purchased
- (D) 35% of total payments for purchases.
- 31.** Comfort (Pvt.) Ltd. issued 10,000 equity shares to Pawan at ₹18 per share when the fair market value of each share was determined at ₹11 per share. The tax implication of the transaction is —
- (A) ₹70,000 taxable as income for Comfort (Pvt.) Ltd.
- (B) ₹20,000 taxable as income for Pawan
- (C) ₹10,000 taxable as income for Pawan
- (D) Nil.
- 32.** Mrs. Laxmi, 70 years old, received ₹30,000 every month from SBI under reverse mortgage scheme by mortgaging her residential house property. She also received monthly family pension of ₹15,000. Her total income for the assessment year 2016-17 is —
- (A) ₹5,40,000
- (B) ₹1,80,000
- (C) ₹1,65,000
- (D) ₹3,60,000
- 33.** Chand Ltd. filed its return of income on 7th December, 2015 declaring loss of ₹3,50,000. Later, it noticed a claim of expenditure omitted in the return filed. The revised return —
- (A) Must be filed before 31st March, 2017
- (B) Cannot be filed
- (C) Must be filed before 31st March, 2016
- (D) Can be filed before completion of the assessment.
- 34.** Which of the following person is eligible to seek advance ruling —
- (A) Senior citizens
- (B) Professionals
- (C) Foreign companies
- (D) Non-residents.
- 35.** Rose Ltd. filed its return of income for the assessment year 2015-16 on 10th August, 2015. The notice under section 143(2) for scrutiny assessment should be served on the assessee by —
- (A) 31st March, 2016
- (B) 31st March, 2017

- (C) 10th February, 2016
- (D) 30th September, 2016.
- 36.** A foreign institutional investor (FII) has total income which includes short-term capital gains on sale of listed shares of ₹30 lakh. The rate of tax for charging such income to tax is —
- (A) 10%
- (B) 30%
- (C) 15%
- (D) 40%.
- 37.** Tax credit in respect of MAT paid as per section 115JB will be allowed only in the previous year in which the tax payable on the total income at the normal rate is —
- (A) More than the tax payable under section 115JB
- (B) Less than the tax payable under section 115JB
- (C) Equal to the tax payable under section 115JB
- (D) All of the above.
- 38.** A domestic company distributed a dividend of ₹30,00,000 to its shareholders. Out of this dividend, ₹4,00,000 paid to a person on behalf of the New Pension System Trust and ₹1,00,000 paid to another corporate shareholder. The company also received a dividend of ₹2,00,000 from its subsidiary which paid dividend distribution tax under section 115-O. In this case, the amount of dividend subject to dividend distribution tax for the domestic company will be —
- (A) ₹24,00,000
- (B) ₹27,00,000
- (C) ₹28,00,000
- (D) ₹30,00,000
- 39.** Anand, a resident in India, has a total income of ₹10,00,000 during the previous year 2015-16. This income includes foreign income of ₹3,00,000 from a country with which India does not have agreement to avoid double taxation. Tax levied by the foreign country on that foreign income was ₹40,000 and the tax payable as per the Indian rate on the total income amounts to ₹2,50,000. The double taxation relief allowable to Anand shall be —
- (A) ₹40,000
- (B) ₹75,000
- (C) ₹35,000
- (D) ₹25,000

40. When a non-domestic company is a member in an AOP and its share of profit is indeterminate, the tax on total income of the AOP is charged at the —
- (A) Nominal rate
 - (B) Maximum marginal rate
 - (C) Rate applicable to the company
 - (D) Least of the above three rates.
41. Deduction under section 80C can be claimed for fixed deposit made in any scheduled bank, if the minimum period of deposit is —
- (A) 5 Years
 - (B) 8 Years
 - (C) 10 Years
 - (D) 12 Years.
42. Zeet Ltd. engaged in manufacturing of cement also had wind mills to generate power. Entire power generated by it was used by its wholly owned subsidiary Zoom Ltd. The amount received for the said power supply was ₹7 crore. Zeet Ltd. disclosed total income of ₹10 crore for the assessment year 2016-17. The due date for filing return of income by Zeet Ltd. is —
- (A) 31st July, 2016
 - (B) 30th September, 2016
 - (C) 31st October, 2016
 - (D) 30th November, 2016.
43. The construction of a house was completed on 31st January, 2016. The owner of the house took a loan of ₹20,00,000 @ 6% p.a. on 1st May, 2015. In this case the deduction allowable for the previous year 2015-16 towards interest on borrowings is —
- (A) ₹22,000
 - (B) ₹24,000
 - (C) ₹1,10,000
 - (D) None of the above.
44. Under the head 'profits and gains of business or profession', the method of accounting that should be followed by an assessee is —
- (A) Cash system only
 - (B) Mercantile system only
 - (C) Hybrid system only
 - (D) Cash system or mercantile system only.

45. Madhu Ltd. owns machinery (rate of depreciation is 15%), the written down value of which as on 1st April, 2015 is ₹30,00,000. Due to fire, entire assets in the block were destroyed and the insurer paid ₹25,00,000. The eligible depreciation in respect of this machinery is —
- (A) ₹4,50,000
(B) ₹75,000
(C) ₹5,00,000
(D) Nil.
46. Murali is employed in Megha Ltd., Delhi. He is paid house rent allowance of ₹9,000 per month in financial year 2015-16. His salary for the purpose of computation of house rent allowance relief may be taken as ₹20,000 per month. Murali pays actual rent of ₹10,000 per month. How much of the house rent allowance is tax-free —
- (A) ₹1,08,000
(B) ₹1,20,000
(C) ₹96,000
(D) ₹60,000
47. Satish is employed as chief engineer in Gama Ltd., Chennai *w.e.f.* 1st April, 2015 for a consolidated salary of ₹60,000 per month. He is provided with rent-free unfurnished accommodation owned by the employer from 1st July, 2015 onwards. The value of taxable perquisite is —
- (A) ₹1,08,000
(B) ₹81,000
(C) ₹72,000
(D) ₹54,000
48. Ashwin has speculation business loss brought forward of the assessment years 2010-11 ₹1,00,000; 2011-12 ₹70,000 and 2012-13 ₹60,000. He has income from the same speculation business for the assessment year 2016-17 ₹5,40,000. His total income chargeable to tax for assessment year 2016-17 would be —
- (A) ₹3,10,000
(B) ₹4,10,000
(C) ₹4,80,000
(D) ₹4,40,000

49. DP & Co. is a partnership firm with 3 partners. The capital of each partner was ₹2 lakh. The partnership deed authorised interest on capital @ 15% and working partner salary to each partner @ ₹10,000 per month for all the partners. The total sales amounted to ₹70 lakh. The total income of the firm under section 44AD would be —
- (A) ₹5,60,000
 - (B) ₹4,32,000
 - (C) ₹1,28,000
 - (D) ₹3,50,000
50. In case of which of the following co-operative society, the deduction under section 80P is restricted to ₹1,00,000 —
- (A) Consumers' co-operative society
 - (B) Society engaged in collection and disposal of labour
 - (C) Society engaged in fishing
 - (D) Society engaged in processing of agricultural produce without the aid of power.
51. Metro Ltd., a domestic company, is assessed with a total income of ₹11.25 crore. The surcharge payable by the company shall be at the rate of —
- (A) 2%
 - (B) 5%
 - (C) 10%
 - (D) 12%.
52. A non-resident Indian is not required to furnish his return of income under section 139(1) if his total income in respect of which he is assessable under the Income-tax Act, 1961 during the previous year consists of —
- (A) Investment income only
 - (B) Long-term capital gains only
 - (C) Short-term capital gains only
 - (D) Investment income and long-term capital gains only.
53. While making payment of winnings from horse race, tax will be deducted at source, if the payment exceeds —
- (A) ₹5,000
 - (B) ₹10,000
 - (C) ₹25,000
 - (D) ₹50,000

54. The authority for advance ruling in income - tax is appointed by —
- (A) The President of India
 - (B) The Central Board of Direct Taxes
 - (C) The Central Government
 - (D) The Chief Commissioner of Income-tax.
55. Interest is payable to assessee on refund under the Income-tax Act, 1961 at the rate of —
- (A) 5% per annum
 - (B) 6% per annum
 - (C) 9% per annum
 - (D) 12% per annum.
56. Manoj acquired 1,000 equity shares of 10 each in a listed company for ₹35,000 on 1st July, 2009. The company issued 1,000 rights shares in April, 2011 at ₹15 per share. The company issued 2,000 bonus shares in June, 2015. The market price was ₹50 per share before bonus issue and ₹25 after such issue. The cost of acquisition of bonus shares would be —
- (A) Nil
 - (B) ₹20,000
 - (C) ₹50,000
 - (D) ₹1,00,000
57. Dr. Ashok commenced medical practice on 1st September, 2015. The previous year for the profession for the assessment year 2016-17 would be —
- (A) 1st April, 2015 to 31st March, 2016
 - (B) 1st September, 2015 to 31st March, 2016
 - (C) 1st June, 2015 to 31st March, 2016
 - (D) 1st September, 2015 to 31st January, 2016.
58. Pradip acquired an urban land from Chitra for ₹70 lakh on 10th October, 2015. At what rate, tax is deductible at source in respect of such transaction —
- (A) 2%
 - (B) 5%
 - (C) 1%
 - (D) 3%.

59. The validity period of advance pricing agreement (APA) is —
- (A) 2 Years
 - (B) 3 Years
 - (C) 5 Years
 - (D) 7 Years.
60. Salary received by a partner from his partnership firm is considered in his personal assessment as —
- (A) Income from salary
 - (B) Profit from business or profession
 - (C) Income from other sources
 - (D) Exempted income.
61. Deduction of tax from salary as per section 192 shall be at —
- (A) 10% of salary
 - (B) The average rate of income-tax computed on the basis of rates in force for the financial year in which the payment is made
 - (C) The maximum marginal rate of 30%
 - (D) None of the above.
62. Rohan won a State Government lottery of ₹1,00,000 on 11th October, 2015. The government should deduct tax on such winning amounting to —
- (A) ₹30,000
 - (B) ₹33,000
 - (C) ₹33,990
 - (D) ₹30,900
63. Where a non-resident/foreign company is liable to tax at special rate of 10% on account of royalty or fee for technical services, such assessee shall —
- (A) Be eligible for deduction of any expenses from such income under sections 28 to 44C or section 57
 - (B) Not be eligible for any deduction under Chapter VI-A on account of such income
 - (C) Neither be eligible for deduction of any expenses under sections 28 to 44C or section 57 nor be eligible for any deduction under Chapter VI-A
 - (D) Not be eligible for deduction of any expense under sections 28 to 44C or section 57 but shall be eligible for deduction under Chapter VI-A.

- 64.** As per section 139(1), an individual other than an individual of the age of 60 years or more shall have to file return of income if —
- (A) His total income exceeds ₹2,50,000
 - (B) His total income exceeds ₹3,00,000
 - (C) His total income exceeds ₹2,00,000
 - (D) His total income before allowing deduction under section 80C to 80U exceeds ₹2,50,000.
- 65.** The due date of filing the return of income for assessment year 2016-17 in case of a working partner of a firm whose accounts are liable to be audited shall be—
- (A) 31st July of the assessment year
 - (B) 30th September of the assessment year
 - (C) 30th June of the assessment year
 - (D) 30th November of the assessment year in case it is required to furnish report referred to in section 92E and 30th September of the assessment year in any other case.
- 66.** For the previous year 2014-15, an assessee suffered a business loss of ₹2,50,000. His income from other sources is ₹1,80,000. His due date of return was 31st July, 2015 but he submitted the return on 9th September, 2015. The assessee in this case —
- (A) Shall be allowed to carry forward the loss of ₹70,000
 - (B) Shall not be allowed to carry forward any loss
 - (C) Shall be allowed to set-off current year business loss to the extent of ₹1,80,000 but shall not be allowed to carry forward the balance loss of ₹70,000
 - (D) Shall not be allowed to set-off the business loss to the extent of ₹1,80,000 and would be liable to tax on ₹1,80,000.
- 67.** The notice under section 143(2) must be served within —
- (A) 12 months from the date of filing of return
 - (B) 12 months from the due date of filing the return under section 139(1) or from the date of filing of return of income
 - (C) 6 months from the end of the financial year in which the return was furnished
 - (D) 6 months from the end of month in which the return was furnished.
- 68.** When a person suffers from severe disability, the quantum of deduction allowable under section 80U is —
- (A) ₹50,000

- (B) ₹75,000
(C) ₹1,25,000
(D) ₹1,00,000
69. Biren discontinued wholesale trade in medicines from 1st July, 2013. He recovered ₹1,50,000 in October, 2015 being a bad debt which was written-off and allowed in assessment year 2012-13. He has eligible brought forward business loss of wholesale trade in medicines of ₹1,70,000. The consequence of bad debt recovery is that —
- (A) It is chargeable to tax
(B) It is eligible for set-off against brought forward business loss
(C) The brought forward business loss is taxable now
(D) 50% of the amount recovered now is taxable.
70. Mrs. Meena retired from service with Sky Ltd. on 31st January, 2016. She received the following amounts from unrecognised provident fund : (i) Own contribution ₹1,50,000; (ii) Interest on own contribution ₹21,000; (iii) Employer's contribution ₹1,10,000; and (iv) interest on employer's contribution ₹15,000. How much of the receipt is chargeable to tax as income from salary —
- (A) ₹21,000
(B) ₹15,000
(C) ₹1,25,000
(D) ₹1,71,000

PART B

71. Service tax in India is administered by —
- (A) The Service Tax Act, 1994
(B) The Finance Act, 1994
(C) The Indirect Taxes Act, 1994
(D) All of the above.
72. Service tax return has to be filed —
- (A) Monthly
(B) Quarterly
(C) Half-yearly
(D) Annually.

73. Rockey Ltd. provides the following information :

Date of completion
of service : 11th September, 2015

Date of invoice : 25th October, 2015

Date of receipt
of payment for
service : 3rd September, 2015

The point of taxation is —

- (A) 3rd September, 2015
 - (B) 11th September, 2015
 - (C) 25th October, 2015
 - (D) 31st March, 2016.
- 74.** An Indian company is providing inspection and certification service to a foreign firm. Half of the services were carried out in Italy, 30% of the services provided in Delhi and the remaining 20% services were rendered in Chennai. The place of provision of service for service tax purpose is —
- (A) Italy
 - (B) Delhi
 - (C) Chennai
 - (D) Place opted by the service provider.
- 75.** Maru Parcel Services Ltd. transported goods manufactured by Rocket Ltd. in its factory in Noida to various places in Uttar Pradesh. The parcel service company received ₹2,00,000 from the manufacturer for the transport services rendered during the quarter ended with 30th June, 2015. The taxable value of service for the quarter is —
- (A) ₹2,00,000
 - (B) ₹1,50,000
 - (C) ₹50,000
 - (D) Nil.
- 76.** Service tax code number —
- (A) Has 10 digits

- (B) Has 12 digits
 - (C) Has 15 digits
 - (D) Digits vary from State to State.
- 77.** According to the new partial reverse charge mechanism, the liability to pay service tax is on —
- (A) The service provider
 - (B) The service receiver
 - (C) Both the service provider and receiver
 - (D) None of the above.
- 78.** From 1st October, 2014, e-payment of service tax through internet banking is compulsory in case of —
- (A) Individuals
 - (B) Firms
 - (C) Companies
 - (D) All assesseees.
- 79.** Hari Ltd., a service provider, provides the following particulars relating to the half year ended with 30th September, 2015 :
- (i) Bill raised for ₹4,00,000 out of which payment of ₹1,00,000 is not received till 30th September, 2015.
 - (ii) An advance of ₹60,000 was received from Seetha Ltd., on 10th September, 2015 for providing services in January, 2016.
- The taxable value of service is —
- (A) ₹4,60,000
 - (B) ₹3,60,000
 - (C) ₹3,00,000
 - (D) ₹4,00,000
- 80.** Maximum amount of penalty for delay in filing service tax return is —
- (A) ₹1,000
 - (B) ₹5,000

- (C) ₹10,000
 - (D) ₹20,000
- 81.** Time-limit for filing refund claim in service tax shall be —
- (A) One month from the date of payment
 - (B) Three months from the date of payment
 - (C) Six months from the date of payment
 - (D) One year from the date of payment.
- 82.** Which of the following is not a service specified in the Mega Exemption Notification of service tax —
- (A) Services provided to UNO
 - (B) Consultancy service
 - (C) Health care service
 - (D) Veterinary clinic service.
- 83.** The gross receipts of a service provider exceeded ₹9 lakh on 25th January, 2016. Within how many days, he must apply for registration under service tax—
- (A) 10 Days
 - (B) 30 Days
 - (C) 15 Days
 - (D) 4 Days.
- 84.** Which of the following service is a taxable service —
- (A) Supply of farm labour
 - (B) Trading of goods
 - (C) Construction of a complex
 - (D) Renting of agro machinery.
- 85.** Deep Ltd. collected service tax from the recipients of service but did not remit the same for more than 7 months. The maximum penalty that could be levied on the director, manager or secretary for the offence would be —
- (A) ₹10,000
 - (B) ₹20,000

- (C) ₹1,00,000
 - (D) ₹100 per day of delay.
- 86.** When the service provided is inclusive of service tax, the service tax liability on the receipt of ₹5,50,000 would be (assume service tax @ 14%) —
- (A) ₹67,980
 - (B) ₹67,544
 - (C) ₹77,570
 - (D) ₹66,000
- 87.** Reverse charge basis to pay service tax will arise in which of the following cases —
- (A) When the service receiver is located in non-taxable territory
 - (B) When the service receiver is insolvent
 - (C) When the service provider is located in non-taxable territory
 - (D) When the service provider is an individual.
- 88.** Within how many days, a new dealer having reached turnover above the threshold limit must apply for VAT registration —
- (A) 10 Days
 - (B) 30 Days
 - (C) 15 Days
 - (D) 60 Days.
- 89.** A registered dealer exported goods outside India. He paid ₹15,000 as VAT on raw materials used in manufacture of goods exported. The VAT so paid is —
- (A) Not eligible for refund
 - (B) Not eligible for adjustment against input tax
 - (C) Deductible as business expenditure
 - (D) Eligible for refund or adjustment against input tax.
- 90.** VAT on which of the following goods is not eligible for input tax credit —
- (A) Sugar
 - (B) Textiles
 - (C) Tobacco
 - (D) Aviation turbine fuel.

91. Manohar & Co. paid input VAT at 13.5% on raw materials. It transferred the manufactured goods to its branch in Andhra Pradesh. How much claim of VAT input is allowed —
- (A) Nil
 - (B) 13.5%
 - (C) 11.5%
 - (D) 2%.
92. Reverse credit of input tax of VAT would arise when —
- (A) VAT is refunded
 - (B) Input VAT is adjusted against output VAT
 - (C) Input tax credit is reduced to rectify wrong credit availed
 - (D) None of the above.
93. Prakash purchased yarn liable for VAT at 4% and manufactured cloth which was exempt from VAT in the State of Tamil Nadu. He wants to claim refund of VAT paid on input, *i.e.*, yarn. For refund of VAT, he is —
- (A) Not eligible, since VAT chain is broken
 - (B) Eligible for refund
 - (C) Eligible for only 50% of VAT paid
 - (D) Eligible for refund on producing Form-C.
94. Which method of VAT computation has been adopted in India —
- (A) Subtraction method
 - (B) Addition method
 - (C) Tax credit method
 - (D) Income variant.
95. While determining 'turnover' under the central sales tax, what is the time-limit within which the sold goods returned are eligible for exclusion —
- (A) One month
 - (B) Six months
 - (C) Three months
 - (D) Two months.

- 96.** 'Sale price' under section 2(h) of the Central Sales Tax Act, 1956 does not include —
- (A) Excise duty
 - (B) Central sales tax
 - (C) Trade discount
 - (D) Freight charges when not shown separately.
- 97.** Input tax credit under VAT shall be allowed to —
- (A) Registered dealers
 - (B) Manufacturers
 - (C) Traders
 - (D) All of the above.
- 98.** Which of the following purchase is not eligible for input tax credit —
- (A) Purchase for resale within the State
 - (B) Purchase for being used in the execution of works contract
 - (C) Inter-State purchase
 - (D) Purchase of packing material.
- 99.** TIN, a code number used to identify VAT assessee, has 11 digits. The first two digits of TIN represent —
- (A) The State
 - (B) The Product
 - (C) The Region
 - (D) The Assessee.
- 100.** Which of the following is not a 'declared good' under the central sales tax —
- (A) Cotton
 - (B) Jute
 - (C) Sugar
 - (D) Jewellery.

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

Part A		Qno	Ans
Qno	Ans		
Q1	A	Q32	C
Q2	A	Q33	B
Q3	D	Q34	D
Q4	C	Q35	D
Q5	C	Q36	C
Q6	Either A or B or D or any combination of A,B & D	Q37	A
Q7	A	Q38	A
Q8	A	Q39	A
Q9	B	Q40	C
Q10	C	Q41	A
Q11	*	Q42	B
Q12	A	Q43	C
Q13	D	Q44	D
Q14	B	Q45	D
Q15	B	Q46	C
Q16	B	Q47	B
Q17	A	Q48	C
Q18	D	Q49	C
Q19	B	Q50	A
Q20	A	Q51	D
Q21	B	Q52	A
Q22	D	Q53	A
Q23	A	Q54	C
Q24	D	Q55	B
Q25	D	Q56	A
Q26	B	Q57	B
Q27	A	Q58	C
Q28	A	Q59	C
Q29	**	Q60	B
Q30	B	Q61	B
Q31	A	Q62	A
		Q63	C
		Q64	D

Qno	Ans	Qno	Ans
Q65	Either B or D or both	Q83	B
Q66	C	Q84	C
Q67	C	Q85	C
Q68	C	Q86	B
Q69	B	Q87	C
Q70	C	Q88	B
Part B		Q89	D
Q71	B	Q90	D
Q72	C	Q91	Either B or C or both
Q73	B	Q92	C
Q74	B	Q93	A
Q75	***	Q94	C
Q76	C	Q95	B
Q77	C	Q96	C
Q78	D	Q97	A
Q79	A	Q98	C
Q80	D	Q99	A
Q81	D	Q100	D
Q82	B		

Note :

- Q 6 Three options (A, B & D) are correct.
- Q 11 * The answer is Rs. 4.05 crores
- Q 29 ** The question is silent regarding residential status of assessee.
If assumed as resident the answer is NIL.
If assumed as non-resident the answer is Rs. 13,905.
- Q 65 Two options (B & D) are correct.
- Q 75 *** The answer is Rs. 60,000
- Q 91 Two options (B & C) are correct.