

# **GUIDELINE ANSWERS**

## **EXECUTIVE PROGRAMME**

**JUNE 2018**

**MODULE 1**



**THE INSTITUTE OF  
Company Secretaries of India**

**भारतीय कम्पनी सचिव संस्थान**

**IN PURSUIT OF PROFESSIONAL EXCELLENCE**

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These answers have been written by competent persons and the Institute hope 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)

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

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EXECUTIVE PROGRAMME

**UPDATING SLIP**

**COMPANY LAW**

MODULE – 1 – PAPER 1

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<i>Examination Session</i>	<i>Question No.</i>	<i>Updations required in the answers</i>
(1)	(2)	(3)
All Previous Sessions	—	All answers are based on the notified provisions of Companies Act, 2013 and the rules made thereunder.

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(ii)

**UPDATING SLIP**

**ECONOMIC AND COMMERCIAL LAWS**

MODULE – 1 – PAPER 3

<i>Examination Session</i>	<i>Question No.</i>	<i>Updatons required in the answers</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>
All Previous Sessions	—	Foreign Trade Policy 2015-20. Foreign Direct Investment Policy 2017.

(iii)

**UPDATING SLIP**

**TAX LAWS AND PRACTICE**

**MODULE – 1 – PAPER 4**

<i>Examination Session</i>	<i>Question No.</i>	<i>Updations required in the answers</i>
(1)	(2)	(3)
All Previous Sessions	—	<p>For December 2018, examination</p> <ul style="list-style-type: none"><li>(i) For Direct taxes, Finance Act, 2017 is applicable.</li><li>(ii) Applicable Assessment year is 2018-19 (previous year 2017-18).</li><li>(iii) Wealth Tax Act, 1957 has been abolished w.e.f. 1<sup>st</sup> April, 2016. The questions from the same will not be asked in examination from December 2015 session onwards.</li><li>(iv) For Indirect taxes,<ul style="list-style-type: none"><li>(a) Goods and Services Tax 'GST' is to be applicable for executive programme.</li><li>(b) All the rules upto 1st June, 2018 shall also be applicable</li></ul></li><li>(v) Students are also required to update themselves on all the relevant Circulars, Clarifications, Notifications, issued by CBDT / CBIC/ Central Government etc. which became effective, on or before six months prior to the date of the respective examination.</li></ul> <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 2018

### COMPANY LAW

*Time allowed : 3 hours*

*Maximum marks : 100*

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

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

#### Question 1

*Comment on the following :*

- (a) *A private limited company can accept deposit from its members under the provisions of the Companies Act, 2013.*
- (b) *Appointment and rotation of statutory auditor is mandatory for one person company and small company.*
- (c) *International Financial Service Centre (IFSC) companies are attractive for foreign investment.*
- (d) *Secretarial Standard does not empower Company Secretary of a company to call a meeting of Board of Directors on its own. (5 marks each)*

#### Answer 1(a)

A private limited company can accept deposit from its members in accordance with Section 73 of the Companies Act, 2013 and rules made thereunder. Moreover, the Government has exempted the private companies vide notification dated 13th June, 2017, from applicability of section 73 (1)(a) to (e).

Accordingly, a private company may accept deposit from its members:

- (A) not exceeding one hundred percent of aggregate of the paid up share capital, free reserves and securities premium account; or
- (B) is a start-up, for five years from the date of its incorporation; or
- (C) if it fulfils all of the following conditions, namely:-
  - (a) is not an associate or a subsidiary company of any other company;
  - (b) if the borrowings of such a company from banks or financial institutions or any body corporate is less than twice of its paid up share capital or fifty crore rupees, whichever is lower; and
  - (c) such a company has not defaulted in the repayment of such borrowings subsisting at the time of accepting deposits under this section:

Provided that the company referred to in clauses (A), (B) or (C) shall file the details of monies accepted to the Registrar in such manner as may be specified.

**Answer 1(b)**

As per Section 139(1) of the Companies Act, 2013 inter alia provides that every company shall, at the first annual general meeting, appoint an individual or a firm as an auditor who shall hold office from the conclusion of that meeting till the conclusion of its sixth annual general meeting and thereafter till the conclusion of every sixth meeting.

The Companies Act, 2013 has introduced the system of rotation of auditors under section 139. As per Rule 5 of the Companies (Audit and Auditors) Rules, 2014, rotation of auditors is applicable to-

- all listed companies;
- all unlisted public companies having paid up share capital of rupees 10 crore or more;
- all private limited companies having paid up share capital of rupees 20 crore or more;
- all companies having paid up share capital of below threshold limit mentioned in (a) and (b) above, but having public borrowings from financial institutions, banks or public deposits of rupees 50 crore or more.

In view of the above it is clear that appointment is applicable on all the Companies including one person companies and small companies, however, the provisions of rotation of auditors shall not apply to one person companies and small companies.

**Answer 1(c)**

International Financial Service Centre (IFSC) is a hub of financial services within a country, which has laws and regulations different from the rest of the country. Usually these centres have low tax rates and flexible regulations for securities and currency trading, banking and insurance, which makes them attractive for foreign investment. It can be said that these centres deal mainly with the flow of money, financial products and services across borders.

An IFSC caters to customers outside the jurisdiction of the domestic economy. Such centres deal with flows of finance, financial products and services across borders. London, New York and Singapore can be counted as global financial centres

**Answer 1(d)**

Secretarial Standard does not empower Company Secretary of a company to call a meeting of Board of Directors on its own.

Any Director of a company may, at any time, summon a meeting of the Board, and the Company Secretary or where there is no Company Secretary, any person authorised by the Board in this behalf, on the requisition of a Director, shall convene a meeting of the Board, in consultation with the Chairman or in his absence, the Managing Director or in his absence, the Whole-time Director, where there is any, unless otherwise provided in the Articles.



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

*Distinguish between the following :*

- (a) *Oppression and mismanagement application and Class action suits.*
- (b) *Chief Executive Officer and Managing Director.*
- (c) *Redemption of shares and Redemption of debentures.*
- (d) *XBRL tags and XBRL taxonomies.* (4 marks each)

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

- (i) *The Board of Directors of Peculiar Ltd. proposes to recommend a final dividend of ₹25 each to all the equity shareholders of the company. The company seeks your opinion on the following :*
  - (1) *The company wants to deposit the dividend amount to co-operative bank.*
  - (2) *The company is a defaulter in the repayment of deposits and proposes to repay its all deposit after the payment of dividend within 10 days.*
  - (3) *Dividend will be declared out of the capital reserves of the company.*
  - (4) *The company wants to pay such dividend through the cash counter by way of cash voucher.* (4 marks)
- (ii) *Perfect Pvt. Ltd. wishes to appoint its Secretary, Satish, as an internal auditor. Referring to the provisions of the Companies Act, 2013 advise the company.* (4 marks)
- (iii) *Nice Ltd. proposes to alter its liability clause of Memorandum of Association. Referring to the provisions of the Companies Act, 2013 advise the company.* (4 marks)
- (iv) *Fabulous Ltd. is in the process of finalisation of its annual return. It is a listed company with paid-up capital ₹1 crore. The company seeks your advice on the following :*
  - (1) *Who will sign the return on behalf of the company ?*
  - (2) *What are the requirements of certification of annual return by a practising Company Secretary ?* (4 marks)

**Answer 2(a)****Oppression and mismanagement application**

Section 244 of Companies Act, 2013 provides that the following members of a company have the right to apply in case of oppression and management referred to under section 241 to the tribunal:—

- (a) in the case of a company having a share capital, not less than one hundred

members of the company or not less than one-tenth of the total number of its members, whichever is less, or any member or members holding not less than one-tenth of the issued share capital of the company, subject to the condition that the applicant or applicants has or have paid all calls and other sums due on his or their shares;

- (b) in the case of a company not having a share capital, not less than one-fifth of the total number of its members:

The Tribunal has the power that on an application made to it in this behalf, waive all or any of the abovementioned requirements so as to enable the members to apply under section 241.

### **Class action suits**

Section 245 of Companies Act, 2013, deal with Class action suits. It is provided that members, depositors or any class of them, may, if they are of the opinion that the management or conduct of the affairs of the company are being conducted in a manner prejudicial to the interests of the company or its members or depositors, file an application before the Tribunal on behalf of the members or depositors.

The requisite number of members is as under:

- (a) in the case of a company having a share capital, not less than one hundred members of the company or not less than such percentage of the total number of its members as may be prescribed, whichever is less, or any member or members holding not less than such percentage of the issued share capital of the company as may be prescribed, subject to the condition that the applicant or applicants has or have paid all calls and other sums due on his or their shares;
- (b) in the case of a company not having a share capital, not less than one-fifth of the total number of its members.

Further, the requisite number of depositors shall not be less than one hundred depositors or not less than such percentage of the total number of depositors as may be prescribed, whichever is less, or any depositor or depositors to whom the company owes such percentage of total deposits of the company as may be prescribed.

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

Section 2(18) of Companies Act, 2013, has defined "Chief Executive Officer" so as to mean an officer of a company, who has been designated as such by it.

Section 2(54) of Companies Act, 2013, "Managing Director" means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

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

**Redemption of Shares** : All shares are not redeemable, only those stated to be redeemable, at the time of issue can be redeemed. Section 55 deals with redemption of

preference shares. The payment for the shares must generally come from the reserves or profit of the company.

**Redemption of debentures** : Redemption of the debentures shall be made in accordance with Section 71 of the Companies Act, 2013. Redemption of debentures means payment of the amount of debentures by the company. When debentures are redeemed, liability on account of debentures is discharged.

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

In XBRL, information is not treated as a static block of text or set of numbers. Instead, information is broken down into unique items of data (e.g. total liabilities = 100). These data items are then assigned mark-up tags that make them computer-readable. For example, the tag <Liabilities>100</Liabilities> enables a computer to understand that the item is liabilities, and it has a value of 100.

Computers can treat information that has been tagged using XBRL 'intelligently'; they can recognize, process, store, exchange and analyze it automatically using software.

Because XBRL tags are formed in a universally-accepted way, they can be read and processed by any computer that has XBRL software. XBRL tags are defined and organized using categorization schemes called taxonomies.

### **XBRL Taxonomies**

Different countries use different accounting standards. Reporting under each standard reflects differing definitions. The XBRL language uses different dictionaries, known as 'taxonomies', to define the specific tags used for each standard. Different dictionaries may be defined for different purposes and types of reporting. Taxonomies are the computer-readable 'dictionaries' of XBRL. Taxonomies provide definitions for XBRL tags, they provide information about the tags, and they organize the tags so that they have a meaningful structure.

As a result, taxonomies enable computers with XBRL software to:

- understand what the tag is (e.g. whether it is a monetary item, a percentage or text);

In tagging section, "N" refers to navigation, "A" refers to attaching the disclosures "T" refers to text entry etc.

- what characteristics the tag has (e.g. if it has a negative value);
- its relationship to other items (e.g. if it is part of a calculation).

Taxonomies differ according to reporting purposes, the type of information being reported and reporting presentation requirements.

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

The Peculiar Ltd has to follow below procedure for recommending final dividend:

- (1) Referring to section 123(4) of Companies Act, 2013, the amount of the dividend has to be deposited in a scheduled bank. The company should first ensure that said co-operative bank is scheduled bank from the list of scheduled bank

available at RBI website, and then it may deposit the dividend amount in the scheduled Co-operative Bank.

(2) Referring to section 123(6) of Companies Act, 2013 a company which fails to comply with the provisions relating to acceptance and repayment of deposits shall not, so long as such failure continues, declare any dividend on its equity shares. Hence Peculiar Ltd. cannot declare dividend till the failure persists.

(3) Referring to third proviso to Section 123(1) no dividend shall be declared or paid by a company from its reserves other than free reserves.

Free reserves, as per Section 2(43), means such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend: Provided that—

(1) any amount representing unrealised gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or

(2) any change in carrying amount of an asset or of a liability recognised in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value, shall not be treated as free reserves;

Hence dividend cannot be declared out of the capital reserves of the company.

(4) Referring to section 123(5) dividend shall not be payable in cash. Hence company's proposal to pay dividend through cash counter by way of cash voucher is not permitted under law.

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

According to Section 138(1) of the Companies Act, 2013 read with the rule 13 of the Companies (Accounts) Rules, 2014, following persons may be appointed as an internal auditor of the company-

- (a) a Chartered Accountant or;
- (b) a Cost Accountant or;
- (c) such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the Company.

Further, rule 13 of the Companies (Accounts) Rules, 2014 *inter alia* provides that the internal auditor may or may not be an employee of the Company.

Mr. Satish being the Secretary of Perfect Ltd. may be appointed as an internal auditor of the company only if so decided by the Board to conduct internal audit of the functions and activities of the Company.

#### **Answer 2A(iii)**

According to section 13(1) a company may, by a special resolution and after complying with the procedure specified in this section, alter the provisions of its memorandum. It means that a company can change the liability clause of its memorandum of association by passing a special resolution. Further section 13(6)(a) provides that a company shall, in relation to any alteration of its memorandum, file with the Registrar the special resolution passed by the company under section 13(1).

Accordingly, Nice Ltd. may alter its liability clause.

**Answer 2A(iv)**

- (1) As per section 92 of the Companies Act, 2013, every company shall prepare its annual return containing the required particulars as they stood on the close of the financial year and shall be signed by a director and the Company Secretary, or where there is no Company Secretary, by a company secretary in practice.

Whereas in case of One Person Company and small company, the annual return shall be signed by the Company Secretary, or where there is no Company Secretary, by the director of the company.

- (2) Every listed company, or a company with paid up share capital of 10 crore or more or a company with turnover of Rs. 50 crore or more, shall be required to get a certificate by the Practicing Company Secretary (PCS) stating the facts that the requirements of the Companies Act, 2013 and rules thereto have been complied with and Annual Return discloses the facts correctly and adequately.

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

- (a) *RS Ltd. has incurred ₹5 lakh for the fulfillment of Labour Law, Land Acquisition Act and Food Safety & Standards Act in the month of May, 2018. The company has accounted for this ₹5 lakh as Corporate Social Responsibility (CSR) expenditure. Explaining the provisions of the Companies Act, 2013 discuss whether the company has rightly accounted for the amount in CSR. (4 marks)*

- (b) *Enkebee Ltd. wants to purchase its own 1,00,000 equity shares @ ₹10 each out of the following :*

- (a) *Unsecured loan ₹5 lakh*  
 (b) *Balance of depreciation reserve for ₹3 lakh*  
 (c) *Securities premium account ₹4 lakh.*

*Examine the legality of the above transactions for the buy-back of securities of the company under the provisions of the Companies Act, 2013. (4 marks)*

- (c) *Who will appoint Secretarial Auditor of the company : Board of Directors or Shareholders ? What is the duty of Board of Directors towards secretarial auditor and audit report ? (4 marks)*

- (d) *Mohan has been appointed as a passive partner in the Limited Liability Partnership (LLP). He seeks your advice on the responsibilities of designated partner where the LLP has contravened the provisions of LLP Act. Referring to the provisions of the LLP Act, 2008 advise him in the matter. Can he sign cheques on behalf of the LLP ? (4 marks)*

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

- (i) *Aniket has fraudulently sold his shares to two different transferees. Who will be entitled to the shares in priority ? (4 marks)*

- (ii) *The authorised share capital of Shine Ltd. is ₹50 lakh. The paid-up capital of the company is ₹20 lakh. The Board of Directors at its 100th meeting held in the residence of Managing Director of the company resolved to create charge on uncalled share capital of ₹30 lakh. With reference to the provisions of the Companies Act, 2013 ascertain if the resolution is valid. (4 marks)*
- (iii) *R Systems Ltd. is holding 40% of paid-up share capital of ATC Aviation Pvt. Ltd. R Systems appointed representative director in ATC Aviation Pvt. Ltd. to safeguard its interest. Board of Directors of R Systems Ltd. wishes to know whether the director appointed by them shall be treated as nominee director. Advise the Board. (4 marks)*
- (iv) *Sand Ltd. wants to appoint River as Managing Director of the company for a period of three years with effect from 1st August, 2018. River has given a written statement to the company that he has paid rupees one thousand to the prescribed authorities for a conviction of an offence under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 on 30th June, 2018. State whether River can be appointed as Managing Director of the company under the Companies Act, 2013. (4 marks)*

**Answer 3(a)**

According to the provisions of section 135 of the Companies Act, 2013 and rules and clarifications thereunder, expenses incurred by companies for the fulfillment of any Act/ Statute of regulations (such as Labour Laws, Land Acquisition Act etc.) would not count as CSR expenditure under Companies Act, 2013.

In accordance with the aforementioned clarification, expenditure of Rs. 5 lacs relating to fulfillment of requirement under Labour law, Land Acquisition Act and Food Safety and Standard Act by RS Ltd., will not be treated as CSR expenditure.

**Answer 3(b)**

According to Section 68(1) of the Companies Act, 2013, a company may purchase its own shares or other specified securities out of the following:

- (i) its free reserves; or
- (ii) the securities premium account ; or
- (iii) the proceeds of any shares or other specified securities.

Hence, Enkebee Ltd. can purchase its own shares only out of the Securities Premium account and not out of unsecured loan or balance of depreciation reserve (not being free reserve).

**Answer 3(c)**

According to section 204, every listed company and every public company having paid-up share capital of fifty crore rupees or more; or public company having a turnover of two hundred fifty crore rupees or more shall attach a Secretarial Audit Report given by Practicing Company Secretary (PCS).

As per section 179 of the Companies Act, 2013 read with rule 8 of the Companies

(Meeting of Board and its Powers) Rules, 2014, the Board of Directors, only by means of resolutions passed at meetings of the Board, shall appoint a Secretarial Auditor.

It shall be the duty of the company to give all assistance and facilities to the Company Secretary in Practice (Secretarial Auditor), for auditing the secretarial and related records of the company. (Section 204(2))

The Board of Directors, in their report shall explain in full any qualification or observation or other remarks made by the company secretary in practice in his report.

### **Answer 3(d)**

The passive partner would be liable for all the penalties and fines imposed on LLP as there is no distinct provision which differentiates between active partner and passive partner.

According to Section 8 of LLP Act, 2008 designated partner shall be liable to all penalties imposed on the limited liability partnership for any contravention of those provisions.

The designated partner would be liable to all penalties imposed on the LLP for the contravention of the provisions of the Act and as such the designated partner would be required to pay all the monetary fines imposed on the LLP. Further in the following instances apart from the LLP, the designated partner would also be imposed monetary penalties under the Act:-

- For non-compliance with the directions of the Central Government for change of name under Section 17 of the Act,
- For non-maintenance of books of accounts, non-filing of accounts, duly audited where such an audit is mandatory under Section 34 of the Act,
- For non-filing of the annual return of the LLP with the Registrar under Section 35 of the Act.

Mohan can sign cheques on behalf of the LLP, if so authority of the LLP.

### **Answer 3A(i)**

Referring to *Society General De Paris v. Jonet Walker and other* (1886) it was held that where a shareholder has fraudulently sold his shares to two different transferees, the first purchaser will, on the ground of time alone, be entitled to the shares in priority to the second.

Applying the case here, the first purchaser will be entitled to the shares in priority.

### **Answer 3A(ii)**

A loan taken by a company may be secured by a charge on uncalled capital;

A company does not have implied power of charging its uncalled share capital and a company may charge its uncalled capital if its articles or memorandum authorise it to charge it. The memorandum may give an express power to charge uncalled capital, or the power may be so wide that it can be inferred by implication. In *Newton v. Debenture holders of Anglo-Australian Investment Co.*, (1895) A.C. 224, the memorandum authorised

the company to borrow “upon any security of the company”. It was held that the power was wide enough to include a charge on uncalled capital.

In present case the company may take a loan secured by charge on uncalled capital only if the article or memorandum of the company so permits.

### **Answer 3A(iii)**

Explanation to section 149 of the Companies Act, 2013 provides that a “Nominee Director” means a director

- (i) nominated by any financial institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or
- (ii) appointed by any Government, or
- (iii) any other person to represent its interests.

Thus, Director appointed by R Systems Ltd. in ATC Aviation Pvt. Ltd. shall be treated as “Nominee Director”.

### **Answer 3A(iv)**

According to Schedule V of Companies Act, 2013 no person shall be eligible for appointment as a managing or whole-time director or a manager of a company, if he has been detained for any period under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974.

In the present case Mr. River has only paid fine of Rs 1000 to the prescribed authorities for a conviction of an offence under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974. Since it is only conviction and he was not detained, he can be appointed as Managing Director of the company.

### **Question 4**

- (a) *Fun and Frolic Ltd. has received ₹5 lakh from its Promoters as unsecured loan in pursuance of the stipulation of credit facilities from Bank. Can the company accept the unsecured loan ? What would be your answer if the company has repaid in full its amount of credit facilities and after such repayment, company continues this unsecured loan ? Referring to the provisions of the Companies Act, 2013 advise the company. (4 marks)*
- (b) *South Village Farmers’ Producer Company Ltd. wants to give loan to its Directors for ₹5 lakh. The company seeks your advice regarding the loan to Directors. Explain the provisions with reference to the Companies Act. What would be your answer if loan is being given to its members ? (4 marks)*
- (c) *Phosphate Ltd. has suffered a major loss of ₹100 crore in May, 2018 on the dealing of commodity exchange. The annual accounts and Board’s report for the year 2017-18 are under finalization. The Chief Financial Officer (CFO) of the company does not want to disclose this loss in the Board’s report for year 2017-18 because this loss does not pertain to said financial year. Is the view of CFO correct ? The Board of Directors seek your advice in this matter. (4 marks)*



- (d) *Confident Ltd. has forfeited 50,000 equity shares of the company @ ₹10 each and same were re-issued. After the filing of the annual return, the Registrar of Companies (ROC) has issued show cause notice to the company for default of provisions of section 39 of the Companies Act, 2013. Is the action of the ROC tenable under the provisions of the Companies Act, 2013 ? Discuss with relevant case law, if any.* (4 marks)

**Answer 4(a)**

According to Rule 2 of Companies (Acceptance of Deposit) Rules, 2014 any amount brought in by the promoters of the company by way of unsecured loan in pursuance of the stipulation of any lending financial institution or a bank, shall not be treated as deposit, subject to fulfillment of the following conditions, namely:-

- (a) the loan is brought in pursuance of the stipulation imposed by the lending institutions on the promoters to contribute such finance;
- (b) the loan is provided by the promoters themselves or by their relatives or by both; and
- (c) the exemption under this sub-clause shall be available only till the loans of financial institution or bank are repaid and not thereafter;

Accordingly, in case of Fun and Frolic Ltd. Rs. 5 Lakh may be accepted from the Promoters, as the same is in pursuance to stipulation of credit from bank. Once the credit facilities are paid in entirety and the company continues to retain the unsecured loan, it shall be treated as deposit under Companies Act, 2013.

**Answer 4(b)**

In accordance to section 581ZK of Companies Act, 1956, any loan or advance to any director or his relative shall be granted only after the approval of members by a resolution in general meeting.

In the present case South Village Farmers' Producer Company Ltd. may give loan to its Directors only after the approval of members by a resolution.

In case the loan is given to the members, the section provides that the Board may, provisions made in the Articles of the company, provide financial assistance to the members by way of credit facility in connection with the business of the Producer Company, for a period not exceeding six months.

**Answer 4(c)**

According to section 134(3)(k) all material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report should form part of the Board's Report.

The Directors' Report shall, therefore, contain material changes pertaining to post-financial statement events impacting the operations and performance of the Company. Thus, in present case view of Chief Financial Officer is incorrect. Loss of Rs. 100 Crore incurred during May, 2018, i.e. post financial year, shall be included in the Board's Report for the year 2017-18.

**Answer 4(d)**

Re-issue of forfeited shares does not require filing of return of allotment. In a similar case *Sri Gopal Jalan & Co. v. Calcutta Stock Exchange Association Ltd.*, the Supreme Court held that the exchange was not liable to file any return of the forfeited shares under Section 75(1) of the Companies Act, 1956 [Corresponds to section 39 of the Companies Act, 2013] when the same were re-issued.

The Court observed that when a share is forfeited and re-issued, there is no allotment, in the sense of appropriation of shares out of the authorised and unappropriated capital and approved the observations of Harries C.J. in S.M. Nandy's case that: "On such forfeiture all that happened was that the right of the particular shareholder disappeared but the shares considered as a unit of issued capital continued to exist and was kept in suspense until another shareholder was found for it".

Accordingly, in the present case Show cause notice issued by RoC to Confident Ltd. for default of provisions of section 39 of the Companies Act, 2013 is not tenable.

**Question 5**

- (a) *Spectacular Ltd. wants to make an application to Registrar of Companies (ROC) for removal of its name under section 248(2) of the Companies Act, 2013 from register. It is understood that the application, inter-alia, shall be accompanied by an 'affidavit' by every director of the company. You are a practising Company Secretary. The company has approached you to draft such an affidavit. Help the company. (8 marks)*
- (b) *In the 25th Annual General Meeting (AGM) of Lazy Ltd. some shareholders demanded that a poll be taken in respect of one of the resolution proposed in the notice of AGM on which voting was yet to be taken on a show of hands. Prepare the announcement to be made by the Chairman of the meeting in connection with the poll. (8 marks)*

**Answer 5(a)****FORM No. STK -4****AFFIDAVIT**

*(to be given individually by every Director)*

[Pursuant to sub section (2) of section 248 read with clause (iii) of sub-rule (3) of Rule 4]

1. I/ We ..... Director of..... (hereinafter called "the Company"), incorporated on ..... under the Companies Act, 2013 or the Companies Act, 1956 having its registered office at..... and having CIN ..... do solemnly affirm and state as under:
  - (i) I/ We ..... S/o / D/o Shri/Smt..... Holder of DIN/Income Tax PAN/Passport number ..... (copy of Income Tax PAN/Passport duly attested by a Gazetted Officer or a whole time practicing professional viz Chartered Accountant/Company Secretary/Cost Accountant)

am Director of the Company stated above since..... (mention date of appointment).

- (ii) My present residential address is..... (copy of documentary evidence duly attested by a Gazetted Officer or a whole time practicing professional viz Chartered Accountant/Company Secretary/Cost Accountant) is enclosed (Alternatively, an affidavit sworn before Magistrate may be enclosed).
  - (iii) My permanent address is..... (copy of documentary evidence duly attested by a Gazetted Officer or a whole time practicing professional viz Chartered Accountant/Company Secretary/Cost Accountant) is enclosed (Alternatively, an affidavit sworn before Magistrate may be enclosed).
  - (iv) The Company does not maintain any bank account as on date.
  - (v) The Company ..... (mention name of the Company) does not have any assets and liabilities as on date.
  - (vi) The Company has been inoperative from the date of its incorporation/The Company commenced business/operations/commercial activity after incorporation but has been inoperative for the past..... year(s) due to following reasons..... (give the reasons here).
  - (vii) As on date, the Company does not have any dues towards Income Tax/ Sales Tax/Central Excise/Banks and Financial Institutions; and other Central or State Government Departments/Authorities or any Local Authorities.
2. I further affirm that –
- (i) No inquiry, technical scrutiny, inspection or investigation is ordered or pending against the company;
  - (ii) No prosecution or any compounding application for any offence under the Act or under any of the other Acts is pending against the company or against the undersigned;
  - (iii) The company is neither listed nor delisted for non-compliance of listing agreement;
  - (iv) The company is not a company incorporated for charitable purposes under section 8 of the Companies Act, 2013 or section 25 of the Companies Act, 1956;
  - (v) The company does not have any management disputes or there is no litigation pending with regard to management or shareholding of the company;
  - (vi) No order is in operation staying filing of the documents by a court or tribunal or any other competent authority;
  - (vii) The company is not prevented from making the applications for strike off as mentioned in section 249 of the Act.

I solemnly state that the contents of this affidavit are true to the best of my knowledge and belief and that it conceals nothing and that no part of it is false.

Signature: \_\_\_\_\_ (Deponent)

Verification :- I verify that the contents of this affidavit are true to the best of my knowledge and belief.

Place:

Signature \_\_\_\_\_ (Deponent)

Date:

**Answer 5(b)**

**Announcements by the Chairman of the Meeting in connection with a Poll**

1. *Immediately after a Poll is demanded:*

“I request you to make your demand on the Poll Demand Sheet so that the same can be verified to ascertain the validity of the demand in terms of the Companies Act, 2013, and the Articles of Association of the Company.”

2. *After verification of the demand and if the demand is found to be validly made:*

“I now order that the Poll on the Resolution in respect of Item No. .... of the Notice, on the subject of ..... be taken and I appoint Mr ..... and Mr ..... as the Scrutinisers.

The Poll will commence half an hour after the transaction of all the items on the Agenda for the Meeting. The Poll will be held in a part of this Hall and will continue for half an hour or till all the Members or their valid Proxies or Authorised Representatives present and willing to cast their votes, have cast their votes, whichever is earlier.

I authorise the Scrutinisers to issue the Poll papers to Members/Proxies/ Authorised Representatives and to advise them about the procedure to be followed; and to declare the Poll as closed on conclusion thereof, after ensuring that all the Members/Proxies/Authorised Representatives present have been provided the opportunity to vote. In terms of the provisions of the Articles of Association of the Company, a Member who is in arrears of moneys payable on the shares allotted to him is not entitled to vote. The Scrutinisers can take the assistance as may be required of the officers or employees of the Company in the conduct of the poll. I request you all to extend your co-operation in the conduct of the poll.

The details of the result of the poll would be displayed on the notice board at the Registered Office of the Company not later than 11:00 a.m. on ....., ..... It would also be put up on the website of the Company ..... under the head .....”

**Question 6**

(a) *Semon Ltd., a strategic investor was introduced in Raybon Pvt. Ltd. to bring a new technology or investment. Such strategic investor wishes to protect its*

- interests in the company. Advise how he can safeguard its interests through Articles of Association of the company. (4 marks)*
- (b) *Serious Ltd. is having three factories in Chennai. The company wants to sell one of the factory. Can the company sell its factory ? Further, assuming that the company has also borrowed credit facilities from the bank, explain the statutory provisions under the Companies Act, 2013. (4 marks)*
- (c) *The Mumbai Bench of National Company Law Tribunal has received a petition for winding up of Presentable Commodities Ltd. Pramod, Manager (Human Resource) of the company wants to know from you, Secretary of the company, what orders can be passed by the Tribunal in this regard. Advise Pramod, under the relevant provisions of the Companies Act, 2013. (4 marks)*
- (d) *In a scheme of amalgamation, it was proposed that name of the transferor company shall be deemed to be name of transferee company. The Regional Director (RD), Ministry of Company Affairs, objected to the same on the ground that proposed name is undesirable if it is identical with or too nearly resembling name of an existing company. Decide if the stand taken by the RD is valid under the Companies Act, 2013. Reference may be made of decided case laws. (4 marks)*

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

Strategic investor may negotiate with the company to amend its articles to protect its interest. Section 5 of the Act, provide additional safeguard to prevent unauthorized alteration of articles by way of entrenchment.

According to Section 5 of Companies Act, 2013, the articles may contain provisions for entrenchment to the effect that specified provisions of the articles may be altered only if conditions or procedures that are more restrictive than those applicable in the case of a special resolution, are met or complied with.

This provision acts as a protection to the minority shareholders and is of specific interest to the investment community. This shall empower the enforcement of any pre-agreed rights and provide greater certainty to investors, especially in joint ventures.

The provisions for entrenchment referred above shall be made either (a) on formation of a company, or (b) by an amendment in the articles agreed to by all the members of the company in the case of a private company and by a special resolution in the case of a public company.

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

According to sub-section (1)(a) of section 180 of Companies Act, 2013, the Board of Directors of a company may sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking, of the whole or substantially the whole of any of such undertakings only with the consent of the company by a special resolution.

Accordingly the company may sell any of its factory with the consent of the company by a special resolution.

Where the company has credit facility on creating charge on such undertaking, the company may be required to obtain a no-objection- certificate from the bank as per contractual obligation and shall also modify the charge accordingly.

**Answer 6(c)**

According to section 273(1) of the Companies Act, 2013 the Tribunal may, on receipt of a petition for winding up may pass any of the following orders:-

- (a) dismiss it, with or without costs;
- (b) make any interim order as it thinks fit;
- (c) appoint a provisional liquidator of the company till the making of a winding up order;
- (d) make an order for the winding up of the company with or without costs; or
- (e) any other order as it thinks fit:

**Answer 6(d)**

It has been held in earlier judgements PMP Auto Industries Ltd. that in case of amalgamation chapter of Companies Act 1956 (corresponding to chapter XV of Companies Act 2013) is a complete code in the nature of a "single window clearance" system, the object of which is to eliminate frequent applications being made to the court in order effectively to implement a scheme of amalgamation which the court sanctions in exercise of its powers. Further in case, Michelin India Private Limited High court held that a complete code by itself on the subject of arrangement / compromise and reconstruction comprehensive enough to include a change in the name consequent on the amalgamation or arrangement.

Thus considering the above, in present case the objection of RD is invalid.

\*\*\*



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

*Time allowed : 3 hours*

*Maximum marks : 100*

*Total number of Questions : 100*

1. Which one of the following is false ?
  - (A) If cash outflows exceed cash inflows on an ongoing basis, the business will eventually run out of cash
  - (B) Rapidly expanding companies can sometimes face a cash shortage
  - (C) Cash is the lifeblood of a business and without it the business will die
  - (D) A profitable company will never run out of cash
  
2. .... is the cost of selecting one course of action and the losing of other opportunities to carry out that course of action.
  - (A) Sunk Cost
  - (B) Joint Cost
  - (C) Differential Cost
  - (D) Opportunity Cost
  
3. A flexible budget is :
  - (A) A budget that is designed to furnish budgeted costs at different activity levels
  - (B) A budget that will be changed at the end of the month in order to reflect the actual costs of a department
  - (C) A budget that comprises variable costs only
  - (D) A budget that is designed for a specific planned output level
  
4. .... is a method of recording details of time with reference to the jobs or work orders undertaken by the workers.
  - (A) Weekly time sheet
  - (B) Payroll
  - (C) Job card
  - (D) Daily time sheet



5. If the overtime arises for completing a job within a specified time as requested by the customer, then the entire amount of overtime including overtime premium should be charged :
- (A) To that job directly  
 (B) To general overheads  
 (C) To costing profit and loss account  
 (D) To a particular department
6. Which of the following items can be classified as "C" as per ABC analysis of inventory control ?

Items	Annual usage Unit	Value per unit ₹
1	5,000	60
2	2,000	100
3	32,000	17
4	28,000	12
5	60,000	3

- (A) Item number 5 only  
 (B) Item number 2 only  
 (C) Item numbers 3 and 4  
 (D) Item numbers 1 and 2
7. Stores ledger is maintained to record :
- (A) Quantity as well as value of the material received, issued and balance  
 (B) Quantity of the material received, issued and balance  
 (C) Value of the material received, issued and balance  
 (D) Labour attendance
8. Company X uses activity-based costing for its two products: Product A & B. One of the activity cost pools is parts administration. The total estimated overhead cost for that pool was ₹5,50,000 and the expected activity was 2,000 part types. If the Product B requires 1,200 part types, the amount of overhead allocated to it would be :
- (A) ₹2,75,000  
 (B) ₹3,00,000  
 (C) ₹3,30,000  
 (D) ₹3,45,000

9. X Limited provides you the following data for the month May, 2017 :

Closing stock as on 31st May, 2017	80 units
Production	280 units
Sales	330 units

Based on the above data, the opening stock as on 1st May, 2017 would be :

- (A) 70 units  
(B) 130 units  
(C) 50 units  
(D) 410 units
10. In service costing, costs are classified as :
- (A) Standing charges, running charges & maintenance costs  
(B) Fixed cost, normal cost & standard cost  
(C) Variable cost, fixed cost & marginal cost  
(D) Standard cost, marginal cost & fixed cost
11. A transport company is running five buses between two towns, which are 50 km apart. Seating capacity of each bus is 50 passengers. Actual passengers carried by each bus were 75% of seating capacity. In April, 2017, all the buses ran on all days of the month. Each bus made one round trip per day. Total passenger km for the month April, 2017 would be :
- (A) 2,81,250  
(B) 1,87,500  
(C) 5,62,500  
(D) None of the above
12. The division of activities into unit level, batch level, product level, and facility level categories is commonly known as a :
- (A) Cost object  
(B) Cost application  
(C) Cost hierarchy  
(D) Cost estimation
13. Service costing helps an organization in ascertaining :
- (A) Inter-departmental service prices  
(B) Benchmarking process/operations  
(C) Tracking and controlling the excess cost  
(D) All of the above

14. If the sales of a product is ₹94,080 and the profit margin on cost 12%, the amount of profit will be :
- (A) ₹7,800
  - (B) ₹11,290
  - (C) ₹8,580
  - (D) ₹10,080
15. **Assertion (A) :**  
Management accounting can be defined as processing and presenting of accounting, cost accounting and other economic data.
- Reason (R) :**  
It is analysis of all the transactions, financial and physical, to enable effective comparison to be made between the forecasts and actual performance.
- 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
16. .... is relevant for price fixation during recession or when make or buy decision is to be made.
- (A) Sunk cost
  - (B) Out-of-pocket cost
  - (C) Differential cost
  - (D) Joint cost
17. When analyzing material variances, which of the following variance would not be calculated :
- (A) Mix variance
  - (B) Price variance
  - (C) Capacity variance
  - (D) Usage variance
18. When calculating cost variance under standard costing system we must :
- (A) Compare actual costs with budgeted costs.
  - (B) Compare standard costs with actual costs at the standard level of activity

- (C) Compare actual costs with standard costs at the actual level of activity  
(D) Compare actual outputs against budgeted outputs
19. ABC Ltd. has forecast its sales for the next three months as follows :
- May : 12,000 units  
June : 20,000 units  
July : 25,000 units
- As per the company policy, closing stock should be equal to 20% of the coming month's sales forecast. How many units should be produced in June :
- (A) 20,000 Units  
(B) 11,000 Units  
(C) 21,000 Units  
(D) 25,000 Units
20. ABC Ltd. shows break even sales ₹ 40,500 and budgeted sales ₹50,000. Compute the margin of safety ratio ?
- (A) 19%  
(B) 81%  
(C) 1.81%  
(D) Require more data to calculate
21. If the P/V ratio of a product is 25% and selling price is ₹25 per unit, the marginal cost of the product would be :
- (A) ₹18.75  
(B) ₹16  
(C) ₹15  
(D) ₹20
22. In case of large contracts the system of progress payment is adopted. The amount of such progress payment will be equal to :
- (A) Value of work certified – Retention money  
(B) Value of work certified + Retention money  
(C) Value of work certified + Work uncertified – Retention money  
(D) Value of work certified + Work uncertified + Material in hand – Retention money

23. Contracts in which reimbursement is based on actual allowable cost plus a fixed fee is called :
- (A) Special contract  
 (B) Cost plus contract  
 (C) Regular contract  
 (D) Cost contract
24. The total profit on a contract for ₹3,00,000 is ₹60,000 when the contract is 60% complete and has been duly certified. If the retention money is 20% of the certified value, the amount of profit that can be prudently credited to profit and loss account is :
- (A) ₹28,000  
 (B) ₹32,000  
 (C) ₹40,000  
 (D) ₹60,000
25. If material worth ₹500 is purchased for special job and directly received for job from the supplier, then which of the following entry will be passed if accounts are maintained under Non-integrated system ?
- (A) Work in Progress
- |                               |     |     |     |
|-------------------------------|-----|-----|-----|
| Control A/c                   | Dr. | 500 |     |
| To General Ledger Control A/c |     |     | 500 |
- (B) Store Ledger
- |                               |     |     |     |
|-------------------------------|-----|-----|-----|
| Control A/c                   | Dr. | 500 |     |
| To General Ledger Control A/c |     |     | 500 |
- (C) General Ledger
- |                             |     |     |     |
|-----------------------------|-----|-----|-----|
| Control A/c                 | Dr. | 500 |     |
| To Store Ledger Control A/c |     |     | 500 |
- (D) Store Ledger
- |                                 |     |     |     |
|---------------------------------|-----|-----|-----|
| Control A/c                     | Dr. | 500 |     |
| To Work in Progress Control A/c |     |     | 500 |

26. .... is a system of accounting, whereby cost and financial accounts are kept in the same set of books.
- (A) Non-Integrated Accounting
  - (B) Integrated Accounting
  - (C) Inter-Connected Accounting
  - (D) Inter-Transfer Accounting
27. P Ltd. provides you the following information for the year 2017-18 :
- |                               |       |
|-------------------------------|-------|
| Balance as on 1st April, 2017 | 1,240 |
| Materials purchased           | 4,801 |
| Material issued to :          |       |
| — Jobs                        | 4,774 |
| — Maintenance works           | 412   |
| — Administration offices      | 34    |
| — Selling department          | 72    |
- What will be the closing balance of material control account as on 31st March, 2018 ?
- (A) 749 units
  - (B) 794 units
  - (C) 855 units
  - (D) 889 units
28. In which of the following method “Line of the best fit” is drawn to find out “variable overheads” and “fixed overheads” out of “semi-Variable” Overheads ?
- (A) Graphical Presentation Method
  - (B) Analytical Method
  - (C) High & Low Point Method
  - (D) Least Square Method
29. Under or over absorption of overheads due to abnormal factors is :
- (A) Charged to costing P & L A/c
  - (B) Charged to production using supplementary overhead rate
  - (C) Charged to product cost
  - (D) Separately shown in the cost sheet

30. Percentage of direct material cost method of overhead absorption is suitable :
- (A) If sub-standard material is used in production process.
  - (B) If material prices are not stable.
  - (C) If material is a smaller part of the cost of units made in the cost Centre.
  - (D) If material is a major part of the cost of units made in the cost Centre.
31. The total production cost to produce one unit of finished goods was ₹45. Direct materials were 1/3 of the total cost, and direct labour was 40% of the combined total of direct labour and direct materials. The cost for direct materials, direct labour, and factory overhead was :
- (A) ₹15, 18 & 12 respectively
  - (B) ₹15, 12 & 18 respectively
  - (C) ₹15, 16 & 14 respectively
  - (D) ₹15, 10 & 20 respectively
32. Compute the machine hour rate from the following information :
- |   |                  |
|---|------------------|
| Cost of a machine                         | ₹9,50,000        |
| Cost of installation                      | ₹50,000          |
| Scrap value of the machine after 10 years | ₹1,00,000        |
| Estimated Repairs                         | ₹5,000 per annum |
- Power consumed 2 units per hour @ ₹1.5 per unit  
Estimated working hours 10,000 per annum
- (A) ₹12.50
  - (B) ₹9.50
  - (C) ₹10
  - (D) ₹12
33. **Assertion (A) :**
- Overheads are recovered in costing based on predetermined rates.
- Reason (R) :**
- This solves the problem of treatment of under- recovery or over recovery of overheads. 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

34. Which of the following does *not* come under the scope of management accounting ?
- (A) Formation, installation and operation of accounting, cost accounting, tax accounting and information system.
  - (B) The compilation and preservation of vital data for management planning.
  - (C) Providing and installing an effective system of feed back.
  - (D) Publishing the financial statements and get them audited by statutory auditors
35. .... is the method of assigning the organisation's resources through activities performed to produce the products.
- (A) Historical Costing
  - (B) Absorption costing
  - (C) Activity based costing
  - (D) Marginal costing
36. Which of the following is *not* a cost price method of pricing of material issues ?
- (A) First-in-first-out (FIFO) method
  - (B) Last-in-first-out (LIFO) method
  - (C) Standard price method
  - (D) Specified price method
37. Contribution is the difference between :
- (A) Selling price and Fixed cost
  - (B) Selling price and Total cost
  - (C) Selling price and Variable cost of sales
  - (D) Selling price and Profit
38. Which of the statement is *not true* in respect of cost-volume-profit analysis ?
- (A) In order to forecast profit accurately, it is essential to know the relationship between profits and costs on the one hand and volume on the other.
  - (B) Cost-volume-analysis is not suitable for setting up flexible budgets which indicates costs at various levels of activity
  - (C) Cost-volume-profit analysis is of assistance in performance evaluation for the purpose of control.
  - (D) Analysis of cost-volume-profit relationship may assist in formulating price policies to suit particular circumstances by projecting the effect which different price structures have on costs and profits.



39. Which of the following is *not correct* for calculation of re-ordering level of inventory?
- (A) Maximum consumption × Maximum re-order period
  - (B) (Maximum consumption × Lead time) + Safety stock
  - (C) Minimum level + Consumption during time lag period
  - (D) (Maximum consumption × Lead time) – Safety stock
40. .... is a value based system of inventory control, in which materials are analysed according to their value so that costly and more valuable materials are given greater attention.
- (A) MAX-MIN plan
  - (B) Review of slow and non moving items
  - (C) ABC Analysis
  - (D) Order cycling system
41. Which of the following is not a group bonus plan ?
- (A) Priestman Production Bonus Plan
  - (B) Scanlon Plan
  - (C) Towne Gain Sharing Plan
  - (D) Halsey Weir Plan
42. The cost accountant of Zed Ltd. has computed the following labour turnover rates for the quarter ended 31st March, 2017 :
- |                          |     |
|--------------------------|-----|
| Under Flux Method        | 15% |
| Under Replacement Method | 10% |
| Under Separation Method  | 6%  |
- If the number of workers replaced during the quarter is 75, find out the number of workers left and discharged :
- (A) 48
  - (B) 45
  - (C) 30
  - (D) 64
43. Which of the following statement is *not true* in respect of Activity based costing?
- (A) Activity based costing improves control over overheads costs.
  - (B) Setting up equipment is a batch level activity.

- (C) In Activity based costing each cost pool has its own predetermined overhead rate.
- (D) Activity based costing is less expensive to implement than traditional costing.
44. The ratio that explains how efficiently companies use their assets to generate sales is :
- (A) Revenue asset ratio
- (B) Receivable turnover ratio
- (C) Income ratio
- (D) Fixed Asset turnover ratio
45. Profit before interest and tax of AB Ltd. was ₹3,40,000. Their net fixed assets were ₹2,10,00,000 and working capital was ₹27,70,000.
- Return on investments = ?
- (A) 1.34%
- (B) 0.57%
- (C) 1.43%
- (D) 1.57%
46. Debtor velocity = 3 months
- Sales ₹25,00,000
- Bills receivable & bills payable were ₹60,000 and 36,667 respectively
- Sundry debtors = ?
- (A) ₹6,25,000
- (B) ₹5,25,000
- (C) ₹5,65,000
- (D) ₹6,65,000
47. Which of the following involves a movement of cash ?
- (A) A bonus issue
- (B) A right issue
- (C) Depreciation of fixed assets
- (D) Provision for taxes

48. The following items would be classified as operating activities in the statement of cash flows :
- (A) Acquisition of equipment, payment of dividends
  - (B) Proceeds from borrowing, payment of interest
  - (C) Payment of salaries, cash received from sale of goods
  - (D) Payments on loan, payments for taxes
49. When the installment paid in respect of a fixed asset acquire on deferred payment basis includes both interest and loan, the interest element is classified under..... activities and the loan element is classified under ..... activities.
- (A) Financing, Investing
  - (B) Investing, Operating
  - (C) Operating, Financing
  - (D) Investing, Operating
50. Calculate the prime cost from the following information :
- Direct material purchased : ₹1,00,000
- Direct material consumed for production : ₹90,000
- Direct labour : ₹60,000
- Direct expenses : ₹20,000
- Manufacturing overheads : ₹30,000
- (A) ₹1,80,000
  - (B) ₹2,00,000
  - (C) ₹1,70,000
  - (D) ₹2,10,000
51. Total cost of a product : ₹10,000
- Profit : 25% on Selling Price
- Profit is :
- (A) ₹2,500
  - (B) ₹3,000
  - (C) ₹3,333
  - (D) ₹2,000

52. Which of the following is not the work of purchase department :
- (A) Receiving purchase requisition
  - (B) Exploring the sources of material supply
  - (C) Preparation and execution of purchase orders
  - (D) Accounting for material received
53. Calculate Re-order level from the following :
- Consumption per week : 100-200 units  
Delivery period : 14-28 days
- (A) 5600 units
  - (B) 800 units
  - (C) 1400 units
  - (D) 200 units
54. Which of the following is *not* a method of cost absorption ?
- (A) Percentage of direct material cost
  - (B) Machine hour rate
  - (C) Labour hour rate
  - (D) Repeated distribution method
55. Most suitable basis for apportioning insurance charges of machines would be :
- (A) Floor Area
  - (B) Value of Machines
  - (C) No. of Workers
  - (D) No. of Machines
56. During the year ended 31st March, 2017 the profits of A Ltd. stood at ₹36,450 as per financial records. The company provides you the following information :
- |  |        |
|--|--------|
| Factory overheads under recovered in cost accounts   | ₹2,500 |
| Depreciation over-recovered in cost accounts         | ₹1,500 |
| Interest on investment not included in cost accounts | ₹5,000 |
- The profit as per cost records would be :
- (A) ₹38,950

- (B) ₹32,450  
(C) ₹27,450  
(D) ₹33,650
57. During the month July, 2017, 15,000 units were completed in process I and transferred to the process II. Opening Stock as on 1st July, 2017 was 5,000 units and closing stock as on 31st July, 2017 was 10,000 units. Degree of completion for both opening and closing stock :
- |                     |      |
|---------------------|------|
| Material            | 100% |
| Labour and overhead | 40%  |
- Equivalent production units for labour and overheads using FIFO method are :
- (A) 18,000 units  
(B) 17,000 units  
(C) 20,000 units  
(D) 25,000 units
58. Following information is available in relation to Process Q :
- |                                 |             |
|---------------------------------|-------------|
| Input of raw material           |             |
| @ ₹50 per unit                  | 1,000 units |
| Other materials                 | ₹8,500      |
| Direct wages                    | ₹10,000     |
| Production overheads            | ₹7,500      |
| Output transferred to process R | 900 units   |
| Normal loss                     | 5%          |
- The amount of abnormal loss to be transferred to costing profit and loss account would be :
- (A) ₹4,000  
(B) ₹4,026  
(C) ₹3,040  
(D) ₹8,000
59. Which of the following is *not* used in analyzing Financial statements ?
- (A) Variance analysis  
(B) Trend Ratio  
(C) Ratio analysis  
(D) Common size statement

60. Working capital ratio is also known as :
- (A) Quick ratio
  - (B) Current ratio
  - (C) Debt equity ratio
  - (D) Liquidity ratio
61. For the financial year ended 31st March, 2017, the figures extracted from the balance sheet of EXE Ltd. are as follow :
- |                    |           |
|--------------------|-----------|
| Opening stock      | ₹29,000   |
| Closing stock      | ₹31,000   |
| Cost of goods sold | ₹2,40,000 |
- The stock turnover ratio will be :
- (A) 12 times
  - (B) 10 times
  - (C) 8 times
  - (D) 9 times
62. Debt service coverage ratio is obtained by dividing net profit before interest and taxes by :
- (A) Taxes
  - (B) Income
  - (C) Equity
  - (D) Interest charges
63. If Capacity variance is ₹3,520 (F) and Efficiency variance is ₹480 (F), then the Fixed overhead volume variance would be :
- (A) ₹4,000 (F)
  - (B) ₹4,000 (A)
  - (C) ₹3,040 (F)
  - (D) ₹3,040 (A)
64. Wage rate variance occurs due to :
- (A) Higher wages paid on account of overtime for urgent work
  - (B) Change in basic wage structure
  - (C) Change in piece work rate
  - (D) All of the above

65. Budget which remain unchanged regardless of the actual level of the activity is known as :
- (A) Fixed Budget
  - (B) Functional budget
  - (C) Flexible budget
  - (D) Cash budget
66. An input of 10,000 Kg of material is introduced into the process K. The expected normal loss in that process is 5%. If the actual output from the process is 9,800 Kg, the abnormal gain would be :
- (A) 500 Kg
  - (B) 300 Kg
  - (C) 700 Kg
  - (D) 200 Kg
67. .... is prepared for the estimation of plant capacity to meet the budgeted production during the budgeted period.
- (A) Plant utilization budget
  - (B) Production budget
  - (C) Manufacturing overhead budget
  - (D) Labour budget
68. Every cost auditor, shall submit the cost audit report along with his or its reservation or qualification or suggestions, if any, in form :
- (A) CRA-1
  - (B) CRA-2
  - (C) CRA-3
  - (D) CRA-4
69. Which of the following statement is *not correct* ?
- (A) Cost audit helps to the Government in the fixation of ceiling price of essential commodities.
  - (B) Cost audit helps in improvement of productivity of human, physical and financial resources of the enterprises.
  - (C) The cost auditor submits the report in annual general meeting organised by shareholders.
  - (D) Cost auditor is appointed by the board of directors with the previous approval of the Central Government

70. .... Department prepares plans and specifications of each job, supervise production activities, undertake time and motion studies, perform job analysis etc.
- (A) Personnel
  - (B) Industrial engineering
  - (C) Payroll
  - (D) Cost
71. Performing periodic maintenance on buildings and general use equipments is an example of :
- (A) Facility level activity
  - (B) Unit level activity
  - (C) Batch level activity
  - (D) Product level activity
72. Which of the following is *not* indirect costs ?
- (A) Advertising, legal charges, audit fees, bad debts etc.
  - (B) Cost of making a design, pattern for a specific job
  - (C) Lighting and heating of office building
  - (D) Depreciation, repairs and maintenance of plant and machinery
73. Which of the following statement is *not true* ?
- (A) Retention money is withheld to ensure completion of entire contract and compliance with the terms of the contract.
  - (B) In the case of large contracts, the system of progress payment is adopted.
  - (C) Profits on incomplete contracts should be considered in respect of work certified and uncertified both.
  - (D) Cost-plus contract ensures that a reasonable profit accrues to the contractor even in risky projects.
74. Every cost auditor shall forward his duly signed report to the board of directors of the company within a period of ..... from the closure of the financial year to which the report relates.
- (A) 30 days
  - (B) 120 days
  - (C) 90 days
  - (D) 180 days



75. A manufacturing company provides you the following information for the coming month :
- |                        |           |
|------------------------|-----------|
| Budgeted sales revenue | ₹7,50,000 |
| Budgeted contribution  | ₹3,00,000 |
| Budgeted profit        | ₹75,000   |
- What will be the budgeted break-even sales volume ?
- (A) ₹9,37,500  
(B) ₹5,25,000  
(C) ₹5,62,500  
(D) ₹6,75,000
76. Which of the following is *not* a Statistical technique of Cost Audit ?
- (A) Activity Sampling  
(B) Attitude Survey  
(C) Exponential Smoothing  
(D) Monte Carlo Simulation
77. A company, which has a margin of safety of ₹2,00,000 makes profit of ₹40,000. If the fixed cost is ₹2,50,000, break-even sales of the company would be :
- (A) ₹15,00,000  
(B) ₹12,50,000  
(C) ₹10,00,000  
(D) ₹20,00,000
78. In cash flow statement, proceeds from sales of an asset will be considered as:
- (A) Investing activity  
(B) Financing activity  
(C) Operating activity  
(D) None of the above
79. The net income of a company after deducting preference dividend is ₹4,00,000 and the number of the equity shares is 50,000. Find out price earning ratio if market price of the share is ₹32 ?
- (A) 4 times  
(B) 2 times  
(C) 3 times  
(D) 8 times

80. Which of the following is to be included while preparing a cost sheet ?
- (A) Dividend paid
  - (B) Income tax paid
  - (C) Salesman's commission
  - (D) Goodwill written off
81. Cost of production plus opening stock of finished goods minus closing stock of finished goods equals to :
- (A) Cost of goods sold
  - (B) Sales
  - (C) Prime cost
  - (D) Manufacturing cost
82. If material mix variance is ₹500 (F) and material yield variance is ₹800 (A), then the material usages variance will be :
- (A) ₹1,300 (A)
  - (B) ₹1,300 (F)
  - (C) ₹300 (A)
  - (D) ₹300 (F)
83. Working capital will not change if there is :
- (A) Increase in current assets
  - (B) Payment to the creditors
  - (C) Decrease in current liabilities
  - (D) Decrease in current assets
84. Long term solvency is indicated by :
- (A) Debt equity ratio
  - (B) Proprietary ratio
  - (C) Fixed assets ratio
  - (D) All of the above
85. Welfare expenses like canteen, medical, recreation services provided to the employees are examples of :
- (A) Direct expenses
  - (B) Indirect expenses
  - (C) Notional expenses
  - (D) Selling and distribution expenses

86. A Construction company received a contract of ₹540 lakh to build an over bridge which will take two years to complete. Which method of costing should be used by the company ?
- (A) Job costing
  - (B) Single-output costing
  - (C) Contract costing
  - (D) Batch costing
87. Which of the following is *not* an objectives of the Cost Accounting Standards, which has been issued by the Institute of Cost and Works Accountants of India?
- (A) Provide better guidelines on standard cost accounting practices.
  - (B) Enable the comparability of Financial statements and improve reliability and usefulness of Financial statements.
  - (C) Assist cost accountants in preparation of uniform costs statements.
  - (D) Help Indian industry and the Government towards better cost management.
88. In 'make or buy' decision, it is profitable to buy from outside only when the supplier's price is below the firm's own .....
- (A) Fixed Cost
  - (B) Variable Cost
  - (C) Total Cost
  - (D) Prime Cost + Fixed cost
89. The P/V ratio of a company is 50% and margin of safety is 40%. If present sales is ₹30,00,000 then Break Even Point will be :
- (A) ₹9,00,000
  - (B) ₹18,00,000
  - (C) ₹5,00,000
  - (D) None of the above
90. When the sales increase from ₹40,000 to ₹60,000 and profit increases by ₹5,000, the P/V ratio is :
- (A) 20%
  - (B) 30%
  - (C) 25%
  - (D) 40%

91. Which of the following is not a reason for an idle time variance ?
- (A) Wage rate increase
  - (B) Machine break down
  - (C) Injury to worker
  - (D) Non- availability of material
92. A manufacturing unit provides you the following information :
- |   |                 |
|---|-----------------|
| Total input of material                   | 10,000 units    |
| Normal spoilage of the material           | 4% of the input |
| Total spoiled units                       | 550 units       |
| Total cost of the material @ ₹10 per unit | ₹1,00,000       |
| Sales value of the spoiled units          | ₹1 per unit     |
- Calculate the net cost of abnormal spoilage to be transferred to costing profit and loss account.
- (A) ₹1,344
  - (B) ₹1,494
  - (C) ₹1,556.25
  - (D) ₹1,406.25
93. Bee Ltd. follows Halsey plan for remuneration to workers. A worker Ram, has a rate of wages of ₹3,000 per week for 48 hours, plus a cost of living bonus of ₹25 per hour worked. He is given an 8 hours task to perform, which he accomplishes in 6 hours. He is allowed 40% of the time saved as premium bonus.
- What would be his total earning for that task ?
- (A) ₹575
  - (B) ₹525
  - (C) ₹425
  - (D) ₹650
94. If EOQ is 200 units, ordering cost is ₹20 per order and total purchases is 4,000 units. The carrying cost per unit will be :
- (A) ₹4
  - (B) ₹6
  - (C) ₹8
  - (D) ₹2

95. A job requires 2,400 actual labour hours for completion and it is anticipated that there will be 20% idle time. If the wage rate is ₹10 per hour, what is the budgeted labour cost for the job ?
- (A) ₹19,200  
(B) ₹24,000  
(C) ₹28,800  
(D) ₹30,000
96. **Assertion (A) :**  
Marginal costing furnishes a better and more logical basis for fixation of sales prices as well as tendering for contracts.
- Reason (R) :**  
Marginal cost provides management with the information regarding the behavior of costs and incidence of such cost on the profitability of an undertaking.
- 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
97. Which of the following is *false* in respect of Bills of materials ?
- (A) Suitable action for purchase of material can be taken on the basis of the bills of materials.  
(B) It serves as an advance intimation to stores department about the raw material requirement.  
(C) Bills of material is prepared by the purchase department.  
(D) A Bill of material is a comprehensive list of material required for a particular job, process or service.
98. Actual overheads for the year ending 31st March, 2017 were ₹21,000, whereas the overhead absorbed shows an over absorption of ₹1,000 for the same period. If the direct labour cost is ₹1,00,000, then overhead absorption rate based on direct wages would be :
- (A) 20%  
(B) 21%  
(C) 22%  
(D) 25%

99. Which of the following is generally used as cost unit in cement industry ?
- (A) Per tonne
  - (B) Per kilolitre
  - (C) Per gallon
  - (D) None of the above
100. Which of the following method is *not* used for segregating semi-variable costs into fixed and variable costs ?
- (A) Graphic presentation method
  - (B) Least square method
  - (C) Comparison by period or level of activity method
  - (D) Repeated distribution method

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

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

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## ECONOMIC AND COMMERCIAL LAWS

Time allowed : 3 hours

Maximum marks : 100

**NOTE :** Answer ALL Questions.

### PART A

#### Question 1

- (a) What do you mean by the Broadcast performer's right ? What are the exclusive rights of a broadcasting performer ?
- (b) What is meant by contravention and compounding of contravention ?
- (c) What constitutes 'abuse of dominance', under Competition Law ?
- (d) "Contract cannot confer rights or impose obligations arising under it on any person or agent except the parties to the contract". Critically analyze this statement.
- (e) What are the provisions for freezing of assets under Section 51A of the Unlawful Activities (Prevention) Act, 1967 ? Briefly discuss. (5 marks each)

#### Answer 1(a)

According to Section 38 of the Copyright Act, 1957, where any performer appears or engages in any performance, he shall have a special right to be known as the "performer's right" in relation to such performance. The performer's right subsist until fifty years from the beginning of the calendar year next following the year in which the performance is made.

As per section 38A the Copyright Act, 1957 without prejudice to the rights conferred on authors, the performer's right which is an exclusive right subject to the provisions of the Act to do or authorise for doing any of the following acts in respect of the performance or any substantial part thereof, namely:—

- (a) to make a sound recording or a visual recording of the performance, including—
  - (i) reproduction of it in any material form including the storing of it in any medium by electronic or any other means;
  - (ii) issuance of copies of it to the public not being copies already in circulation;
  - (iii) communication of it to the public;
  - (iv) selling or giving it on commercial rental or offer for sale or for commercial rental any copy of the recording;

- (b) to broadcast or communicate the performance to the public except where the performance is already broadcast.

**Answer 1(b)**

Contravention is a breach of the provisions of any Act and Rules/ Regulations/ Notification/ Orders/ Directions/ Circulars issued there under.

Compounding of contravention refers to the process of voluntarily admitting the contravention, pleading guilty and seeking redressal.

According to Section 13 of Foreign Exchange Management Act, 1999(FEMA), the Reserve Bank of India is empowered to compound any contraventions except the contravention under section 3(a) of the Act, for a specified sum after offering an opportunity of personal hearing to the contravener. It is a voluntary process in which an individual or a corporate seeks compounding of an admitted contravention. It provides comfort to any person who contravenes any provisions of FEMA, 1999 [except section 3(a) of the FEMA] by minimizing transaction costs. Willful, malafide and fraudulent transactions are, however, viewed seriously, which will not be compounded by the Reserve Bank of India.

**Answer 1(c)**

Dominance refers to a position of strength which enables an enterprise to operate independently of competitive forces or to affect its competitors or consumers or the market in its favour. Abuse of dominant position impedes fair competition between firms, exploits consumers and makes it difficult for the other players to compete with the dominant undertaking on merit.

Abuse of dominant position includes:

- imposing unfair conditions or price,
- predatory pricing,
- limiting production/market or technical development ,
- creating barriers to entry,
- applying dissimilar conditions to similar transactions,
- denying market access, and
- using dominant position in one market to gain advantages in another market.

**Answer 1(d)**

The doctrine of privity means that a contract cannot, as a general rule, confer rights or impose obligations arising under it on any person except the parties to it. The basis of this doctrine is that only parties to contracts should be able to sue to enforce their rights or claim damages as such. A person who is not a party to a contract cannot sue upon it even though the contract is for his benefit.

Both the Indian law and the English law recognize certain exceptions to the rule that a stranger to a contract cannot sue on the contract. A beneficiary under an agreement to

create a trust can sue upon the agreement, though not a party to it, for the enforcement of the trust so as to get the trust executed for his benefit. It is clear that Indian Judiciary has recognised “beneficiary” to the contract as an exception to the general rule of Doctrine of Privity.

### **Answer 1(e)**

Central Government has issued an Order detailing the procedure for implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967 relating to the purposes of prevention of, and for coping with terrorist activities.

In terms of Section 51A of the Unlawful Activities (Prevention) Act, 1967, Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of or at the direction of the individuals or entities Listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism.

Central Government is also empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities Listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism.

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

#### **Question 2**

- (a) *“Nothing new should be introduced in a pending litigation”, is a well-known concept of property law. Critically evaluate this concept.*
- (b) *Briefly explain categorically the conditions that are conducive to ‘Cartelization’.*
- (c) *Discuss the provision which is related to penalty for applying false trade mark under Trade Marks Act, 1999.*
- (d) *Define the term ‘Puisne Mortgage’.*
- (e) *What is Conciliation ? Bring out some differences between Arbitration and Conciliation. (3 marks each)*

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

#### **Question 2A**

- (i) *Explain the meaning of ‘Bill of Lading’ under The Indian Stamp Act, 1899 ? (5 marks)*
- (ii) *John, who is a known minor, fraudulently overstates his age and takes delivery of a motor car after executing a promissory note in favour of the dealer for its price. He does not knowingly honour his promissory note; that is to say he does not pay the price of the said motor car.  
What is the remedy available to the motor car dealer in the above situation ? Advise. (5 marks)*
- (iii) *Distinguish between ‘Capital Goods’ and ‘Consumer Goods’ under Foreign Trade Policy of the Government of India. (5 marks)*

**Answer 2(a)**

Section 52 of the Transfer of Property Act, 1882 incorporates the doctrine of *Lis pendens*. It states that during the pendency of a suit in a Court of Law, property which is subject to a litigation cannot be transferred. When we say that property cannot be transferred what we mean in this context is that property may be transferred but this transfer is subject to the rights that are created by a Court's decree.

In order to constitute a *Lis pendens*, the following elements must be present:

1. There must be a suit or proceeding in a Court of competent jurisdiction.
2. The suit or proceeding must not be collusive.
3. The litigation must be one in which right to immoveable property is directly and specifically in question.
4. There must be transfer of or otherwise dealing with the property in dispute by any party to the litigation.
5. Such transfer must effect the rights of the other party that may ultimately accrue under the terms of the decree or order.

**Answer 2(b)**

Some of the conditions that are conducive to Cartelization are:

- High concentration - few competitors
- High entry and exit barriers
- Homogeneity of the products (similar products)
- Similar production costs
- Excess capacity
- High dependence of the consumers on the product
- History of collusion

**Answer 2(c)**

Section 103 of the Trade Marks Act, 1999 deals with the penalty for applying false trade mark, trade description, etc. Accordingly, the penalty for applying false trade mark or false trade description, etc. shall be imprisonment for a term which shall not be less than six months but which may extend to three years and with fine which shall not be less than fifty thousand rupees but which may extend to two lakh rupees.

However, the Court has been empowered, for adequate and special reasons to be mentioned in the judgement, to impose a sentence lower than the normal punishment.

**Answer 2(d)**

Where the mortgagor, having mortgaged his property, mortgages it to another person to secure another loan, the second mortgage is called a *puisne mortgage*.

For example, where A mortgages his house worth Rs. one lakh to B for Rs. 40,000 and mortgages the same house to C for a further sum of Rs. 30,000, the mortgage to B

is first mortgage and that to C the second or puisne mortgage. C is the puisne mortgagee, and can recover the debt subject to the right of B, the first mortgagee, to recover his debt of Rs.40, 000 plus interest.

**Answer 2(e)**

Conciliation is an informal process in which the conciliator (the third party) tries to bring the disputants to agreement. He does this by lowering tensions, improving communications, interpreting issues, providing technical assistance, exploring potential solutions and bringing about a negotiated settlement. The Arbitration and Conciliation Act, 1996 gives a formal recognition to conciliation in India.

Arbitration and conciliation differ in some major ways such as in arbitration, the decision is known as Arbitral Award and is signed by the arbitral tribunal members; while under conciliation, it is known as settlement and is signed by the parties concerned. In arbitration, parties cannot appoint even number of arbitrators; while in conciliation, the number of conciliators can be even. Arbitrators can be appointed even before the dispute arises; while a conciliator is appointed only after the dispute has arisen.

**Answer 2A(i)**

According to Section 2(4) of the Indian Stamp Act, 1899, “Bill of Lading” includes a ‘through bill lading’ but does not include a mate’s receipt.

A bill of lading is a receipt by the master of a ship for goods delivered to him for delivery to X or his assigns. Three copies are made, each signed by the master. One is kept by the consignor of the goods, one by the master of the ship and one is forwarded to X, the consignee, who, on receipt of it, acquires property in the goods. It is a written evidence of a contract for the carriage and delivery of goods by sea, for certain freight.

When goods are delivered on board a ship, the receipt is given by the person in charge at that time. This receipt is known as the mate’s receipt. The shipper of the goods returns this receipt to the master before the ship leaves and receives from him bill of lading for the goods, signed by the master.

**Answer 2A(ii)**

A minor’s contract is altogether void in law, and a minor cannot bind himself by a contract. If the minor has obtained any benefit, such as money on a mortgage, he cannot be asked to repay. But where the loan was obtained by fraudulent representation by the minor or some property was sold by him and the transactions are set aside as being void, the Court may direct the minor to restore the property to the other party.

Hence in given case, John the minor cannot be compelled to pay the amount to the promissory note, but the Court on equitable grounds may order the minor to return the car to the trader, if it is still with the minor.

**Answer 2A(iii)**

Capital Goods means any plant, machinery, equipment or accessories required for manufacture or production, either directly or indirectly, of goods or for rendering services, including those required for replacement, modernisation, technological up-gradation or expansion. It includes packaging machinery and equipment, refrigeration equipment,

power generating sets, machine tools, equipment and instruments for testing, research and development, quality and pollution control. Capital goods may be for use in manufacturing, mining, agriculture, aquaculture, animal husbandry, floriculture, horticulture, Pisciculture, poultry, sericulture and viticulture as well as for use in services sector.

Consumer Goods means any consumption goods, which can directly satisfy human needs without further processing and includes consumer durables and accessories thereof.

### Question 3

- (a) *Gamaxo Ltd. offered a reward of ₹10,000 by advertisement to anyone who infected influenza after using their smoke ball in the specified manner. Mrs. Upma uses smoke ball in the specified manner, but still infected by influenza. She claims the reward. Decide the case with the help of leading decided case laws and related sections of the Indian Contract Act, 1872.*
- (b) *Discuss briefly the 'doctrine of part-performance', which is embodied in Section 53A of the Transfer of Property Act, 1882.*
- (c) *Discuss the duties, powers and functions of Competition Commission of India.*  
(5 marks each)

### Answer 3(a)

An offer must be clear, definite, complete and final. It must not be vague. An offer must be communicated to the offeree. An offer becomes effective only when it has been communicated to the offeree so as to give him an opportunity to accept or reject the same. The communication of an offer may be made by express words-oral or written-or it may be implied by conduct. But when an offer is addressed to an uncertain body of individuals i.e. the world at large, it is a general offer and can be accepted by any member of the general public by fulfilling the condition laid down in the offer.

The leading case on the subject is *Carlill v. Carbolic Smoke Ball Co.* The company offered by advertisement, a reward of \$100 to anyone who contacted influenza after using their smoke ball in the specified manner. Mrs. Carlill did use smoke ball in the specified manner, but was attacked by influenza. She claimed the reward and it was held that she could recover the reward as general offer can be accepted by anybody. Mrs Upma is entitled for reward from Gamaxo Company.

### Answer 3(b)

Followings are the essential conditions for the operation of the doctrine of part-performance according to Section 53A of the Transfer of Property Act, 1882.

1. There must be a contract to transfer immoveable property.
2. It must be for consideration.
3. The contract should be in writing and signed by the transferor himself or on his behalf.
4. The terms necessary to constitute the transfer must be ascertainable with reasonable certainty from the contract itself.

5. The transferee should have taken the possession of the property in part performance of the contract. In case he is already in possession, he must have continued in possession in part performance of the contract and must have done something in furtherance of the contract.
6. The transferee must have fulfilled or ready to fulfill his part of the obligation under the contract.

### **Answer 3(c)**

As per Section 18 of the Competition Act, 2002, duties of the Competition Commission of India are :-

- (a) to eliminate practices having adverse effect on competition;
- (b) to promote and sustain competition;
- (c) to protect interests of consumers and
- (d) to ensure freedom of trade carried on by other participants, in markets in India.

Competition Commission of India empowers to conduct inquiry into certain anti-competitive agreements and dominant position of enterprise. Further, Competition Commission of India also empowers to conduct investigation and inquire into combination and pass necessary order after investigation or inquire into anti-competitive agreements, dominant position of enterprise and combination.

### **Question 4**

- (a) *Discuss in detail, the grounds for setting aside arbitral award with special reference to public policy doctrine under the Arbitration and Conciliation Act, 1996. (8 marks)*
- (b) *State the composition of the "Competition Appellate Tribunal", comprising of qualification term provisions relating to Resignation and Restriction on employment after the resignation of chairperson and/or member; and who can represent the appellant before the Tribunal ? (7 marks)*

### **Answer 4(a)**

Section 34 (2) of Arbitration and Conciliation Act, 1996 states that an arbitral award may be set aside by the Court only if-

- (a) The party making the application furnishes proof that-
  - (i) party was under some incapacity, or
  - (ii) the arbitration agreement is not valid under the law to which the parties have subjected it or, failing any indication thereon, under the law for the time being in force; or
  - (iii) the party making the application was not given proper notice of the appointment of an arbitrator or of the arbitral proceedings or was otherwise unable to present his case; or
  - (iv) the arbitral award deals with a dispute not contemplated by or not falling

within the terms of the submission to arbitration, or it contains decisions on matters beyond the scope of the submission to arbitration. Provided that, if the decisions on matters submitted to arbitration can be separated from those not so submitted, only that part of the arbitral award which contains decisions on matters not submitted to arbitration may be set aside; or

- (v) the composition of the arbitral tribunal or the arbitral procedure was not in accordance with the agreement of the parties, unless such agreement was in conflict with a provision of Part I from which the parties cannot derogate, or, failing such agreement, was not in accordance with Part I; or

(b) The Court finds that-

- (i) the subject-matter of the dispute is not capable of settlement by arbitration under the law for the time being in force, or
- (ii) the arbitral award is in conflict with the public policy of India.

An award would be in conflict with public policy if it is induced or affected by fraud or corruption or was in violation of section 75 or section 81 of the Arbitration and Conciliation Act, 1996, relating to confidentiality and admissibility of evidence in other proceedings.

#### **Answer 4(b)**

##### **Composition**

The National Company Law Appellate Tribunal constituted under section 410 of the Companies Act, 2013 shall, on and from the commencement of Part XIV of Chapter VI of the Finance Act, 2017, be the Appellate Tribunal for the purpose of Competition Act.

As per section 410 of the Companies Act, 2013, National Company Law Appellate Tribunal consisting of a Chairperson and such number of Judicial and Technical Members, not exceeding eleven, as the Central Government may deem fit, to be appointed by it by notification, for hearing appeals against, (a) the order of the Tribunal under Companies Act, 2013 or of the National Financial Reporting Authority and (b) any direction, decision or order referred to in section 53N of the Competition Act, 2002.

##### **Qualification**

According to section 411 of the Companies Act, 2013, the Chairperson shall be a person who is or has been a Judge of the Supreme Court or the Chief Justice of a High Court. A Judicial Member shall be a person who is or has been a Judge of a High Court or is a Judicial Member of the Tribunal for five years. A technical member shall be a person of proven ability, integrity and standing having special knowledge and professional experience of not less than twenty-five years in industrial finance, industrial management, industrial reconstruction, investment and accountancy

##### **Resignation**

Section 416 of the Companies Act, 2013 provides that the President, the Chairperson or any Member may, by notice in writing under his hand addressed to the Central Government, resign from his office. However, the President, the Chairperson, or the Member shall continue to hold office until the expiry of three months from the date of receipt of such notice by the Central Government or until a person duly appointed as his



successor enters upon his office or until the expiry of his term of office, whichever is earliest.

### **Who can represent the appellant before the Tribunal?**

Section 53S of the Competition Act, 2002 provides that a person preferring an appeal to the Appellate Tribunal may either appear in person or authorize one or more chartered Accountants or Company Secretaries or Cost Accountants or legal practitioners or any of its officers to present his or its case before the Appellate Tribunal.

The Central Government or a State Government or a local authority or any enterprise preferring an appeal to the Appellate Tribunal may authorize one or more chartered accountants or company secretaries or cost accountants or legal practitioners or any of its officers to act as presenting officers and every person so authorized may present the case with respect to any appeal before the Appellate Tribunal.

## **PART B**

### **Question 5**

- (a) *Mohan bequeaths certain property to Sohan, requesting him to distribute it amongst such members of Ajay's family as Sohan should think most deserving. Does it create a trust ? Give reasons.*
- (b) *Briefly explain the composition of Facilitation Council.*
- (c) *The trust property consists of land, the trustee sells it to a purchaser for a consideration without notice of the trust. What are the options available to the beneficiary of the trust ?*
- (d) *Rohan bequeaths certain property to Shyam, hoping he will continue with it in the family. Does it create the trust ? Explain.*
- (e) *Discuss the provisions of National Green Tribunal Act, 2010 which deal with Appeal to the Supreme Court. (3 marks each)*

### **Answer 5(a)**

For creating a trust the author of the trust should indicate with reasonable certainty the following:

- (1) **Certainty in words:** The words used to create a trust must be clear and certain so as to explain a clear intention to create a trust. Recommendatory words like "I hope" "I wish" are not sufficient.
- (2) **Certainty in the object of the trust:** The beneficiary, for whose benefit the trust is created, must be shown clearly.
- (3) **Certainty in the subject-matter of the trust:** The subject matter of the trust must be clear, i.e., the property, in respect of which a trust is created, must be shown clearly.

Purpose of the trust should be certain.

In view of the above, this does not create a trust, for the beneficiaries are not indicated with reasonable certainty.

**Answer 5 (b)**

Section 21 of the Micro, Small and Medium Enterprises Development Act, 2006 stipulates that the Micro and Small Enterprise Facilitation Council shall consist of not less than three but not more than five members to be appointed from among the following categories, namely:

- (i) Director of Industries, by whatever name called, or any other officer not below the rank of such Director, in the Department of the State Government having administrative control of the small scale industries or, as the case may be, micro, small and medium enterprises, as chairperson; and
- (ii) one or more office-bearers or representatives of associations of micro or small industry or enterprises in the State; and
- (iii) one or more representatives of banks and financial institutions lending to micro or small enterprises; or
- (iv) one or more persons having special knowledge in the field of industry, finance, law, trade or commerce.

**Answer 5(c)**

The beneficiary of the Trust has following options available to him/her:

- The beneficiary may ask the trustee to purchase other land of equal value to be settled upon the like trust.
- The beneficiary may charge the trustee with the proceeds of the sale with interest.
- The beneficiary may right to the specific execution of the trust.
- The beneficiary may sue for execution of trust.

**Answer 5(d)**

For creating a trust the author of the trust should indicate with reasonable certainty. Purpose of the trust should be certain.

In the present case, Rohan bequeaths certain property to Shyam, hoping he will continue it in the family.

This does not create a trust as the beneficiary is not indicated with reasonable certainty.

**Answer 5(e)**

Section 22 of the National Green Tribunal Act, 2010 states that any person aggrieved by any award, decision or order of the Tribunal, may, file an appeal to the Supreme Court, within ninety days from the date of communication of the award, decision or order of the Tribunal, to him, on any one or more of the grounds specified in section 100 of the Code of Civil Procedure, 1908. However, the Supreme Court may entertain any appeal after the expiry of ninety days, if it is satisfied that the appellant was prevented by sufficient cause from preferring the appeal.

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

- (a) *What are the declarations required to be made by the manufacturers on 'pre-packaged commodities' ?*
- (b) *Discuss the powers of inspection of the Director, Controller or any other legal metrology officer, under Legal Metrology Act, 2009.*
- (c) *'Concept of Sustainable Development helps to maintain equilibrium between economic development and conservation of resources'. Critically analyze this statement. (5 marks each)*

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

- (i) *Failure to comply with order of the National Green Tribunal attracts penal provisions. Discuss in brief the provisions of the Act which deal the same.*
- (ii) *"Is it necessary that registration of documents should be done only where the property is situated" ? Discuss the provision of the of Registration Act, 1908 dealing with the matter.*
- (iii) *Discuss in brief the remedy available to party if registration of document is refused by Registrar under The Registration Act, 1908. (5 marks each)*

**Answer 6(a)**

Section 18 of the Legal Meteorology Act, 2009 deals with declarations on pre-packaged commodities. It states that no person shall manufacture, pack, sell, import, distribute, deliver, offer, expose or possess for sale any pre-packaged commodity unless such package is in such standard quantities or number and bears thereon such declarations and particulars in such manner as may be prescribed.

Any advertisement mentioning the retail sale price of a pre-packaged commodity shall contain a declaration as to the net quantity or number of the commodity contained in the package in such form and manner as may be prescribed.

**Answer 6(b)**

Section 15 of the Legal Meteorology Act, 2009 confer powers of inspection on the Director, Controller or any legal metrology officer may, if he has any reason to believe, whether from any information given to him by any person and taken down in writing or from personal knowledge or otherwise, that any weight or measure or other goods in relation to which any trade and commerce has taken place or is intended to take place and in respect of which an offence punishable under this Act appears to have been, or is likely to be, committed are either kept or concealed in any premises or are in the course of transportation.

The powers include entry at any reasonable time into any such premises and search for and inspect any weight, measure or other goods in relation to which trade and commerce has taken place, or is intended to take place and any record, register or other document relating thereto.

The power also include seizure of any weight, measure or other goods and any record, register or other document or article which he has reason to believe may furnish evidence indicating that an offence punishable under the Act has been, or is likely to be, committed in the course of or in relation to, any trade and commerce.

**Answer 6(c)**

Protection of the environment has assumed even more importance in recent times with increased industrialization resulting not only in overdrawal of natural resources but also pollution of air, water, flora and fauna. While development is essential to every economy, it is also essential that no irreparable damage is caused to the ecosystem. Hence, the approach would necessarily be that of sustainable development to balance the exigencies of industrial growth against the trade offs in environmental concerns.

It is essential for the people who live now to use the resources of earth sustainably and prudently so that they do not deny certain benefits to future generations. Modern states use the natural resources of the earth recklessly. This will result that the Earth will not be able to support everyone unless there is less waste and extravagance. We should, therefore have, a new approach to future, that is, to secure a widespread and deeply held commitment for sustainable living. We have to integrate conservation and development, conservation to keep our actions within the earths capacity and development to enable the people everywhere to enjoy long, healthy and fulfilling lives.

The aim of development is to improve the quality of human life. It should enable people to realize their potential and lead lives of dignity and fulfilment. Economic growth is part of development but it cannot be a goal in itself. Some of universally accepted goals are, healthy life, education, access to the resources needed for a decent standard of living, political freedom etc. Most important principle of the sustainable development is to conserve the earths vitality and diversity. Development must be conservation based. It must protect the structure, functions and diversity of the world's natural systems on which our species depends.

**Answer 6A(i)**

Section 26 of the National Green Tribunal Act, 2010 provides that whoever, fails to comply with any order or award or decision of the Tribunal, shall be punishable with imprisonment for a term which may extend to three years, or with fine which may extend ten crore rupees, or with both and in case the failure or contravention continues, with additional fine which may extend to twenty-five thousand rupees for every day during which such failure or contravention continues after conviction for the first such failure or contravention.

In case a company fails to comply with any order or award or a decision of the Tribunal, such company shall be punishable with fine which may extend to twenty-five crore rupees, and in case the failure or contravention continues, with additional fine which may extend to one lakh rupees for every day during which such failure or contravention continues after conviction for the first such failure or contravention.

**Answer 6A(ii)**

According to Section 28 of the Registration Act, 1908, documents affecting immovable

property mentioned in Sections 17(1) and (2) and Sections 17(1)(a)(b)(c) and (cc)(d) and (e), Section 17(2), etc. shall be presented for registration in the office of a Sub-Registrar within whose sub-district the whole or some portion of the relevant property is situated and any other document may be presented for registration either in the office of the Sub-Registrar in whose sub-district the document was executed or in the office of any other Sub-Registrar under the State Government at which all the persons executing desire the document to be registered.

**Answer 6A(iii)**

Section 77 of the Registration Act, 1908 provides that where the Registrar refuses to order the document to be registered, any person claiming under such document, or his representative, assign or agent, may, within thirty days after the making of the order of refusal, institute in the Civil Court, within the local limits of whose original jurisdiction is situate the office in which the document is sought to be registered, a suit for a decree directing the document to be registered in such office if it be duly presented for registration within thirty days after the passing of such decree.

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## **TAX LAWS AND PRACTICE - SELECT SERIES**

*Time allowed : 3 hours*

*Maximum marks : 100*

*Total number of Questions : 100*

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

### **PART A**

1. Income chargeable to tax under the Income Tax Act, 1961 in the Assessment Year has been defined in section 2(24) to include :
  - (i) Voluntary contribution received by an electoral trust
  - (ii) Profits of insurance business
  - (iii) Amounts received under Keyman Insurance Policy [except where it is exempt u/s 10(10D)]
  - (iv) Gift from non-relative of an amount exceeding ₹50,000
  - (A) (ii) and (iv)
  - (B) (i) and (iv)
  - (C) (ii) and (iii)
  - (D) All the four above
  
2. Amount of ₹5,00,000 received by Ram & Co., as a compensation for premature termination of contract of agency in the month of April, 2017 is to be treated as:
  - (A) Income from other sources
  - (B) Taxable under section 28(ii)(c)
  - (C) Revenue receipt which is exempt
  - (D) Capital receipt which is not chargeable to tax
  
3. John is a foreign citizen born in USA. His father was born in Delhi in 1960 and his grand-father was born in Lahore in 1935 but his mother was born in UK in 1963. John came to India for the first time on 1st June, 2017 and stayed in India for 183 days and then left for USA. His residential status for the A.Y. 2018-19 shall be :
  - (A) Resident
  - (B) Resident but not ordinary resident
  - (C) Non-resident
  - (D) Foreign national

4. In the case of a co-operative society, surcharge is levied, where its total income exceeds ₹ ..... crore.
- (A) 1
  - (B) 5
  - (C) 10
  - (D) None of the above
5. The following income of Ms. Nargis who is a non-resident shall be included in her total income :
- (i) Salary for 2 months received in Delhi ₹40,000.
  - (ii) Interest on Savings Bank Account in Mumbai ₹2,100.
  - (iii) Agricultural income in Bangladesh and Invested in shares in Bangladesh.
  - (iv) Amount brought into India out of past non-taxed profits earned in USA.
- (A) (i), (iii) and (iv)
  - (B) (i) and (ii)
  - (C) (i), (ii) and (iv)
  - (D) All the four above
6. The income earned during the previous year is subject to tax under the Act on the basis of residential status of an assessee. However, the residential status of an assessee ..... every year.
- (A) will not change
  - (B) will certainly change
  - (C) may change
  - (D) None of the above
7. The income derived from growing, manufacturing and sale of Centrifuged latex or Cenex or Latex based cops as per Rule 7A of the Income-tax Rules, 1962 shall be taken as agricultural and non-agricultural income in the following ratio :
- (A) 75% and 25%
  - (B) 60% and 40%
  - (C) 65% and 35%
  - (D) None of the above
8. The following incomes derived, received and earned during the previous year are not subject to tax being exempt under the Act :
- (i) Money received by an individual as a member of HUF



- (ii) Share of profit received by partner from LLP
  - (iii) Interest on Savings bank account
  - (iv) Income of SAARC Fund
  - (A) (i) and (ii)
  - (B) (i), (ii) and (iv)
  - (C) None of the above
  - (D) All of the above
9. Ram Kripa Charitable Trust owns a capital asset of ₹2,00,000 and half of the income from such asset is utilized for charitable purposes. The asset was sold for ₹3,50,000 and from the sale proceeds, the trust bought another asset for ₹2,90,000. The amount of capital gain deemed to have been applied for charitable purposes is :
- (A) ₹45,000
  - (B) ₹30,000
  - (C) ₹75,000
  - (D) None of the above
10. The maximum amount of gratuity exempt and the maximum amount of leave encashment exempt under the Act respectively are :
- (A) ₹2,50,000 in each case
  - (B) ₹10,00,000 and ₹3,00,000
  - (C) ₹5,00,000 and ₹2,50,000
  - (D) None of the above
11. HSP, a LLP had taken Key Men insurance policy on the life of its Managing Partner. The policy got matured on 13th September, 2017 and amount of ₹75 lakh was paid by the insurers to the Managing Partner. The amount so received on maturity of the policy by the managing partner :
- (A) is exempt in full u/s 10(10D)
  - (B) 50% of ₹75 lakh is exempt
  - (C) ₹75 lakh is taxable
  - (D) ₹25 lakh is exempt and balance is taxable
12. In a scheme of buy back of shares, XYZ Ltd., a listed company, paid ₹6 lakh to a shareholder X on 12-3-2018. The buy back was through recognized stock exchange. The sum of ₹6 lakh received by X who had bought these shares 2 years back will be :
- (A) Taxable in full
  - (B) Fully exempt

- (C) Taxable @ 20%
- (D) Taxable at normal rate of tax
- 13.\* The loss derived from a house property can be set off during the year against :
- (A) the income of any other house property
- (B) the capital gain
- (C) the income under other sources
- (D) (A) and (C) above
- (E) All of the above
14. The WDV of a block of asset depreciated @ 15% as on 1st April, 2017 was of ₹3,00,000. Out of this block, one machine was sold for ₹2,00,000 on 1st July, 2017 and a new machine of ₹6,00,000 added on 1st August, 2017 was put to use only from 1st Sept., 2017.
- The amount of depreciation to be claimed (in the manner most beneficial to the assessee) in the A.Y. 2018-19 shall be :
- (A) ₹1,20,000
- (B) ₹96,000
- (C) ₹1,05,000
- (D) ₹60,000
15. Zing Zang is an individual, manufacturing a product. He has turnover of ₹98,50,000 which is inclusive of amount of ₹25 lakh received through electronic clearing system. The accounts are not properly maintained and you have advised him to pay tax u/s 44AD of the Act. On how much income he will pay tax for A.Y. 2018-19 :
- (A) ₹7,88,000
- (B) ₹7,38,000
- (C) Manufacturers not allowed u/s 44AD
- (D) ₹5,91,000
16. XYZ Ltd., engaged in manufacture of a product, has incurred an expenditure of ₹3 lakh on notified skill development project u/s 35CCD. The deduction available for such expenditure is ₹..... lakh.
- (A) 3
- (B) 3.75
- (C) 4.5
- (D) None of the above

17. Mr. Zen owns a flat in Mumbai which was let out by him in the previous year 2017-18 on a rent of ₹20,000 p.m. upto December, 2017 and for ₹30,000 p.m. thereafter. The annual municipal value is of ₹3,00,000, Fair Rent is ₹2,50,000 and Standard Rent is ₹2,90,000. The gross Annual Value of the flat shall be taken as :
- (A) ₹2,70,000  
(B) ₹3,00,000  
(C) ₹2,50,000  
(D) ₹2,90,000
18. Santhnam purchased in October, 2017, a flat in Chennai, to be used for his own residential purposes with the financial assistance of housing loan taken from PNB Housing Finance Ltd. He has paid interest on such loan till March, 2018 of ₹1,78,780. The amount of interest paid on such loan allowed u/s 24 is :
- (A) ₹1,25,000  
(B) ₹1,78,780  
(C) ₹1,50,000  
(D) None of the above
19. SH made three different cash payments of ₹10,000, ₹10,000 and of ₹11,500 to a supplier for purchase of goods and material on 11th Sept., 2017. The payments were made during different times in the day. Amount to be disallowed u/s 40A(3) is :
- (A) ₹ 11,500  
(B) ₹ 31,500  
(C) ₹ NIL  
(D) None of the above
20. Radhey has sold his house on 11th August, 2017 for ₹80 lakh. The value applied by Stamp Valuation Authority is ₹100 lakh. He disputed this valuation and the departmental valuation cell made the valuation at ₹110 lakh. The value to be taken for calculation of capital gain as per section 50C is ` :
- (A) 80 lakh  
(B) 110 lakh  
(C) 100 lakh  
(D) None of the above
21. Which out of the following elements you find are sufficient for bringing to tax as income from business or profession :
- (i) Ownership of the business is not necessary

- (ii) Business must be legal
  - (iii) Income may be earned in cash or kind
  - (iv) Profit motive is the sole consideration
  - (A) (i), (ii) and (iv)
  - (B) All the four
  - (C) (i) and (iii)
  - (D) (ii), (iii) and (iv)
22. Sakshita Pvt. Ltd., has spent a sum of ₹30 lakh towards meeting its Corporate Social Responsibility (CSR) obligation. The amount of deduction available while computing the business income is ₹ :
- (A) 30 lakh
  - (B) Nil
  - (C) 37.5 lakh
  - (D) 45 lakh
23. Expenses not specifically being allowed under any of sections 30 to 36 and incurred for the purpose of business or profession are allowable as per section 37(1) of the Act. The following expenses are allowable under this section :
- (i) Expenditure on issue of share capital
  - (ii) Expenses for the installation of new telephone
  - (iii) Annual listing fees paid to stock exchange
  - (iv) Loss caused by robbery or dacoity incidental to business
  - (A) (i) and (iv)
  - (B) (ii), (iii) and (iv)
  - (C) (ii) and (iii)
  - (D) All the four
24. John Miller & Co. of UK is maintaining and operating a branch in India for sale of its garment products. The adjusted total income of the branch for the year prior to charge of H.O. expenses of ₹20 lakh is of ₹100 lakh. Indian branch intends to know the maximum amount of H.O. expenses as allowable during the year under the Act. Specify the amount :
- (A) ₹20 lakh
  - (B) Nil as HO is non-resident
  - (C) ₹5 lakh
  - (D) 8% of adjusted total income

25. The additional depreciation on the factory building constructed during the P.Y. 2017-18 and put to use for manufacturing of garments on 1st Feb., 2018 having cost of ₹100 lakh shall be allowed in A.Y. 2018-19 at a rate of :
- (A) 5%
  - (B) 10%
  - (C) 15%
  - (D) Nil
26. Out of the following, which income is chargeable as capital gain :
- (i) from transfer of self generated goodwill of profession
  - (ii) from transfer of personal jewellery
  - (iii) from transfer of paintings and art-work
  - (iv) from transfer of furniture utilised for personal use
- (A) (i) and (ii)
  - (B) (ii) and (iii)
  - (C) (i), (ii) and (iii)
  - (D) All the four
27. Land or building, or both, if transferred on or after 1st April, 2017 shall be treated as a long term capital asset, if it is being held immediately prior to the date of its transfer for more than :
- (A) 36 months
  - (B) 12 months
  - (C) 24 months
  - (D) None of the above
28. Base year for the purpose of calculation of indexed cost of acquisition or the cost of improvement in respect of long term capital asset acquired prior to 1st April, 2001 shall be taken as :
- (A) 1981-82
  - (B) 2001-02
  - (C) 1991-92
  - (D) 2011-12
29. X entered into an agreement for sale of his house located at Jaipur to Y on 1st April, 2016 for a total sale consideration of ₹90 lakh. Y paid an amount of ₹20 lakh by account payee cheque to X on the date of agreement and balance was

to be paid at the time of registration of deed. However, the conveyance deed could not be executed till 1st Sept., 2017. The Stamp Valuation Authority determined the value of the property on the date of registration of conveyance deed at ₹120 lakh and the value determined by the Stamp Valuation Authority on the date of agreement was ₹100 lakh. The value for the purpose of capital gain u/s 50C shall be taken :

- (A) ₹90 lakh
  - (B) ₹120 lakh
  - (C) ₹20 lakh
  - (D) ₹100 lakh
30. The cost of improvement in relation to the capital asset being goodwill of the business shall be taken to be as :
- (A) Cost incurred by the previous owner
  - (B) Actual cost incurred by the assessee
  - (C) Incurred cost after indexation
  - (D) None of the above
31. In the hands of Mr. Sarath, a salaried employee, the following income shall be chargeable to tax as income under the head "Income from other sources" :
- (i) Dividend
  - (ii) Income from hiring of machinery
  - (iii) Winning from Lottery
  - (iv) Interest on securities
- (A) (i) and (iii)
  - (B) (iii) and (iv)
  - (C) All the four above
  - (D) (i), (iii) and (iv)
32. Babu Lal won a prize of ₹1,00,000 in Rajasthan State Lottery and Lottery Department paid him an amount of ₹70,000 after deduction of tax at source of ₹30,000. He had purchased lottery tickets for ₹8,000. The amount chargeable to tax in the hands of Babu Lal under other sources shall be :
- (A) ₹70,000
  - (B) ₹1,00,000
  - (C) ₹92,000
  - (D) None of the above

33. Mr. Pankaj, a salaried employee, has taken a house on rent of ₹12,000 p.m. which was sub-let by him for ₹15,000 p.m. He has incurred miscellaneous expenses in relation to sub-let of the house of ₹1,000. How much income from the sub-letting of house shall be taxable in the A.Y. 2018-19 where the house was taken on rent and also sub-let by him from 1st April, 2017 onwards :
- (A) ₹36,000  
(B) ₹26,000  
(C) ₹1,44,000  
(D) None of the above
34. Ram has gifted an amount of ₹10,00,000 to his wife Sita without consideration (but not to live apart), which was invested by his wife in interest bearing security. She earned interest of ₹1,00,000. The interest of ₹1,00,000 was further invested by her in the business from which she earned a profit of ₹15,000. The income which is to be included out of this gifted amount in the hands of Ram is :
- (A) ₹1,15,000  
(B) ₹15,000  
(C) ₹1,00,000  
(D) Nil, because gift is to relative
35. In which case a partnership firm is not entitled to carry forward and set off so much of the losses proportionate to the share of a retired or deceased person exceeding his/her share of profits, if any, in the firm in respect of the previous year :
- (A) When the public are not substantially interested in firm  
(B) When the business or profession is succeeding by another person  
(C) When a change occurred in constitution of the firm  
(D) None of the above
36. Deduction u/s 80C from the gross total income of an amount equal to the eligible investment made subject to a maximum amount of ₹1,50,000 is allowed to the assessee who is :
- (A) A Hindu Undivided Family  
(B) Any person  
(C) An individual  
(D) Both (A) and (C)
37. 50% deduction of the eligible amount is allowed u/s 80CCG, provided some of the conditions out of the following are to be fulfilled :
- (i) The assessee is a resident Individual

- (ii) The gross total income does not exceed ₹12 lakh
  - (iii) He has acquired listed shares or listed units of an equity oriented funds in accordance with a notified scheme
  - (iv) The investment is locked in for a period of 3 years from the date of acquisition in accordance with the equity oriented scheme
  - (A) (i), (ii) and (iv)
  - (B) All the four above
  - (C) (i) and (iii)
  - (D) (i), (ii) and (iii)
38. An assessee can avail the deduction in respect of rent paid u/s 80GG of the Act subject to a maximum amount of :
- (A) ₹5,000 p.m.
  - (B) 25% of the adjusted total income
  - (C) ₹3,000 p.m.
  - (D) None of the above
39. The profits of a co-operative society engaged in (i) Carrying out the business of banking, (ii) A cottage industry and (iii) Collective disposal of labours of its member are eligible for deduction u/s 80P up-to
- (A) 75% of the profits
  - (B) 100% of the profits
  - (C) 50% of the profits
  - (D) None of the above
40. Maximum amount of deduction (in terms of ₹) in the case of an individual who is resident in India, a patentee and in receipt of income by way of royalty in respect of a patent registered on or after first day of April, 2003 under the Patents Act, 1970 is allowed :
- (A) 100% of such income
  - (B) 50% of such income
  - (C) ₹3 lakh
  - (D) No such deduction under the Act
41. Ram & Co., a partnership firm, worked out total book profits for the year ended 31st March, 2018 at ₹5,00,000. The firm has made payment of salary of ₹4,60,000 authorized by the deed to the working partners and wants to know that how much amount of salary paid to partners is allowable :
- (A) Actual salary paid of ₹4,60,000
  - (B) ₹3,90,000



- (C) ₹2,70,000  
(D) ₹2,50,000
42. The provisions of AMT under Chapter XIIB shall not apply to an individual, a HUF, etc., if the adjusted total income of such person does not exceed :
- (A) ₹10,00,000  
(B) ₹25,00,000  
(C) ₹5,00,000  
(D) ₹20,00,000
43. RS HUF consists of R Karta, Y and S coparceners, D, the daughter of a coparcener and W, the wife of Karta as members. The following can demand the partition of RS HUF :
- (A) D  
(B) R, Y and S  
(C) W  
(D) (A) and (B) above
44. Total income of XYZ Limited includes the income of dividend of ₹10 lakh paid by a U.K.-based foreign company in which XYZ Limited holds 30% of the equity share capital. ₹50,000 has been spent for earning such dividend. The dividend income so received by the company from the U.K.-based foreign company and the tax rate shall be :
- (A) Not taxable being exempt u/s 10(34)  
(B) Taxable @ 15% of ₹10 lakh  
(C) Taxable @ 15% of ₹9.5 lakh  
(D) Taxable @ 10% of ₹9.5 lakh
- 45.\* MAT credit can be carried forward for a period of following number of assessment years :
- (A) 5  
(B) 8  
(C) 10  
(D) No time limit  
(E) 15
46. A non-resident (other than company) and a foreign company will pay tax on the income of interest received from an infrastructure debt fund referred to in section 10(47) at the rate of :
- (A) 20%

- (B) 5%
- (C) 10%
- (D) 7.5%
47. ABC Limited has paid amount of royalty of ₹30 lakh in September, 2017 to John Miller Company of USA in pursuance of an agreement approved by the Central Government in the previous year 2015-16. The royalty so received by the foreign company shall be subject to tax in A.Y. 2018-19 and the amount of tax payable by the foreign company shall be :
- (A) ₹9.27 lakh
- (B) ₹4.635 lakh
- (C) ₹3 lakh
- (D) None of the above
48. LM, a co-operative society, has paid interest of ₹1,05,000 to PQ, another co-operative society. The tax to be deducted at source u/s 194A is :
- (A) ₹10,500
- (B) ₹10,815
- (C) ₹5,250
- (D) Nil
49. Mr. Rajesh had a turnover of ₹3 crore during the year ended 31st March, 2017. During the F.Y. 2017-18, he paid a sum of ₹10 lakh to E, an Engineer for construction of his self-occupied residence and ₹25 lakh to E, for construction of office building. The amount of tax to be deducted at source from payments made to E is :
- (A) ₹3 lakh
- (B) ₹50,000
- (C) ₹2.5 lakh
- (D) None of the above
50. Where the advance tax paid on or before March, 2018 is less than 100% of the tax due on the total income declared in the return of income, as reduced by tax deducted at source, the assessee shall be making payment of interest on the amount of shortfall on the returned income so declared at the rate of ..... per month for the period of delay.
- (A) 2%
- (B) 1%
- (C) Nil
- (D) 1.5%

51. Finance Act, 2017 has inserted the provision for charging of fees for delay in furnishing the return of income and as per this section, be the amount of fee payable for the return declaring income of ₹25 lakh to be filled by 'X' on 28th January, 2019 instead of due date of filing of return u/s 139(1) for A.Y. 2018-19:
- (A) ₹1,000
  - (B) ₹5,000
  - (C) ₹10,000
  - (D) ₹3,000
52. ABC Limited has filed its return of income for A.Y. 2018-19 as per section 139(1) but had failed to make the payment of tax on the returned income as per section 140A. The return so filed by ABC Limited shall be treated as :
- (A) A defective return u/s 139(9)
  - (B) A valid return
  - (C) A non-est return
  - (D) None of the above
53. The time limit prescribed u/s 153 for completion of the regular assessment u/s 143(3) and a best judgment assessment u/s 144 is of ..... months from the end of the assessment year in which the income was first assessable.
- (A) 24
  - (B) 9
  - (C) 18
  - (D) 3
54. An appeal against the order passed by the Assessing Officer u/s 143(3) read with section 148 can be filed by an aggrieved assessee before the :
- (A) Addl. Commissioner of Income Tax
  - (B) Commissioner of Income Tax
  - (C) ITAT
  - (D) Commissioner of Income Tax (Appeals)
55. The Assessing Officer, while scrutinizing the return of an assessee, finds under-reporting of income for the reason of misreporting of facts of such income. He can levy penalty on such under-reported income resulting from misreporting of income upto ..... of tax payable on such under-reported or misreported income.
- (A) 50%
  - (B) 100%

- (C) 200%
- (D) 300%
56. Avinash Enterprises sold a machine to Bimlesh LLP (Associated Enterprises) at sale margin of 25% for ₹4,00,000 which was actually to be sold to Chetan Enterprises. Bimlesh LLP, after receipt of machine, has incurred amount of ₹10,000 in sending the same to Chetan Enterprises. The arm's length price of the transaction is :
- (A) ₹3,00,000
- (B) ₹4,10,000
- (C) ₹2,90,000
- (D) Insufficient information
57. ABC Pvt. Ltd. has a business loss of ₹10 lakh. There is unexplained share application money to the tune of ₹25 lakh. The total income of the company will be :
- (A) ₹15 lakh
- (B) ₹35 lakh
- (C) ₹25 lakh
- (D) None of the above
58. Provisions of Minimum Alternate Tax (MAT) are applicable to the companies which are :
- (i) Indian companies
- (ii) Foreign companies in certain situations
- (iii) LLP
- (A) (i) and (iii)
- (B) (i) and (ii)
- (C) All the three
- (D) None of the above
- 59.\* Mr. Soloman, a resident in India, aged 70 and has the following income for the previous year 2017-18. (All the incomes given below are the computed income):
- (i) Pension from employer ₹2,30,000
- (ii) Rental Income under House Property ₹2,00,000
- (iii) Agricultural income from a land in Jaipur ₹60,000
- His total tax liability for A.Y. 2018-19 is :
- (A) ₹ 14,420

- (B) ₹ 3,240 after rebate u/s 87A
  - (C) ₹8,240
  - (D) Nil, because total income is less than ₹5,00,000
  - (E) ₹6,700 (round off)
60. The Principal Commissioner of Income-tax is empowered to revise the assessment order of the Assessing Officer when the same is found to be erroneous and pre-judicial to the interest of Revenue. Such power is vested in the Principal Commissioner of Income tax u/s :
- (A) 263
  - (B) 246C
  - (C) 264
  - (D) Both 263 and 264
61. First appeal can be filed by :
- (A) Department only
  - (B) Assessee only
  - (C) (A) or (B)
  - (D) None of the above
62. The A.O. can complete the assessment u/s 144 of the Act even though there is no failure on the part of assessee u/s 139(1), 139(4), 139(5), 142(1), 142(2A) or 143(2) of the Act. Such powers by the A.O. may be exercised in the following situations :
- (A) Where the A.O. is not satisfied about the correctness or completeness of the accounts of the assessee.
  - (B) Where the method of accounting has not been regularly followed by the assessee.
  - (C) Where the income has not been computed in accordance with "ICDS" notified by the Central Government u/s 145(2).
  - (D) Any of above three or in all three above situations.
63. The respondent is having right to file Memorandum of Cross Objections before the ITAT after receipt of the Memorandum of Appeal filed by the appellant. Such Memorandum of Cross Objections is to be filed by the respondent within a period of :
- (A) 45 days
  - (B) 60 days
  - (C) 30 days
  - (D) 15 days

64. Income-tax Appellate Tribunal cannot grant stay either under the original order or any other subsequent order in aggregate beyond the period of :
- (A) 180 days
  - (B) 365 days
  - (C) 90 days
  - (D) 240 days
65. Rahim has shown an air-conditioner installed at his residence as having been installed at his factory, and claimed depreciation thereon. This is an act of :
- (A) Tax planning
  - (B) Tax management
  - (C) Tax evasion
  - (D) None of the above
66. An appeal from the order of ITAT lies before the High Court and the same is to be filed within the period of ..... days from the date on which the order appealed against is received by the assessee or the CIT.
- (A) 60
  - (B) 90
  - (C) 120
  - (D) 180
67. Tax planning is honest and right approach to attain the maximum benefit of taxation laws within its framework only. Objectives of tax planning are :
- (i) Productive investment
  - (ii) Un-healthy growth of economy
  - (iii) Minimization of litigation
  - (iv) Increase in the tax liability
- (A) (i), (ii) and (iii)
  - (B) (i) and (iii)
  - (C) (i), (ii) and (iv)
  - (D) All the four
68. The factor/factors to be considered in taking the decision or deciding whether a country is being tax haven or not is/are :
- (i) Nil rate of tax
  - (ii) Lack of transparency

- (iii) Limited regulatory supervision
  - (iv) Lack of co-operation
  - (A) (ii) and (iv)
  - (B) (i), (ii) and (iv)
  - (C) (i), (ii) and (iii)
  - (D) (i), (ii), (iii) and (iv)
69. The provisions of transfer pricing are applicable relating to specified domestic transactions entered into by the assessee in the previous year when the aggregate amount of such transactions is ₹ :
- (A) 300 lakh
  - (B) 500 lakh
  - (C) 2,000 lakh
  - (D) 1,000 lakh
70. The advance ruling pronounced by the Authority for Advance Ruling as per section 245 is binding :
- (i) in respect of transaction for which ruling has been sought
  - (ii) on Income-tax Authorities
  - (iii) on the Applicant
  - (iv) on all other persons having similar transactions
  - (A) (i), (ii) and (iii)
  - (B) (i) and (iii)
  - (C) (ii) and (iii)
  - (D) All the four

**PART B**

71. Goods and Service Tax (GST) noted to be a greatest tax reform in India and therefore was rolled-out with effect from 1st July, 2017. It transforms a system of taxation and administration into the digital world by adopting latest information technology. The GST model rolled out in India has been adopted from :
- (A) France
  - (B) Canada
  - (C) Argentina
  - (D) None of the above

72. Special purpose vehicle to cater the IT needs of GST is called :
- (A) HSN
  - (B) GSTN
  - (C) IGSTN
  - (D) SGSTN
73. GST in India is levied on the basis of :
- (A) Consumption principle
  - (B) Set-off against that payable principle
  - (C) Destination base principle
  - (D) Both consumption and destination base principle
74. The tax under GST legislation in India is being levied :
- (A) Exclusively by Union and State Laws
  - (B) Simultaneously by Union and State Laws
  - (C) Only by Union Laws
  - (D) Only by State Laws
- 75.\* Inter-State supply of service is primarily covered in section ..... of the IGST Act, 2017.
- (A) 12
  - (B) 14
  - (C) 8
  - (D) 18
  - (E) 7
76. GST Council comprises of various persons from Union and States and is being headed by a Chair Person who is :
- (A) Finance Secretary to Government of India
  - (B) Union Finance Minister
  - (C) Any State Finance Minister
  - (D) Union Revenue Minister
77. XYZ Limited engaged in various activities, is having a garment show-room in Allahabad and a leather processing unit in Kanpur. Both these units of XYZ Limited under section 2 of the CGST Act, 2017 shall be treated as :
- (A) Business Partners
  - (B) Business units



- (C) Show-room and Factory
  - (D) Business Verticals
78. Construction of a complex, building, civil structure or the part thereof including a complex or building intended for sale to a buyer, wholly or partly except where the entire consideration has been received after issuance of completion certificate, where required, by a competent authority or after its first occupation, whichever is earlier for the purpose of taxability under the CGST Act, 2017 shall be treated as supply of :
- (A) Goods
  - (B) Both goods and services
  - (C) Services
  - (D) Contract work
79. The following categories of registered persons are not being eligible for the Composition Scheme under the CGST Act, 2017 :
- (i) Supplier of the Restaurant Services
  - (ii) Manufacturer of notified goods
  - (iii) Non-resident taxable persons
  - (iv) Casual taxable person
- (A) (iii) and (iv)
  - (B) (ii), (iii) and (iv)
  - (C) (ii) and (iv)
  - (D) (i), (iii) and (iv)
80. Section 2(62) of the CGST Act, 2017 specifies input tax in relation to a registered person to mean Central Tax, State Tax, Integrated Tax or Union Territory Tax charged on any supply of goods or services or both and also include :
- (i) Integrated goods and service tax charged on import of goods
  - (ii) Tax under the provisions of section 9(3) and 9(4)
  - (iii) Tax paid under composition levy
  - (iv) Tax under Union Territory Goods and Service Tax Act
- (A) All the above four
  - (B) (i), (ii) and (iv)
  - (C) (i) and (ii)
  - (D) (ii), (iii) and (iv)

81. Mr. Pankaj of Delhi supplied goods to Mr. Krishna of Delhi for ` 1 lakh, on which total GST was charged @ 12%. Mr. Krishna, after purchase of goods, added 20% margin of profit (on cost) and sold the entire goods to Mr. Ravi of Delhi. The total amount of tax payable after claiming input tax on such transaction by Mr. Krishna is :
- (A) ₹12,000
  - (B) ₹14,400
  - (C) ₹2,400
  - (D) None of the above
82. Raj & Co., applied for voluntary registration under CGST Act, 2017 on 5th July, 2017 and the registration was granted on 15th July, 2017. Raj & Co., was having the stock available against the invoices for a period of 3 months old. Raj & Co., shall be eligible for input tax credit on such stock as held as on :
- (A) 30th June, 2017
  - (B) 05th July, 2017
  - (C) 15th July, 2017
  - (D) 14th July, 2017
83. A registered person as per section 35 of the GST Act, 2017 is required to maintain proper accounts and records, and keep at his registered, principal place of business. Following are the records specified under this section are to be maintained by the registered person :
- (i) Production or manufacturing of goods
  - (ii) Inward and Outward supply of goods or services or both
  - (iii) Stock of goods
  - (iv) Input credit availed
  - (v) Output tax payable and paid
  - (vi) Such other particulars as may be prescribed
- (A) (i), (iii) and (iv)
  - (B) All the six as given in above
  - (C) (i), (ii), (iii) and (v)
  - (D) (i), (iii), (iv), (v) and (vi)
84. Time duration as per section 36 of the CGST Act, 2017 for retention of accounts and records under GST is until expiry of ..... months from the due date of furnishing of annual return for the year pertaining to such accounts and record.
- (A) 72
  - (B) 84

- (C) 60
- (D) None of the above
85. A casual taxable person or a non-resident taxable person shall be required to apply for registration at least ..... days prior to the commencement of business.
- (A) 30
- (B) 5
- (C) 15
- (D) 7
86. Mr. Bala has made supply (within State) of taxable goods to the tune of ₹17 lakh, export supplies of ₹3 lakh and intra-state supply of exempt services of ₹4 lakh. His aggregate turnover as per section 2(6) of the CGST/SGST Act, 2017 is :
- (A) ₹17 lakh
- (B) ₹20 lakh
- (C) ₹24 lakh
- (D) None of the above
87. Non-resident taxable person is required to provide details in the return for non-resident foreign taxable person in the Return Form No. :
- (A) GSTR-3
- (B) GSTR-5
- (C) GSTR-8
- (D) None of the above
88. Input Service Distributor shall file the return in GSTR-6 for the input service distributed by :
- (A) 10th of the next month
- (B) 18th of the next month
- (C) 13th of the next month
- (D) 20th of the next month
89. A taxable person who makes an excess claim of input tax credit or excess reduction in output tax liability shall pay interest at such rate not exceeding :
- (A) 18%
- (B) 24%
- (C) 20%
- (D) 21%

- 90.\* Section 56 of the CGST Act, 2017 specifies that if any tax ordered to be refunded after the order of an Appellate Authority is not refunded within 60 days from the date of application filed consequent to such order, interest as such rate not exceeding ..... shall be payable in respect of such refund.
- (A) 90%
  - (B) 6%
  - (C) 12%
  - (D) 18%
  - (E) 9%
- 91.\* A supply made by a taxable person to a recipient consisting of two or more taxable supply of goods or services of both or any combination thereof which are only bundled and supplied in conjunction with each other in the ordinarily course of business out of which one is a principal supply has been defined u/s 2(30) of CGST Act, 2017 to mean :
- (A) Mixed supply
  - (B) Composite supply
  - (C) Bundled supply
  - (D) Both (A) and (B)
92. Tax on inter-State supplies, import into India, supplies made outside India and supplies made in SEZ shall be charged to :
- (A) CGST and SGST
  - (B) CGST and UTGST
  - (C) CGST and IGST
  - (D) IGST
93. Provision for levy and collection of tax on intra-State supply of goods or services or both by the Union Territory and for matters connected therewith or incidental thereto are being enumerated in :
- (A) CGST Act, 2017
  - (B) IGST Act, 2017
  - (C) UTGST Act, 2017
  - (D) None of the above
94. The highest enabling limit of tax rate of IGST has been prescribed at :
- (A) 20%
  - (B) 14%
  - (C) 28%
  - (D) None of the above

95. The base Financial Year for the purpose of calculating compensation amount payable to the State as per Goods and Service tax (Compensation to States) Act, 2017 shall be taken :
- (A) 2014-15
  - (B) 2016-17
  - (C) 2012-13
  - (D) 2015-16
96. The proceeds of the cess and such other amounts as being recommended by the GST Council shall be credited to a non-lapsable fund known as :
- (A) Goods and Service Tax Compensation Fund
  - (B) Goods and Service Tax Cess Fund
  - (C) Goods and Service Tax Welfare Fund
  - (D) None of the above
97. A proper Officer not below the rank of Joint Commissioner or an Officer authorized by such proper Officer can make an order of seizure in Form :
- (A) GST INS-01
  - (B) GST INS-02
  - (C) GST INS-03
  - (D) None of the above
98. Goods seized by a proper Officer or an Authorized Officer can be released on a provisional basis upon execution of a bond for the value of goods and furnishing of security. The bond so executed will be in Form :
- (A) GST INS-06
  - (B) GST INS Bond-03
  - (C) GST INS-01
  - (D) GST INS-4
- 99.\* Taxes that were replaced by GST legislation are :
- (A) Purchase tax
  - (B) Luxury tax
  - (C) Central Sales tax
  - (D) Options (A) and (B) above
  - (E) All of the above

100. A registered supplier under composition levy can withdraw at any time and be required to file the Form for withdrawal from composition levy in :
- (A) GST CMP-3
  - (B) GST CMP-4
  - (C) GST MIS-1
  - (D) GST PCT-2

*\*Modified version.*

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

**PART A**

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

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*Note\*\* :*

- Q. 19 The options A or B are correct. Assumption 1: If the payment is made against one bill then entire Rs. 31500 is taxable i.e. option B is correct. Assumption 2: If payment is made against three different bills of different dates then only Rs. 11500 is taxable i.e Option A is correct.

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