

GUIDELINE ANSWERS

EXECUTIVE PROGRAMME

JUNE 2021 Session

MODULE 1



**THE INSTITUTE OF
Company Secretaries of India**

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

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

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EXECUTIVE PROGRAMME EXAMINATION

JUNE 2021

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) *Every Company is required to issue securities in dematerialized form only.*
- (b) *No Debenture Redemption Reserve is required to be created for privately placed debentures and for debentures issued by a housing finance company.*
- (c) *Share certificate of a company is an official publication.*
- (d) *The statutory auditor of a public company may render actuarial services to its holding company.* (5 marks each)

Answer 1(a)

Section 29 of the Companies Act 2013 mandates that every company making public offer and such other class or classes of companies as may be prescribed, shall issue the securities only in dematerialized form by complying with the provisions of the Depositories Act, 1996 and the regulations made thereunder.

Further, Section 29 read with Rule 9A of the Companies (Prospectus and Allotment of Securities) Rules, 2014 also mandates that every unlisted public company shall issue the securities only in dematerialised form and also facilitate dematerialisation of all of its existing securities in accordance with the provisions of the Depositories Act, 1996 and regulations made there under.

However, an unlisted public company which is a Nidhi Company, a Government Company or a wholly owned subsidiary company is exempted from the above requirement as specified in Rule 9A of the Companies (Prospectus and Allotment of Securities) Rules, 2014.

Any company, other than the companies mentioned above, may convert its securities into dematerialised form or issue its securities in physical form in accordance with the provisions of the Companies Act, 2013 or in dematerialised form in accordance with the provisions of the Depositories Act, 1996 and the regulations made thereunder.

Answer 1(b)

Section 71 read with Rule 18 of the Companies (Share Capital and Debentures) Rules 2014 mandates certain classes of companies issuing debentures to create Debentures Redemption Reserve account out of the profits of the company available for

payment of dividend and the amount credited to such account shall not be utilised by the company except for the redemption of debentures.

However, every Listed Companies (including All India Financial Institutions(AIFIs) regulated by Reserve Bank of India and Banking Companies, listed/unlisted NBFCs and Housing Finance Companies) have been exempted from creation of Debenture Redemption Reserve (in case of both public issue as well as privately placed debentures, as applicable).

Whereas, an unlisted company is required to create a Debenture Redemption Reserve for privately placed debentures for a value of 10% of the outstanding debentures.

Answer 1(c)

The question whether a share certificate of a company is an official publication within the meaning of Section 12(3)(c) was considered by the Department of Company Affairs (Now, Ministry of Corporate Affairs) and the Department has clarified vide Circular No. 3/73[8/10(47)]/72-CL-V dated 03.02.1973 as follows:

“It will be seen that in terms of Section 82 [Corresponds to Section 44 of the Companies Act, 2013], the shares in a company are movable property transferable in the manner provided in the articles of the company.”

Section 84 [Corresponds to Section 46 of the Companies Act, 2013] provides that a certificate issued under the common seal of the company, if any or signed by two directors or by a director and the Company Secretary, wherever the company has appointed a Company Secretary, specifying the shares held by any member shall be *prima facie* evidence of the title of the member to such share.

Thus, shares are movable property transferable in the manner provided in the articles of the company and that the share certificates are certificates of title and are movable property but are not publications in the nature of prospectus, balance sheet, profit and loss account, notice or advertisement.

The conclusion reached, therefore, is that the share certificate is not an official publication within the meaning of Section 12(3)(c) of Companies Act, 2013.

Answer 1(d)

Section 144 of the Companies Act, 2013 provides that an auditor appointed under this Act shall provide to the company only such other services as are approved by the Board of Directors or the Audit Committee, as the case may be, but which shall not include any of the following services (whether such services are rendered directly or indirectly to the company or its holding company or subsidiary company), namely:—

- (a) Accounting and book keeping services;
- (b) Internal audit;
- (c) Design and implementation of any financial information system;
- (d) Actuarial services;
- (e) Investment advisory services;

- (f) Investment banking services;
- (g) Rendering of outsourced financial services;
- (h) Management services; and
- (i) Any other kind of services as prescribed.

Thus, in view of the specific prohibition under the above referred provisions, a statutory auditor of public or private company cannot render actuarial services to the company or any of its holding or subsidiary company.

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

Question 2

Distinguish between the following :

- (a) 'Reduction of Share Capital' and 'Diminution of Share Capital'
- (b) 'Quorum of Board Meeting' and 'Quorum of General Meeting'
- (c) 'Constitution of Audit Committee' and 'Constitution of Corporate Social Responsibility Committee'.
- (d) 'Inspection' and 'Investigation' (4 marks each)

OR (Alternate question to Q. No. 2)

Question 2A

- (i) *Skill Properties Private Ltd. is in the business of real estate. It has received an amount of ₹95000/- as an advance from its customers during the course of business on which no interest is payable to its customers. Referring to the provisions of the Companies Act, 2013, decide whether this receipt should be treated as an 'advance' by the company in its books of accounts.*
- (ii) *Members of Star Ltd. proposes to appoint Ram and Shyam as directors of the company by passing a single resolution in the general meeting. Can members of Star Ltd. do so ? What will be your answer if it is a private company?*
- (iii) *Harsh Private Ltd. holds 50% of total shares of Spandan Ltd. A, B, and C holds 10%, 20% and 30% shares of Harsh Private Ltd. Discuss the procedural formalities required to be complied with by A, B and C with respect to their beneficial ownership.*
- (iv) *Lily Ltd. was merged with Rose Ltd. under a scheme of arrangement. The minutes of the Board meetings and general meetings were handed over to Rose Ltd. Advise the Rose Ltd. on the following proposals :*
 - (a) *Rose Ltd. proposes to preserve all minutes of Lily Ltd. for next eight years.*
 - (b) *Rose Ltd. proposes to keep minutes of its general meetings and board meetings at its factory premises.* (4 marks each)

Answer 2(a)**Difference between ‘Reduction of Share Capital’ and ‘Diminution of Share Capital’****Reduction of Share Capital**

Reduction of Share Capital is the process of decreasing a company’s share capital (both equity and preference share capital) through share cancellations and share repurchases. After a capital reduction, the number of shares in the company will decrease by the reduction amount.

Reduction of Share Capital is governed by the provisions of Section 66 of the Companies Act, 2013. It provides that subject to confirmation by the Tribunal on an application by the company, a company limited by shares or limited by guarantee and having a share capital may, by a special resolution, reduce the share capital in any manner and in, particular, may—

- (a) extinguish or reduce the liability on any of its shares in respect of the share capital not paid-up; or
- (b) either with or without extinguishing or reducing liability on any of its shares, :
 - (i) cancel any paid-up share capital which is lost or is unrepresented by available assets; or
 - (ii) pay off any paid-up share capital which is in excess of the wants of the company,

alter its memorandum by reducing the amount of its share capital and of its shares accordingly.

Diminution of Share Capital

Diminution of capital is the cancellation of the unsubscribed part of the issued capital.

Section 61(1)(e) of the Companies Act, 2013, provides that, a limited company having share capital, if so, authorised by its Articles of Association, may alter its Memorandum in its general meeting to cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

Further, Section 61(2) of the Companies Act, 2013 specifically states that the cancellation of shares under section 61(1) shall not be deemed to be reduction of share capital.

While Reduction of Capital in accordance to Section 66 of the Companies Act, 2013 requires confirmation of the same by Tribunal, diminution of capital do not require such confirmation by the Tribunal.

Answer 2(b)**Difference between Quorum of Board Meeting and General Meeting****Quorum of Board Meeting:**

In terms of section 174 of Companies Act, 2013 one third of total strength (any fraction shall be rounded off to the next one) or two directors, whichever is higher, shall

be the quorum for a board meeting. For the purpose of determining the quorum, the participation by directors through Video Conferencing or other audio-visual means shall also be counted.

As per SS-1, where the quorum requirement provided in the Articles of Association of the company is higher than one-third of the total strength, the company shall conform to such higher requirement.

If at any time the number of interested directors exceeds or is equal to two-thirds of the total strength of the Board of Directors, the number of directors who are not interested and present at the meeting, being not less than two, shall be the quorum during such time.

If a Meeting of the Board could not be held for want of Quorum, then, unless otherwise provided in the Articles, the Meeting shall automatically stand adjourned to the same day in the next week, at the same time and place or, if that day is a National Holiday, to the next succeeding day which is not a National Holiday, at the same time and place. If there is no Quorum at the adjourned Meeting also, the Meeting shall stand cancelled.

Quorum of General Meeting:

Section 103 of the Companies

act, 2013 deals with the quorum of General Meeting. It provides that unless the Articles of Association of the company provide for a larger number,—

(a) In case of Public Company:

- 5 members personally present if the number of members as on the date of meeting is not more than 1000;
- 15 members personally present if the number of members as on the date of meeting is more than 1000 but up to 5000;
- 30 members personally present if the number of members as on the date of the meeting exceeds 5000.

(b) In case of Private company:

- 2 members personally present, shall be the quorum for a meeting of the company.

As per SS-2, where the quorum provided in the Articles of Association of the company is higher than that provided under the Companies Act, 2013, the quorum shall conform to such higher requirement. Members need to be personally present at a meeting to constitute the quorum. Proxies shall be excluded for determining the quorum.

If the quorum is not present within half-an-hour from the time appointed for holding a meeting of the company—

- (a) the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other date and such other time and place as the Board may determine; or
- (b) the meeting, if called by requisitionists under section 100, shall stand cancelled.

If at the adjourned meeting also, a quorum is not present within half-an-hour from the time appointed for holding meeting, the members present shall be the quorum.

Answer 2(c)

Difference between Constitution of Audit Committee and Constitution of Corporate Social Responsibility Committee

Audit Committee

Section 177 of the Companies Act, 2013 provides for the requirement of mandatory constitution of Audit Committee by:

- (a) Every Listed Public Company; and
- (b) The following class of companies –
 - (i) public companies with a paid-up share capital of Rs.10 crore or more; or
 - (ii) public companies having turnover of Rs.100 crore or more; or
 - (iii) public companies, having in aggregate, outstanding loans, debentures and deposits exceeding Rs.50 crore.

However, the following classes of unlisted public company shall not be required to have an Audit Committee:

- (a) a joint venture;
- (b) a wholly owned subsidiary; and
- (c) a dormant company as defined under section 455 of the Companies Act, 2013.

The Audit Committee shall comprise of minimum three directors with independent directors forming a majority.

Corporate Social Responsibility Committee (CSR Committee)

Every company having:

- net worth of Rs.500 crore or more; or
- turnover of Rs.1000 crore or more; or
- net profit of Rs.5 crore or more

during the immediately preceding financial year is required to constitute a Corporate Social Responsibility Committee of the Board.

The CSR committee shall consist of three or more directors, out of which at least one director shall be an independent director.

Where a company is not required to appoint an independent director under Section 149 (4) of the Companies Act, 2013, it shall have in its Corporate Social Responsibility Committee two or more directors.

Rule 5 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 provides that a private company having only two directors on its Board shall constitute its CSR Committee with two such directors.

With respect to a foreign company covered under the Companies (Corporate Social Responsibility Policy) Rules, 2014, the CSR Committee shall comprise of at least two persons of which one person shall be as specified under clause (d) of section 380(1) of the Companies Act, 2013 and another person shall be nominated by the foreign company.

Section 380(1)(d) of the Companies Act, 2013 requires foreign companies to notify to the Registrar, one or more persons resident in India authorised to accept on behalf of the company, any notices or other documents required to be served on the company.

Answer 2(d)

Difference between Inspection and Investigation

Inspection

Inspection is a process through which one can collect the required information.

Section 206 of the Companies Act, 2013 deals with inspection of documents and books and papers of any company. This section empowers the Registrar of Companies or Inspectors appointed by the Central Government to conduct inspection in order to ascertain that all the transactions have been validly entered into and recorded in appropriate books and those applicable laws, rules and procedures have been compiled by the company. The scope of inspection may extend to the Books of Accounts, other Books and Papers and Statutory Records of the company at its registered office or other premises.

Investigation

Investigation is the process of inquiring something thoroughly. It is the systematic examination and scrutiny of the factors that have affected the subject of the investigation in order to uncover facts regarding the matter.

Investigation within the meaning of the relevant provisions of the Companies Act, 2013 is a form of probe i.e., deeper probe into the affairs of a company. It is a fact-finding exercise. The main object of investigation is to collect evidence and to see if any illegal acts or offences are disclosed and then decide the action to be taken. The said expression also includes investigation of all its business affairs—profits and losses, assets including goodwill, contracts and transactions, investments and other property interests and control of subsidiary companies too.

Answer 2A(i)

As per Rule 2(1)(c)(xii) of the Companies (Acceptance of Deposits) Rules, 2014, deposit does not include any amount received in the course of, or for the purposes of the business of the company:

- as advance, accounted for in any manner whatsoever, received in connection with consideration for an immovable property under an agreement or arrangement, provided that such advance is adjusted against such property in accordance with the terms of agreement or arrangement.
- as advance for supply of capital goods received under long term projects except monies received in connection with consideration for an immovable property under an agreement or arrangements.

- as an advance for the supply of goods or provision of services accounted for in any manner whatsoever, provided that such advance is appropriated against supply of goods or provision of services within a period of 365 days from the date of acceptance of such advance. In case, of any advance which is subject matter of any legal proceedings before any court of law, the said time limit of 365 days shall not apply.

However, if the amount received above becomes refundable (with or without interest) due to the reasons that the company accepting the money does not have necessary permission or approval, wherever required, to deal in the goods or properties or services for which money is taken, then the amount received shall be deemed to be deposit under these rules. Further, whether interest is charged or not is immaterial.

Thus, advance of Rs.95000/- taken from customers by real estate company Skill Properties Pvt. Ltd. shall not be considered as deposit, as long as it meets any one of the criteria specified in Rule 2(1)(c)(xii) of the Deposit Rules, depending upon the purpose for which the amount was paid by the Customer and based on such purpose, if the amount is not adjusted in the manner specified in the above provisions, then it will be treated as deposit.

Answer 2A(ii)

According to Section 162 of the Companies Act 2013, at a general meeting of a company, a motion for the appointment of two or more persons as directors of the company by a single resolution shall not be moved unless a proposal to move such a motion has first been agreed to at the meeting without any vote being cast against it.

Hence, Star Ltd. cannot appoint Ram and Shyam as directors of the company by passing a single resolution in the general meeting unless a proposal to move such a motion has first been agreed to at the meeting without any vote being cast against it.

Pursuant to the Exemption Notification dated 05/06/2015, provisions of Section 162 of the Companies Act, 2013 are not applicable on a private company which has not committed a default in filing its financial statements under Section 137 of the Companies Act, 2013 or annual return under Section 92 of the Companies Act, 2013 with the Registrar of Companies. Hence a private company may appoint more than one director by passing a single resolution, if it has not defaulted under Section 137 or Section 92 of the Companies Act, 2013.

Answer 2A(iii)

As per Section 90 of the Companies Act, 2013 read with Rule 2(1)(h) of the Companies (Significant Beneficial Owners) Rules, 2018, Significant Beneficial Owner (SBO) in relation to a reporting company means an individual referred to in Section 90(1), who acting alone or together, or through one or more persons or trust, possesses one or more of the following rights or entitlements in such reporting company, namely:-

- (i) holds indirectly, or together with any direct holdings, not less than 10% of the shares;
- (ii) holds indirectly, or together with any direct holdings, not less than 10% of the voting rights in the shares;

- (iii) has right to receive or participate in not less than 10% of the total distributable dividend, or any other distribution, in a financial year through indirect holdings alone, or together with any direct holdings;
- (iv) has right to exercise, or actually exercises, significant influence or control, in any manner other than through direct-holdings alone.

Further, Explanation III to above referred Rule 2(1)(h), for the purpose of definition of SBO, where the member of the reporting company is a body corporate (whether incorporated or registered in India or abroad), other than a limited liability partnership, then, an individual shall be considered to hold a right or entitlement indirectly in the reporting company, only if he holds a majority stake in that member; or if he holds a majority stake in the ultimate holding company (whether incorporated or registered in India or abroad) of that member.

Further, as per Rule 2(1)(d) of the SBO Rules, 2018 referred above, "majority stake" (as referred in Explanation III above) means;

- (i) holding more than one-half of the equity share capital in the body corporate; or
- (ii) holding more than one-half of the voting rights in the body corporate; or
- (iii) having the right to receive or participate in more than one-half of the distributable dividend or any other distribution by the body corporate.

Accordingly, in respect of the shares of Spandan Ltd. is indirectly held by A, B and C (through Harsh Private Ltd), the SBO will be such individual who will meet at least one of the two criteria referred hereinafter:

<i>Criteria to be verified</i>	<i>Status</i>
<p>Whether any Individual is holding majority stake in Harsh Pvt. Ltd. (Being the body corporate, which is the member of Reporting Company i.e., Spandan Ltd):</p>	<p>NO, since neither of A, B or C is holding more than one-half of the Equity share capital or more than one-half of the voting rights of Harsh Pvt. Ltd.</p>
<p>Whether any Individual is holding majority stake in the Ultimate holding company of Harsh Pvt. Ltd. (Being the body corporate, which is the member of Reporting Company i.e., Spandan Ltd.)</p>	<p>NO, since Harsh Ltd doesn't appears to be having any holding or ultimate holding company, in view of the following points:</p> <ul style="list-style-type: none"> (i) Since 60% of the shares of Harsh Pvt. Ltd. are held by Individuals, therefore Harsh Pvt. Ltd. cannot be a subsidiary of any other company under Section 2(87)(ii) of the Companies Act, 2013. (ii) Further, assuming that no other body corporate controls the composition of Board of Directors of Harsh Pvt. Ltd., it can be said that Harsh Pvt. Ltd. is not a subsidiary of any other body corporate under Sec 2(87)(i) as well.

Therefore, neither of A, B or C could be said to be the SBO in respect of the 50% shares of Spandan Ltd. held by them indirectly (through Harsh Private Limited).

Answer 2A(iv)

- (a) Para 8 of SS-1 and Para 18 of SS-2 prescribes that where, under a scheme of arrangement, a company has been merged or amalgamated with another company, Minutes of all meetings of the transferor company, as handed over to the transferee company, shall be preserved permanently by the transferee company, notwithstanding that the transferor company might have been dissolved.

Hence, Rose Ltd. has to preserve all minutes of Lily Ltd. permanently and not for just next eight years

- (b) Rule 25 of the Companies (Management and Administration) Rules, 2014 along with SS-1 as well as SS-2, prescribes that, the Minutes Books of the General Meetings, shall be kept at the Registered Office of the company.

Further, the Minutes Books of the Board Meeting shall be kept at the Registered Office of the company or at such other place as may be approved by the Board.

Thus, Rose Ltd. can keep Minutes of Board Meeting at the Registered Office of the company or at such other place as may be approved by the Board. However, the Minutes of General Meeting are required to be kept at the Registered office of the company only.

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

Question 3

- (a) Karan holds 2500 equity shares of a listed company. The nominal value of these shares is ₹10 each having ₹5 paid-up on each share. As per the latest quote on the National Stock Exchange, market value of these shares is ₹4 each. Will Karan qualify as a small shareholder of the company? (4 marks)
- (b) In October 2020, Tarun deposited ₹100000 for a term of three years with Fun Ltd., an unlisted company. Tarun seeks your advice on the following :
- (i) He has an emergency in August 2021, for which he needs to withdraw the above funds immediately. Will he get the amount along with accrued interest without any deduction ?
- (ii) Supposes, if during February 2021, the Reserve Bank of India (RBI) declared the deposit scheme of Fun Ltd. as invalid as the company had paid brokerage in excess of the limits prescribed by the RBI. Will he get the amount along with accrued interest without any deduction ? (4 marks)
- (c) Subhash is a debtor as well as a member of JUMBO Ltd., a listed company. The company declares a dividend of ₹2500 on the shares owned by Subhash and proposes to adjust the said amount against the debt of ₹5000 due from him. Is this adjustment valid ? Would your answer differ if JUMBO is a Private limited company ? (4 marks)
- (d) Vijay Ltd. is having a paid-up capital of ₹250 crore. The company seeks your

advice as to whether any of the following persons can be appointed as a managing director of the company :

- (a) *Prakash, who in the ensuing Annual General Meeting (AGM) will complete his first tenure of five years as Independent director of the company.*
- (b) *Ramesh, who is chairman of the company.* (4 marks)

OR (Alternate question to Q. No. 3)

Question 3A

- (i) *A Ltd. made a public offer of its securities by issuing a prospectus, in which it was stated that the company has a track record of dividend payment without any interruption for the previous ten years. When the facts were verified, it was found that the company had in fact incurred significant losses for a period of two years immediately preceding the previous five years and this fact has not explicitly stated in the prospectus. The dividend was actually paid out of windfall capital profits for those two years. Whether the Managing director who issued the prospectus will incur any liability.* (4 marks)
- (ii) *Decide whether the following persons are qualified to be appointed as statutory auditor of the Girija Ltd :*
- (a) *Bharat, a qualified chartered accountant, holding position as internal auditor of Girija Ltd.*
- (b) *Mohan, a qualified chartered accountant, holds equity shares of nominal value of ₹200000 of Nirja Ltd, which is an associate company of Girija Ltd.*
- (c) *Dinesh, a qualified chartered accountant, whose son owes Girija Ltd a sum of ₹ 80000*
- (d) *Mukesh, a qualified chartered accountant, who has been convicted in the year 2005 by a Court for an offence involving fraud.* (4 marks)
- (iii) *Suraj Ltd. has a subscribed capital of ₹200 crore out of which ₹100 crore has been paid-up. The Articles of Association of the company has a provision that the company shall have a Reserve Capital of ₹50 crore which shall be called up only at the time of winding up of the company. Suraj Ltd. desires to borrow from its bankers by creating a charge on the uncalled capital and Reserve Capital. Advise the company.* (4 marks)
- (iv) *Red Entertainment Ltd. received a transfer deed for registration of transfer of shares to Sakshi, daughter of Arun. After registering the transfer, the company sent the certificate to another Sakshi, daughter of Barun. The Sakshi, daughter of Barun, refused to part with share certificate and pledged the certificate to Pyramid Bank. Discuss the remedy, if any, available to Sakshi, daughter of Arun, in this case.* (4 marks)

Answer 3(a)

As per Explanation to Section 151 of the Companies Act, 2013, "small shareholder" means one holding shares of nominal value of not more than Rs. 20,000 or such other sum as may be prescribed. Thus, in deciding whether a shareholder is a small shareholder or not, the nominal value of the share is relevant. It does not matter how much is the paid-up value or market value of the shares.

In view of the above, Karan has to reckon the situation with reference to the nominal value of the shares held by him which is Rs. 25,000 and not paid-up value of 12,500 or market value of Rs.10,000. Hence, he is not a small shareholder.

Answer 3(b)

- (i) Rule 15 of the Companies (Acceptance of Deposits) Rules 2014 provides that where a company makes a repayment of deposits, on the request of the depositor, after the expiry of a period of 6 months from the date of such deposit but before the expiry of the period for which such deposit was accepted, the rate of interest payable on such deposit shall be reduced by 1% from the rate which the company would have paid had the deposit been accepted for the period for which such deposit had actually run and the company shall not pay interest at any rate higher than the rate so reduced.

Therefore, Tarun will get interest at 1% less than the rate applicable to one year deposit, as he is seeking repayment of his deposit before the expiry of its original tenure of three years.

- (ii) As per Rule 3 of the Companies (Acceptance of Deposits) Rules 2014, no company referred to in Section 73(2) of the Companies Act, 2013 or any eligible company shall invite or accept or renew any deposit in any form, carrying a rate of interest or pay brokerage thereon at a rate exceeding the maximum rate of interest or brokerage prescribed by the Reserve Bank of India for acceptance of deposits by non-banking financial companies.

Further, Rule 15 of the Companies (Acceptance of Deposits) Rules 2014 also provides that nothing contained in rule 15 (relating to deduction of 1% interest) shall apply to the repayment of any deposit before the expiry of the period for which such deposit was accepted by the company, if such repayment is made solely for the purpose of complying with the provisions of rule 3 of the Companies (Acceptance of Deposits) Rules 2014.

Hence, as Fun Ltd. has violated the maximum rate of brokerage fixed by the RBI and thus the acceptance of deposit becomes invalid, the repayment of the deposit in this case shall be treated as being done solely for the purpose of complying with Rule 3 of the Companies (Acceptance of Deposits) Rules 2014 and therefore, they have to return the deposit without any deduction in the interest rate of amount.

Answer 3(c)

In terms of the proviso to Section 127 of the Companies Act, 2013 where dividend has been lawfully adjusted by the company against any sum due to it from the shareholder, there is no contravention of the said Section.

Regulation 84 of Table F of Schedule I to the Companies Act, 2013 provides that the Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the company on account of calls or otherwise in relation to the shares of the company.

In the given case, JUMBO Ltd. may adjust the amount of dividend only on account

of calls or otherwise in relation to the shares of the company, if any due from Subhash in the capacity of a Member and not otherwise. Therefore, the amount due from Subhash in the capacity of trade debtor will not be adjusted and the company need to pay dividend amount to Subhash.

In the above example if JUMBO is a private limited company, still Section 127 as well as Regulation 84 of Table F of schedule - I to the Companies Act, 2013 (in view of Section 5(6) and 6 of the Companies Act, 2013) are applicable to it and the Board of Jumbo Ltd., can adjust the amount due from Subhash only on account of calls or otherwise in relation to the shares of the company, if any and not otherwise.

Answer 3(d)

- (a) Prakash may be appointed as the Managing Director of Vijay Ltd. subject to the fulfilment of conditions specified in Section 196(3) read with Part I of Schedule V of the Companies Act, 2013, only after the completion of his tenure in the office of Independent Director or upon his resignation from the office of Independent Director before the end of his tenure, since, as per Section 149(6) of the Companies Act, 2013, an Independent Director means a Director other than the Managing Director.

Therefore, Prakash cannot be appointed as Managing Director while he is continuing in the office of Independent Director.

- (b) First proviso to Section 203(1) of the Companies Act, 2013 restricts the appointment of a single person as Chairman and Managing Director of a company at the same time, unless, the articles of such a company provide otherwise; or the company does not carry multiple businesses.

However, public companies with paid up share capital of Rs. 100 Crore or more and annual turnover of Rs. 1000 Crore or more and engaged in multiple businesses and have appointed Chief Executive Officer for each such business, are allowed to appoint an individual as Chairperson and Managing Director.

Accordingly, if Vijay Ltd satisfies the above conditions, they can appoint Ramesh as Chairman and Managing Director.

Answer 3A(i)

As per Section 34 of the Companies act, 2013, where a prospectus, issued, circulated or distributed, includes any statement which is untrue or misleading in form or context in which it is included or where any inclusion or omission of any matter is likely to mislead, every person who authorizes the issue of such prospectus shall be liable under Section 447 of the Companies Act, 2013.

However, nothing above shall apply to a person if he proves that such statement or omission was immaterial or that he had reasonable grounds to believe, and did up to the time of issue of the prospectus believe, that the statement was true or the inclusion or omission was necessary.

In the instant case, A Ltd. has not disclosed in the prospectus the fact that the company has incurred significant losses for a period of 2 years immediately preceding the previous 5 years. On the other hand, the statement that dividend was paid by the

company for the previous 10 years without any interruption could mislead the investor that the company has been profitable throughout. The fact that dividend was actually paid out of windfall capital profits (which was not assured in the future years) for those 2 years was also suppressed. Therefore, the prospectus will be held to be false in material particulars and the Managing Director who issued the prospectus will be held guilty of fraud.

Therefore, the Managing Director of the company shall be liable under Section 34 and 35 of the Companies Act, 2013.

Answer 3A(ii)

Section 141 (3) of the Companies Act, 2013 read with Rule 10 of the Companies (Audit and Auditors) Rules, 2014 prescribes the conditions where a person is disqualified to become a statutory auditor of a company.

- (a) Bharat is disqualified pursuant to Section 141(3)(i) read with Section 144(b), being a person who, directly or indirectly, renders the services to the company as an Internal Auditor, being a service referred to in Section 144(b).
- (b) Mohan is disqualified pursuant to Section 141(3)(d)(i) as he holds securities in the associate company of Girija Ltd.
- (c) Dinesh is not disqualified as the limit of indebtedness for the auditor or his relative is exceeding Rs.5,00,000 as specified under Section 141(3)(d)(ii) read with Rule 10 of the Companies (Audit & Auditors) Rules, 2014 and in this case Dinesh's son owes only Rs. 80,000.
- (d) Mukesh, though convicted by a court for an offence involving fraud, is not disqualified as a period of 10 years have elapsed. Accordingly, Mukesh is not disqualified under Section 141(3)(h) of the Companies Act, 2013.

(Assuming the appointment of Mukesh, statutory auditor has been done after the year 2015 i.e. after 10 years)

Answer 3A(iii)

A company does not have implied power of charging its uncalled share capital and may charge its uncalled capital only if its articles or memorandum authorize it to do so. 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 vs. Debenture-holders of Anglo-Australian Investment Co.*, the memorandum authorized 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,

However, a company cannot mortgage or charge any part of its “reserve capital” i.e., such portion (if any) of its uncalled share capital as is incapable of being called up except in the event of winding up of the company.

Thus, Suraj Ltd. can create a charge on uncalled capital if authorized to do so by the articles or memorandum of the Company. The Company cannot create a charge on the Reserve Capital.

Answer 3A(iv)

A company has to send back the share certificate after transfer to the person who lodged the share certificates for transfer or to a person whom he has directed to be sent. In the present case it seems that company after transferring the shares in favour of Sakshi, daughter of Arun has sent the certificate to another Sakshi, daughter of Barun.

The facts in the given case under reference are similar to the facts of *BPL Sanyo Technology Ltd. vs. Rahul Agarwal [1995] 83 Comp Cas 885* decided by the Rajasthan High Court.

In the said case Rajasthan High Court held that the bank should surrender the original share certificate and if the said certificate is not so surrendered, the same should be cancelled by the company and duplicate certificate should be issued to the real owner, i.e., Sakshi daughter of Arun. The company should also compensate her and take care to see those other incidental benefits, if any, accruing to the shares in the meantime, are handed over to Sakshi, daughter of Arun.

Question 4

- (a) *Pratap is the director of QAP Overseas Trading Ltd. The name of the company was recently struck off from the register of companies by the Registrar. He does not hold directorship in any other company. Therefore, Pratap applied to the Registrar for cancellation of his Directors Identification Number. His application was rejected by the Registrar. Is the action of the Registrar justified under the relevant provisions of the Companies Act, 2013 ? (4 marks)*
- (b) *Tanila India Producer Company Ltd. was incorporated on 31st October, 2020. State the powers to be exercised by the Board of directors, on behalf of the Producer company only by means of passing of resolutions at the annual general meeting. Is there any need to appoint a company secretary in this company ? (4 marks)*
- (c) *Chatterjee, Bose & Dixit Co. LLP was incorporated on 1st October, 2020. It has become very renowned in the field of insurance survey and has already achieved a turnover of ₹5 crore by 31st March, 2021. Advise the LLP on the following issues :*
- (i) *Can it prepare its financial statements by ending financial year on 31st December 2021 ?*
- (ii) *Can it admit a HUF and a Trust as its partners ? (4 marks)*
- (d) *ABC Private Ltd, a company engaged in manufacturing of electrical equipment, desirous to grant a loan to Aman Udyog (a partnership firm) as the firm is in need of business funds for expansion. Rahul, director in ABC Private Ltd is a partner in Aman Udyog. Decide whether the company can grant loan to Aman Udyog. (4 marks)*

Answer 4(a)

Rule 11(1)(f) of Companies (Appointment and Qualifications of Directors) Rules, 2014 provides that on an application made in Form DIR-5 by the DIN holder to surrender his or her DIN along with declaration that he has never been appointed as director in any

company and the said DIN has never been used for filing of any document with any authority, the Central Government may deactivate such DIN.

As, Pratap has applied for cancellation of DIN despite the fact that he was appointed director using his DIN, such DIN shall not be deactivated and DIR-5 cannot be filed under Rule 11(1)(f) of Companies (Appointment and Qualifications of Directors) Rules, 2014 as aforesaid.

Therefore, the action of the Registrar of Companies is correct.

Answer 4(b)

Section 581S of the erstwhile Companies Act, 1956 states that the following powers shall be exercised by the Board of Directors on behalf of the Producer company only by means of passing of resolutions at the annual general meeting of the company, namely:

- (a) Approval of budget and adoption of annual accounts;
- (b) Approval of patronage bonus;
- (c) Issue of bonus shares;
- (d) Declaration of limited return and decision on the distribution of patronage;
- (e) Specify the conditions and limits of loans that may be given by Board to any director; and
- (f) Approval of any transaction of the nature as is to be reserved in the articles for approval by the members.

Section 581X of the erstwhile Companies Act, 1956 provides that every Producer Company having an average annual turnover exceeding Rs. 5 crore in each of three consecutive financial years shall have a whole-time secretary.

Further, no individual shall be appointed as whole-time secretary unless he possesses membership of the Institute of Company Secretaries of India constituted under the Company Secretaries Act, 1980.

Answer 4(c)

- (i) As per Section 2(1)(l) of the LLP Act, 2008 "Financial year" in relation to the limited liability partnership, means the period from the 1st day of April of a year to the 31st day of March of the following year. In the case of a limited liability partnership incorporated after the 30th day of September of a year, the financial year may end on the 31st day of March of the year next following that year.

Hence, in the present case under consideration, the LLP was incorporated after 30th September 2020 i.e., on 1st October 2020. Hence, the first financial year shall end on 31st March 2022 and not on 31st December 2021. Hence, Financial Statements shall be prepared accordingly.

- (ii) As per Section 2(1)(q) of the LLP Act, 2008 a "partner", in relation to a limited liability partnership, means any person who becomes a partner in the limited liability partnership in accordance with the limited liability partnership agreement. As per Section 5 of the LLP Act, 2008 any individual or body corporate may be a partner in a limited liability partnership.

It is further clarified vide MCA General Circular No. 13/2013 dated 29th July, 2013 read with MCA General Circular No. 2/16 dated 15th January, 2016 that a HUF cannot be treated as a body corporate for the purposes of LLP Act, 2008. Therefore, a HUF or its Karta cannot become a partner or designated partner in LLP.

MCA General Circular No. 37/2014 dated 14th October, 2014 has clarified that the trustee being a body corporate and representing a trust in case of "Real Estate Investment Trust" (REIT) or "Infrastructure Investment Trust" (InvITs) or such other trusts set up under the regulations prescribed under the Securities & Exchange Board of India Act, 1992 is not barred to hold partnership in a LLP in its name without the addition of the statement that it is a trustee.

Thus, the partners of Chatterjee, Bose & Dixit Co. LLP may act accordingly.

Answer 4(d)

Section 185 of the Companies Act 2013 provides that no company shall, directly or indirectly, advance any loan, including any loan represented by a book debt to, or give any guarantee or provide any security in connection with any loan taken by any firm in which any such director or relative is a partner.

However, MCA vide its exemption notification dated 5th June, 2015 provides that section 185 shall not apply to a Private Company:

- a) in whose share capital no other body corporate has invested any money;
- b) if the borrowings of such a company from banks or financial institutions or any body corporate is less than twice of its paid-up share capital or Rs. 50 crore, whichever is lower; and
- c) such a company has no default in repayment of such borrowings subsisting at the time of making transactions under this section.

Further, the benefits of the Exemption Notification dated 05th June, 2015 are available only to such private companies which have not committed a default in filing its financial statements under Section 137 of the Companies Act, 2013 or annual return under Section 92 of the Companies Act, 2013 with the Registrar of Companies.

Therefore, ABC Pvt. Ltd. can grant loan to Aman Udyog (Partnership Firm) where Rahul is a director in ABC Pvt Ltd and partner in Aman Udyog only if all the above-mentioned conditions (for availing the benefits of exemption notification dated 05th June, 2015) in respect of ABC Pvt. Ltd. are fulfilled.

Question 5

- (a) *Certain depositors of Lifetime Resources Ltd. were of the opinion that affairs of the company are being conducted in a manner prejudicial to their interests. Assuming yourself as a company secretary-in-practice, advise them on the various remedies that can be sought from the Tribunal in this regard.*
- (b) *One of the agenda items for the next extra ordinary general meeting (EGM) of Richa Ltd is consideration of sub-division of equity shares. Assuming facts and figures, draft a specimen resolution of this item to be included in the notice of the EGM and an explanatory statement thereof. (8 marks each)*

Answer 5(a)

Section 245(1) of the Companies Act, 2013 provides that such number of member or members, depositor or depositors or any class of them, as the case may be, 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 for seeking all or any of the following orders, namely:

- (a) to restrain the company from committing an act which is *ultra vires* the articles or memorandum of the company;
- (b) to restrain the company from committing breach of any provision of the company's memorandum or articles,
- (c) to declare a resolution altering the memorandum or articles of the company as void if the resolution was passed by suppression of material facts or obtained by mis-statement to the members or depositors;
- (d) to restrain the company and its directors from acting on such resolution;
- (e) to restrain the company from doing an act which is contrary to the provisions of the Companies Act, 2013 or any other law for the time being in force;
- (f) to restrain the company from taking action contrary to any resolution passed by the members;
- (g) to claim damages or compensation or demand any other suitable action from or against:
 - (i) the company or its directors for any fraudulent, unlawful or wrongful act or omission or conduct or any likely act or omission or conduct on its or their part;
 - (ii) the auditor including audit firm of the company for any improper or misleading statement of particulars made in his audit report or for any fraudulent, unlawful or wrongful act or conduct; or
 - (iii) any expert or advisor or consultant or any other person for any incorrect or misleading statement made to the company or for any fraudulent, unlawful or wrongful act or conduct or any likely act or conduct on his part;
- (h) to seek any other remedy as the Tribunal may deem fit.

On the basis of above provision aggrieved depositors of Lifetime Resources Ltd. are to be guided by the Company Secretary in Practice.

Answer 5(b)

Sub-Division of equity shares from the Face Value of Rs.5/- to Face Value of Rs.1/- per share

To consider and if thought fit to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to Section 61(1)(d),64 and all other applicable provisions, if any, of the Companies Act, 2013, and Rules framed thereunder (including any statutory modification or re-enactment thereof, for the time being in force) and the

provisions of Memorandum of Association and Articles of Association of the Company and subject to such other approvals, consent, permissions and sanctions as may be necessary from the appropriate authorities or bodies, consent of the members of the company be and is hereby accorded for the sub-division of each of the Equity Share of the Company having a face value of Rs. 5 each in the Authorized Equity Share Capital of the company sub-divided into 5 (Five) Equity Shares having a face value of Rs.1/- each ("Sub-division").

RESOLVED FURTHER THAT pursuant to the sub-division of the equity shares of the Company, all the issued, subscribed and paid-up equity shares of face value of Rs. 5/- (Rupees Five only) each of the Company existing on the record date to be fixed by the Company shall stand sub-divided into equity shares of face value of Rs.1/- (Rupees One only) each fully paid up, without altering the aggregate amount of such capital and shall rank *pari passu* in all respects with the existing fully paid equity share of Rs.5/- each of the company and shall be entitled to participate in full dividend to be declared after subdivided Equity shares are allotted.

RESOLVED FURTHER THAT upon sub-division of equity shares as aforesaid, the existing share certificate(s) in relation to the existing equity shares of the nominal value of Rs.5/- (Rupees Five only) each held in physical form shall be deemed to have been automatically cancelled and be of no effect on and from the "Record Date" to be fixed by the Company and Company may without requiring the surrender of existing share certificate(s) directly issue and dispatch the new share certificate(s) of the company, in lieu thereof, subject to the provisions of the Companies (Share Capital and Debentures) Rules, 2014 and in the case of members who hold the equity shares / opt to receive the sub-divided equity shares in dematerialised form, the subdivided equity shares of nominal value of Rs.1/- (Rupee one only) each shall be credited to the respective beneficiary account of the members with their respective depository participants and the Company shall undertake such corporate actions as may be necessary in relation to the existing equity shares of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise in relation to the above and to settle all matters arising out of and incidental thereto and to execute all deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all such acts, deeds, matters and things and to give from time to time such directions as may be necessary, proper, expedient or incidental for the purpose of giving effect to this Resolution and to delegate all or any of the powers herein vested in the Board to any Director(s), Officer(s) of the Company as may be required to give effect to this above resolution".

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

As the members are aware, the equity shares of your company are listed on the BSE & NSE and are regularly traded on the said Exchanges.

With a view to broad base the investor base by encouraging the participation of the retail investors and also with a view to increase the liquidity of the company's shares, the Board of directors in its meeting held on May 5, 2021 recommended sub-division of the nominal value and paid-up value (Authorised, Issued, Subscribed & Paid-up) of the

company from one equity shares of Rs.5 (Rupees five only) each into five equity shares of Rs.1 (Rupees one only) each.

The aforesaid sub-division of equity shares of Rs. 5 each into equity shares of Rs.1 each would require amendment to existing capital clause V of the Memorandum of Association.

After approval of the resolution set out as above, the Board of directors or Committee thereof will fix the record date for the purpose of ascertaining the list of members whose shares shall be sub-divided as proposed above and the same shall be notified to the members through appropriate medium.

Pursuant to the provisions of Section 13 and Section 51 of the Companies Act, 2013 approval of members is required for sub-division of shares and consequent amendment to clause V of the Memorandum of Association.

The board recommends the Resolution stipulated above of this notice for approval of the members.

A copy of the Memorandum of Association along with proposed amendments will be open for inspection by the Members at the Registered office of the company during business hours on all working days upto the date of this meeting.

None of the Directors, Key Managerial Personnel of the company and their relatives is concerned or interested, financially or otherwise, in the Resolution, except to the extent of equity shares held by them in the company.

Question 6

- (a) *The name of Orient Builders Private Ltd. was struck off by the Registrar of Companies on the application of the company due to recession. After three years, owing to favourable market conditions the management became interested to start a new project for housing development. The directors and shareholders have come together and decided to carry on business mentioned in the objects of the company. An application for restoration of the name of the company was filed but the Registrar rejected the same. Is the action of the Registrar valid ? Decide referring to the provisions of the Companies Act, 2013.*
- (b) *A compromise is proposed between Jay Chemicals Ltd. and its creditors. The Tribunal on an application from the creditors has ordered a meeting of the creditors. Notice of such meeting to be called pursuant to an order of the Tribunal shall be accompanied by some documents/information. List out the same as per the provisions of the Companies Act, 2013.*
- (c) *Examine the validity of Tribunal's order to wind up the company in the following circumstances :*
- (i) *The registrar has presented a petition as the company has defaulted in filing financial statements for immediately preceding three consecutive financial years;*
 - (ii) *Petition is presented by a contributory on failure to repay matured deposits on time.*

Can the Tribunal pass any interim order or an order for winding up the company without costs after sixty days from the date of presentation of the petition ?

- (d) *Suresh, the statutory auditor of A Ltd., during the course of the audit detected a fraud against the company by an employee involving an amount of ₹5 crore but failed to report the matter to the Central Government as required under Section 143(12) of the Companies Act, 2013. Advise Suresh if he can opt for compounding of offence ?* (4 marks each)

Answer 6(a)

The facts of the present case are similar to those decided in *Mahabharat Builders & Developers Ltd. vs. ROC, Mumbai* by Mumbai bench of NCLT in July 2017. The provision under Section 252(3) of the Companies Act, 2013 could be invoked only when the company is struck off from the register of companies on the following grounds –

- Either inadvertently or on the basis of incorrect information furnished by the company or its directors; or
- If any application comes from any member / workman with a grievance saying that this company was struck off while carrying on business.

However, in the present case the company is struck off by the Registrar on application given by the company.

Now, it is not the case where company was struck off inadvertently or on misinformation given by the company or its directors as well as not the case of applicant that this company is still carrying business. So, the decision of the management for restoration of the company due to favourable market conditions is not permissible under Section 252(3) of the Companies Act, 2013.

Answer 6(b)

Section 230(3) of the Companies Act, 2013 read with Rule 6 of the Companies(Compromises, Arrangements and Amalgamations) Rules, 2016 provides that when a meeting of creditors for compromise or arrangement is proposed to be called in pursuance of an order of the Tribunal under Section 230 (1), a notice of such meeting in Form CAA-2 shall be sent to all the creditors or class of creditors and to all the members or class of members and the debenture-holders of the company, individually at the address registered with the company which shall be accompanied by:

- A statement disclosing the details of the compromise or arrangement;
- A copy of the valuation report, if any;
- The notice of the meeting to the creditors and members shall be accompanied by a copy of the scheme of compromise or arrangement, if such details are not already included in the said scheme :
 - Details of the order of the Tribunal directing the calling, convening and conducting of the meeting; date of the order; Date, Time and Venue of the Meeting;
 - Details of the company;

- The date of the Board meeting at which the scheme was approved by the Board of directors including the name of the directors who voted in favour of the resolution, who voted against the resolution and who did not vote/participate on such resolution;
- Explanatory statement disclosing details of the scheme of compromise or arrangement;
- Disclosure about the effect of the compromise or arrangement on key managerial personnel; directors; promoters; non-promoter members; depositors; creditors; debenture holders; deposit trustee and debenture trustee; employee of the company;
- Disclosure about effect of compromise or arrangement on material interests or directors, Key Managerial Personnel (KMP) and debenture trustee;
- Investigation or proceedings, if any, pending against the company under the Act;
- Details of approvals, sanctions or no-objection(s), if any, from regulatory or any other government authorities required, received or pending for the purpose scheme of compromise or arrangement;
- A statement to the effect that the persons to whom the notice is sent may vote in the meeting either in person or by proxies, or where applicable, by voting through electronics means.

Answer 6(c)

- (i) Section 271(d) of the Companies Act, 2013 provides that a company may, on a petition under Section 272 of the Companies Act, 2013 be wound up by the Tribunal if the company has made a default in filing with the Registrar of Companies its financial statements or annual returns for immediately preceding five consecutive financial years

Accordingly, applying the above provisions in the given circumstances, petition by Registrar of Companies stating that company has defaulted in filing financial statements for immediately preceding three consecutive financial years is invalid.

- (ii) Petition presented by a contributory in case of failure to repay matured deposits on time is not a case where Tribunal is entitled to pass order for winding up.

However, the powers of the Tribunal under Sec 271 (e) of the Companies Act, 2013 are wide enough to allow the Tribunal to examine if, after considering the interest of the company, its employees, its creditors, shareholders and its general public, it would be just and equitable that the company should be wound up. Hence, in this second scenario Tribunal does have the power to order for winding up of company, if it finds it just and equitable.

The Tribunal may, on receipt of a petition for winding up under Section 272 of the Companies act, 2013 pass an order for the winding up of the company with or without costs or make any interim order as it thinks fit.

Provided that an order specified above shall be made within 90 days from the date of presentation of the petition.

Answer 6(d)

As per Section 143(15) of the Companies Act, 2013, If any auditor, cost accountant, or company secretary in practice does not comply with the provisions of Section 143(12) of the Companies Act, 2013 pertaining to failure to reporting of fraud involving an amount of Rs.1 crore and above to the Central Government or in case of a fraud involving an amount of less than Rs. 1 crore to Audit Committee or to the Board he shall,—

- (a) in case of a listed company, be liable to a penalty of Rs. 5 Lakhs; and
- (b) in case of any other company, be liable to a penalty of Rs. 1 Lakh

As per Section 441(1) of the Companies Act, 2013, any offence punishable under the Companies Act, 2013 (whether committed by a company or any officer thereof) not being an offence punishable with imprisonment only, or punishable with imprisonment and also with fine, may, either before or after the institution of any prosecution, be compounded by the Regional Director or any officer authorised by the Central Government, where the maximum amount of fine which may be imposed for such offence does not exceed Rs. 25 Lakhs.

However, as per Section 2(59) of the Companies act, 2013 “Officer” of a Company doesn’t include its Auditors. Accordingly, the contravention of Section 143(12) of the Companies Act, 2013 by the Auditor cannot be compounded under Section 441 of the Companies Act, 2013.

COST AND MANAGEMENT ACCOUNTING - SELECT SERIES

Time allowed : 3 hours

Maximum marks : 100

Total number of Questions : 100

1. Classification of cost is useful
 - (A) to find gross profit
 - (B) to find net profit
 - (C) to identify costs
 - (D) to identify efficiency
2. Cost of abnormal wastage is :
 - (A) Charged to the product cost
 - (B) Charged to the profit & loss account
 - (C) Charged partly to the product and partly to the profit & loss account
 - (D) Not charged at all
3. Multiple costing is followed in
 - (A) Jute factory
 - (B) Paper industry
 - (C) Brick making
 - (D) Cycle manufacturing
4. The main purpose of cost accounting is to
 - (A) maximize profit
 - (B) help in inventory valuation
 - (C) maximize wealth
 - (D) help in the fixation of selling price
5. Stock control through stock levels and EOQ is called
 - (A) demand and supply method
 - (B) perpetual inventory system
 - (C) control by important and exception
 - (D) automatic order method

6. Material consumed is ₹5,00,000, Opening stock of raw material is ₹1,00,000 and Closing stock of raw material is ₹75,000. What is the cost of raw material purchased ?
- (A) ₹4,50,000
 (B) ₹4,75,000
 (C) ₹5,25,000
 (D) ₹5,50,000
7. represents the unusable loss, which can be sold. It is a residue, which is measurable and has a minor value.
- (A) Waste
 (B) Scarp
 (C) Spoilage
 (D) Defective
8. Which of the following items can be classified as "C" category as per ABC analysis of inventory control ?

Items	Unit usage	Value per unit (₹)
1	19000	70.75
2	19000	85.95
3	35000	22.20
4	39000	24.10
5	80000	03.10

- (A) Item number 5 only
 (B) Item number 3 and 4
 (C) Item number 2 and 3
 (D) Item number 1 and 2
9. A company purchases 2000 units of a particular item per year at a unit cost of ₹ 20. The ordering cost is ₹50 per order and the inventory carrying cost is 25% on unit cost. What will be the total cost, if company decides to buy on the basis of EOQ?
- (A) ₹41325
 (B) ₹41000
 (C) ₹41500
 (D) ₹41525

10. In a company the weekly minimum and maximum consumption of Material-A are 25 units and 75 units respectively. The reorder level as fixed by the company is 300 units. Material-A is received within 4 to 6 weeks from the date of supply order. Find the minimum level.
- (A) 40 units
 - (B) 50 units
 - (C) 200 units
 - (D) 150 units
11. If the time saved by a worker is 40% of time fixed, then the premium bonus plan which is beneficial to the worker is :
- (A) Rowan plan
 - (B) Halsey plan
 - (C) Emerson plan
 - (D) Bedeaux plan
12. 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
13. Regular maintenance expenses of factory buildings are :
- (A) to be capitalised
 - (B) part of manufacturing overheads
 - (C) written-off to costing profit and loss account
 - (D) part of prime cost
14. Time keeping refers to
- (A) Time spent by workers on their job
 - (B) Time spent by workers in factory
 - (C) Time spent by workers in keeping machines
 - (D) Time spent by workers to keep them fit for a job
15. The abnormal idle time is due to :
- (A) rest pauses
 - (B) tea break
 - (C) tool setting
 - (D) strikes or lockout

16. Labour turnover rate for the first quarter ending was 25% under replacement method; number of workers replaced during first quarter was 250. Find out the average number of workers on roll in the first quarter.
- (A) 625
 (B) 1000
 (C) 750
 (D) 1500

17. The following particulars have been taken from the books of Z Ltd. :

	2019 ₹	2020 ₹
Sales	20,00,000	25,00,000
Profit/Loss	(1,00,000)	1,00,000

The Break-even sales shall be :

- (A) ₹21,00,000
 (B) ₹22,00,000
 (C) ₹22,50,000
 (D) ₹21,50,000
18. The following data were taken from the cost records for the week ended on 31st March, 2021:
- Budgeted fixed overhead ₹1400
 Standard output for 40 hours per week 1400 units
 Actual output 1200 units
 Actual hours worked 32
- If the actual fixed overhead was ₹1500, the capacity variance is :
- (A) ₹ 299.6 A
 (B) ₹ 280 A
 (C) ₹ 80 F
 (D) ₹ 85.6 F
19. Which of the following is not a method of segregation of semi-variable overhead costs into fixed and variable costs :
- (A) Least square method
 (B) High and low points method
 (C) Standard cost method
 (D) Comparison by level of activity method

20. One of company Z's cost pool is parts administration. The expected overhead cost for that cost pool was ₹4,00,000 and the expected activity was 5,000 part types. The actual overhead cost for the cost pool was ₹6,00,000 at an actual activity of 6,000 part types. The activity rate used to assign costs for that cost pool was
- (A) ₹66.67 per part type
(B) ₹80 per part type
(C) ₹100 per part type
(D) ₹120 per part type
21. Which of the following activities is *not* a batch level activity ?
- (A) Processing purchase orders
(B) Designing product
(C) Receive raw material from suppliers
(D) Setting up machines
22. The production cost incurred for 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 labor and factory overhead. The cost for direct materials, direct labour and factory overhead was :
- (A) ₹15, 18 and 12 respectively
(B) ₹15, 12 and 18 respectively
(C) ₹15, 16 and 14 respectively
(D) ₹15, 10 and 20 respectively
23. Items of accounts which are excluded in a non-integrated accounting system are represented by :
- (A) Nominal Ledger Control Account
(B) Cost Ledger Control Account
(C) General Ledger Adjustment Account
(D) Any of the above
24. **Assertion (A)** : In an integrated accounting system, there is no need of reconciliation of cost accounting profit and financial accounting profit.
Reason (R) : Only one set of books provide information for the ascertainment of cost as well as preparation of a balance sheet as per legal requirements.
- Select the correct answer from the options given below :
- (A) (A) is true, but (R) is false
(B) (A) is false, but (R) is true

- (C) Both (A) and (R) are true but (R) is not the correct explanation of (A)
- (D) Both (A) and (R) are true and (R) is the correct explanation of (A)
25. If loss as per cost books were to be ₹13,000 and closing stock was overvalued in cost books by ₹4,000 and opening stock was undervalued in cost books by ₹5,000, the loss as per financial accounts would be :
- (A) ₹9,000
- (B) ₹4,000
- (C) ₹ 22,000
- (D) ₹8,000
26. If the sales value of a product is ₹1,99,200 and the profit margin on cost 25%, the amount of profit will be :
- (A) ₹53,120
- (B) ₹31,872
- (C) ₹49,800
- (D) ₹39,840
27. Pre-determined factory overhead rate was ₹10 per labour hour. Actual labour hour worked 80,000. Actual factory overhead was ₹8,00,000 and pre-determined factory overhead was ₹7,60,000. The amount of over/under absorbed factory overhead was :
- (A) ₹50,000 under-absorbed
- (B) ₹50,000 over-absorbed
- (C) ₹40,000 under-absorbed
- (D) None of the above
28. XYZ contractor provides the following information : Contract price is ₹4,00,000. Cash received on account was ₹3,00,000. Work certified ₹3,50,000. Cost of work done up to date ₹2,95,000. Calculate profit to be considered on contract.
- (A) ₹15714.43
- (B) ₹42777.27
- (C) ₹31428.57
- (D) ₹21389.63
29. Process A/c is credited by
- (A) Cost of normal loss
- (B) Sale price of normal loss
- (C) Cost of abnormal loss
- (D) Both (B) and (C)

30. The following data related to Process II a/c :

Direct material	₹40,000
Direct labour	₹30,000
Production overhead	₹40,250
Normal loss	5%
Output (Units)	17,400
Loss realization (₹/unit)	3.00
Abnormal gain in units	300

Entire output of Process II sold at ₹5,54,625 taking 25% profit on cost. Calculate input cost of Process II.

- (A) ₹3,28,500
(B) ₹4,46,400
(C) ₹4,43,700
(D) ₹3,32,750
31. A process costing system for J Co. used an input of 3,500 kg of materials at ₹20 per kg and labour hours of 2,750 at ₹25 per hour. Normal loss is 20% and losses can be sold at a scrap value of ₹ 5 per kg. Output was 2,950 kg. What is the value of the output ?
- (A) ₹1,42,495.54
(B) ₹1,46,183.44
(C) ₹1,49,746.56
(D) ₹1,52,986.64
32. In a process 10000 units are introduced during a period. 10% of input is normal loss. Closing work in progress 80% completed is 1000 units. 8000 completed units are transferred to next process.
- Equivalent production for the period is :
- (A) 9000 units
(B) 7200 units
(C) 8200 units
(D) 8800 units
33. In transport service industry, costs are classified as
- (A) Standing charges, maintenance costs and running charges
(B) Fixed cost, normal cost, standard cost and variable costs

- (C) Variable cost, fixed cost, marginal cost and discretionary costs
- (D) Standard cost, marginal cost, fixed cost and sunk costs
34. Calculate the cost to be charged per day per room for a multinational hotel company using the following information :
- | | |
|---|-----------|
| Total Rooms in hotel | 100 |
| Occupied in summer | 80% |
| Occupied in winter | 30% |
| Period of summer and winter six months each | |
| Normal days in a month | 30 |
| Total cost incurred | ₹8,88,800 |
- (A) ₹24.68
- (B) ₹44.89
- (C) ₹34.68
- (D) ₹25.68
35. Sales ₹1,00,000; variable cost ₹50,000; fixed cost ₹44,000; P/V ratio is
- (A) 50%
- (B) 44%
- (C) 56%
- (D) 94%
36. If profit is ₹50,000, after adjusting expenses resulting to an application of funds ₹10,000 and expenses not resulting to any application of funds ₹10,000, then the funds from operations would be :
- (A) ₹30,000
- (B) ₹40,000
- (C) ₹50,000
- (D) ₹60,000
37. A product's P/V ratio is 20% and its selling price is ₹325 per unit, the marginal cost of the product would be
- (A) ₹ 260
- (B) ₹ 65
- (C) ₹81.25
- (D) ₹54.15

38. An increase in variable cost will lead to :
- (A) an increase in P/V ratio
 - (B) an increase in profit
 - (C) a reduction in contribution
 - (D) an increase in margin of safety
39. Company XYZ is using activity-based costing for its two products : Products B & D. 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 product D requires 1,200 part types, the amount of overhead allocated to product D, would be :
- (A) ₹2,75,000
 - (B) ₹3,00,000
 - (C) ₹3,30,000
 - (D) ₹3,45,000
40. variance is divided into capacity variance, calendar variance and efficiency variance.
- (A) Volume
 - (B) Expenditure
 - (C) Yield
 - (D) Variable overhead
41. J Ltd., sells a product for ₹6.25 p.u.; the variable costs p.u. are ₹3.75. J Ltd's breakeven units are 35,000 p.a. What are the company's annual amounts of fixed costs ?
- (A) ₹87,500
 - (B) ₹35,000
 - (C) ₹1,31,250
 - (D) ₹2,18,750
42. 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 in Rupees will be
- (A) ₹9,00,000
 - (B) ₹18,00,000
 - (C) ₹5,00,000
 - (D) None of the above

43. From the following information find out the value of opening stock :
- Stock turnover ratio 6 times
Gross profit ratio 20% on sales
Annual sales ₹3,00,000
Closing stock is ₹10,000 more than the opening stock
- (A) ₹25,000
(B) ₹30,000
(C) ₹35,000
(D) ₹40,000
44. When the sales increased from ₹40,000 to ₹60,000, profit increased by ₹5,000. Calculate P/V ratio.
- (A) 20%
(B) 30%
(C) 25%
(D) 40%
45. In 'make or buy' decision, it is profitable to buy from outside only when the suppliers price is below the firm's own
- (A) Fixed Cost
(B) Variable Cost
(C) Total Cost
(D) Prime Cost
46. P/V Ratio of a company is 17% and its Margin of Safety is ₹4,08,000, calculate the amount of profit to the company.
- (A) ₹24,630
(B) ₹69,360
(C) ₹79,360
(D) ₹59,360
47. The standard cost of a product is
- (A) The average unit cost of products produced in the previous period
(B) The planned unit cost of products produced during a particular period
(C) The unit cost of products incurred at the start of a particular period
(D) The average unit cost of the products produced during a particular period

48. Material yield variance =
- (A) Material mix variance – Material usage variance
 - (B) Material usage variance – Material mix variance
 - (C) Material usage variance – Material price variance
 - (D) Material mix variance – Material price variance
49. In a manufacturing firm, the standard quantity of material was set at 10 kg and standard price was fixed at ₹2 per kg. The actual quantity consumed was 12 kg and the actual price paid was ₹1.90 per kg. Calculate material usage variance.
- (A) ₹4 favourable
 - (B) ₹4 unfavourable
 - (C) ₹2.80 unfavourable
 - (D) ₹1.20 favourable
50. J.K. Ltd. which is maintaining Integrated System of accounting paid wages of ₹1,20,000 in an accounting period (30% indirect). If wages charged to production is ₹95,000, then the amount debited to Wages Control Account is :
- (A) ₹84,000
 - (B) ₹36,000
 - (C) ₹1,20,000
 - (D) ₹95,000
51. Examine the following relating to Job No. 100 :
- | | |
|------------------------|--------|
| Standard hours planned | 104.50 |
| Actual hours worked | 101.25 |
| Standard wage rate | ₹ 5.15 |
| Actual wage rate | ₹ 5.25 |
- The total labour cost variance for Job No. 100 is
- (A) ₹6.61 (F)
 - (B) ₹6.61 (A)
 - (C) ₹10.12 (F)
 - (D) ₹10.12 (A)
52. 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
53. Which of the following items appears in a cash budget ?
(A) Capital expenditure
(B) Provision for doubtful debts
(C) Depreciation
(D) Accrued expenditure
54. A budget which is prepared in a manner so as to give the budgeted cost for any level of activity is known as :
(A) Master budget
(B) Zero base budget
(C) Level budget
(D) Flexible budget
55. The cost per unit of a product manufactured in a factory amounts to ₹160 (75% variable) when the production is 10,000 units. When production increases by 25%, the cost of production will be per unit.
(A) ₹145
(B) ₹150
(C) ₹152
(D) ₹140
56. Given estimated sales in February, March, April, May and June are ₹90,000, ₹96,000, ₹54,000, ₹87,000 and ₹ 63,000 respectively. In case 50% of sales are realized in the next month and the balance in the next of next month, determine cash collection from sales in April and May.
(A) ₹93,000 and ₹75,000
(B) ₹93,000 and ₹70,500
(C) ₹75,000 and ₹70,500
(D) None of the above
57. Consider the following data for the month of May :
- | | |
|---------------|-----------|
| Closing stock | 80 units |
| Sales | 210 units |
| Opening stock | 60 units |

- Based on the data, the production for May month will have to be
- (A) 70 units
 - (B) 230 units
 - (C) 150 units
 - (D) 190 units
58. Which one of the following accounting standards deals with determination of averaged/equalised transportation cost ?
- (A) CAS 6
 - (B) CAS 22
 - (C) CAS 9
 - (D) CAS 5
59. Current assets are ₹6,00,000 and current liabilities are ₹3,00,000. The debtors realized ₹40,000. Its impact on working capital would be :
- (A) No change in working capital
 - (B) ₹80,000 decrease in working capital
 - (C) ₹40,000 increase in working capital
 - (D) None of the above
60. Which of the following statements is most *correct* ?
- (A) If a company increase its current liabilities by ₹1000 and simultaneously increase its inventories by ₹1000, its current ratio must rise.
 - (B) If a company increase its current liabilities by ₹1000 and simultaneously increase its inventories by ₹1000, its quick ratio must fall.
 - (C) A company's quick ratio may never exceed its current ratio.
 - (D) Statements (B) and (C) are correct
61. Which of the following involves a movement of cash in a cash flow statement ?
- (A) A bonus share issue
 - (B) A rights share issue
 - (C) Providing depreciation on fixed assets
 - (D) Creating provision for taxation
62. 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
63. **Assertion (A)** : The approach of cost accounting is much narrower than that of management accounting.
- Reason (R)** : Cost accounting is mostly historical in nature and management accounting is futuristic in its approach.
- (A) (A) is false but (R) is true
- (B) (A) is true but (R) is false
- (C) Both (A) and (R) are true but (R) is not the correct explanation to (A)
- (D) Both (A) and (R) are true and (R) is the correct explanation of (A)
64. Quick ratio is 1.8 : 1, current ratio is 2.7 : 1 and current liabilities are ₹60,000. Determine the value of stock.
- (A) ₹54,000
- (B) ₹1,08,000
- (C) ₹1,62,000
- (D) None of the above
65. During the year, a business was bought by issue of ₹25,000 debentures and ₹25,000 shares. The business bought had machine worth ₹20,000, Debtors ₹15,000, Stock ₹5,000 and Creditors ₹5,000. Determine the effect of this transaction on flow of funds.
- (A) Net outflow of ₹15,000
- (B) Net inflow of ₹15,000
- (C) Neither inflow nor outflow
- (D) None of the above
66. of financial statement analysis is also known as Dynamic Analysis.
- (A) External Analysis
- (B) Internal Analysis
- (C) Horizontal Analysis
- (D) Vertical Analysis
67. Which of the following can be shown on the “application side” of fund flow statement ?
- (A) Funds lost in operation

- (B) Drawings by proprietor
(C) Net increase in working capital
(D) All of the above
68. Net profit for the year ₹2,50,000;
Transferred to general reserve ₹40,000;
Old machinery bought for ₹50,000 was sold for ₹20,000.
Calculate funds from operations.
(A) ₹2,80,000
(B) ₹2,20,000
(C) ₹2,90,000
(D) ₹3,20,000
69. In the books of ZY Ltd. the balance of 10% debenture of the face value of ₹100 each at the beginning of the year was ₹1,00,000 and at the end was ₹80,000. During the year ₹ 20,000, 10% debentures were redeemed by purchase from open market @ ₹ 95 (Ex-Interest). Ignoring other transactions, calculate net fund flow from transaction relating to 10% debenture.
(A) Net outflow ₹40,000
(B) Net outflow ₹29,000
(C) Net outflow ₹20,000
(D) Net outflow ₹19,000
70. The balance of property account at cost has been ₹ 20,000 and ₹17,000 in the year 2019 and 2020 respectively. The profit on sale of property ₹2000 is credited to Capital Reserves Account. New property costing ₹5000 bought in the year 2020. Calculate the sale proceeds received from sale of property.
(A) ₹8,000
(B) ₹10,000
(C) ₹7,000
(D) ₹15,000
71. **Assertion (A)** : Cash flow statement is based on a narrow concept than fund flow statement.
Reason (R) : Fund flow statement contains, as a part of it, schedule of changes in working capital which is not finding a place in cash flow statement.
(A) (A) is true but (R) is false
(B) (A) is false but (R) is true
(C) Both (A) and (R) are true and (R) is the correct explanation of (A)
(D) Both (A) and (R) are true but (R) is not the correct explanation of (A)

72. Which of the following items would be classified as operating activities while preparing statement of cash flows ?
- (A) Acquisition of equipment and payment of dividends
 - (B) Proceeds from borrowing, payment of dividends, purchase of assets
 - (C) Payment for inventory, payment of salaries, cash received from sale of goods
 - (D) Payments on loan, payments for taxes, payments for dividends
73. For year 2018, Equity Share Capital is ₹3,00,000; Preference Share Capital is ₹1,00,000; 10% debentures is ₹2,00,000, and Share premium is ₹30,000. For year 2019 Equity Share Capital is ₹4,00,000; Preference Share Capital is ₹60,000; 10% debentures is ₹1,00,000 and Share premium is ₹40,000. Also given, Dividend paid on shares ₹15,000 and Interest paid on debentures ₹20,000. Determine net cash flow from financing activities.
- (A) Cash inflow of ₹65,000
 - (B) Cash outflow of ₹65,000
 - (C) Cash inflow of ₹56,000
 - (D) Cash outflow of ₹56,000
74. Opening balance of provision for taxation is ₹20,000 and its closing balance is ₹30,000. If tax paid during the year is ₹24,000, provision for taxation made in this year is :
- (A) ₹34,000
 - (B) ₹36,000
 - (C) ₹14,000
 - (D) ₹24,000
75. is a cost when costs are classified from analytical and decision making point of view.
- (A) Semi-variable cost
 - (B) Historical cost
 - (C) Sunk cost
 - (D) Direct cost
76. In contract costing, which of the following clauses provides safeguard against any fluctuation in the prices of material, labour and other expenses ?
- (A) Pricing clause
 - (B) Exclusion clause
 - (C) Arbitration clause
 - (D) Escalation clause

77. Calculate cost of sales from the following information :
- Net Works cost : ₹3,00,000
- Office & Administration Overheads : ₹1,30,000
- Closing stock of WIP : ₹21,000
- Opening stock of WIP : ₹11,000
- Closing stock of finished goods : ₹30,000
- There was no opening stock of finished goods. Selling overheads: ₹10,000.
- (A) ₹4,10,000
- (B) ₹4,00,000
- (C) ₹4,30,000
- (D) ₹2,50,000
78. Maximum quantity of production and minimum quantity of production is 10,000 and 5,000 units respectively. Maximum total cost is ₹25,000 and minimum total cost is ₹15,000. Calculate per unit marginal cost and total fixed cost.
- (A) ₹2 per unit, ₹5,000
- (B) ₹5 per unit, ₹ 2,000
- (C) ₹3 per unit, ₹10,000
- (D) None of the above
79. In a machine process, the normal spoilage rate to be 2% of input. Spoiled units are sold for 50 paise each. In a period, 5200 units were introduced at a cost of ₹2 each. If the total output of good units was 4850, what would be the amount to be written off to the P/L Account in respect of abnormal loss. The other expenses in the process amounted to ₹4,940.
- (A) ₹208
- (B) ₹525
- (C) ₹492
- (D) ₹615
80. The cost auditor shall submit the cost audit report along with his reservations or qualifications or observations or suggestions in :
- (A) Form CRA — 2
- (B) Form CRA — 3
- (C) Form CRA — 4
- (D) Form CRA — 5

81. The following are relating to Job No. 102 :

Standard hours planned	40.0
Actual hours worked	36.5
Standard wage rate	₹2.60
Actual wage rate	₹2.95

Assume that there is no idle time.

The total labour efficiency variance for Job No. 102 is :

- (A) ₹10.32 (F)
 - (B) ₹9.10 (F)
 - (C) ₹14.00 (A)
 - (D) ₹12.77 (A)
82. costs change in the same direction as that of the output but not in the same proportion.
- (A) Variable
 - (B) Semi-variable
 - (C) Step
 - (D) All of the above
83. According to Belkaoni is a fallacy about controllable costs.
- (A) All variable costs are controllable
 - (B) All direct costs are controllable
 - (C) All long-term costs are controllable
 - (D) All of the above
84. Production Account is prepared by using :
- (A) Actual Figures
 - (B) Estimated Figures
 - (C) Standard Figures
 - (D) Actual and Estimated Figures
85. A company wishes to earn a 15% profit margin on selling price when quoting for a job. Which of the following is the profit mark-up on cost to achieve the required profit margin?
- (A) 15%
 - (B) 85%
 - (C) 17.65%
 - (D) 13.04%

86. X Ltd. has forecasted its sales for the next four months as follows :
- May : 20,000 units
June: 30,000 units
July: 40,000 units
August: 50,000 units
- Opening stock as on 1st April is expected to be 8,000 units. Closing stock should equal to 30% of the coming month's sales needs. How many units should be produced in June?
- (A) 23,000 Units
(B) 43,000 Units
(C) 33,000 Units
(D) 53,000 Units
87. The net profit (after tax) of a company is ₹2,10,000 and its fixed interest charges on long-term borrowings are ₹50,000. If the rate of income-tax is 30%, the interest coverage ratio of the company is :
- (A) 3.2 times
(B) 4.2 times
(C) 6.0 times
(D) 7.0 times
88. Explanatory Ratios are :
- (A) Primary Ratios
(B) Secondary Ratios
(C) Profitability Ratios
(D) Activity Ratios
89. Overhead cost variance is ₹9,000 (A), overhead expenditure variance is ₹2,000 (A) and overhead efficiency variance is ₹3,000 (F). In this case, overhead capacity variance is :
- (A) ₹11,000 (A)
(B) ₹8,000 (A)
(C) ₹1,000 (F)
(D) ₹10,000 (A)
90. **Statement I** : Standard cost is a predetermined cost.
Statement II : All pre-determined costs are standard in nature.

- (A) Both statements are correct
 - (B) Both statements are incorrect
 - (C) Statement I is incorrect but statement II is correct
 - (D) Statement II is incorrect but statement I is correct
91. When fixed cost is ₹8,000 and break-even point is ₹20,000, find the profit when sales is ₹30,000 :
- (A) ₹4,000
 - (B) ₹8,000
 - (C) ₹10,000
 - (D) ₹12,000
92. A contract is completed to the extent of two-third. It shows a loss of ₹1,20,000 at the end of the accounting period and cash received being 80% of work certified. Then, the amount of loss to be transferred to profit and loss account is :
- (A) ₹1,20,000
 - (B) ₹ 80,000
 - (C) ₹ 64,000
 - (D) ₹ 96,000
93. In a factory to complete 40 units, 8 hours of standard time is allowed. Guaranteed time wage given in the factory is ₹50 per hour and the high piece rate followed is ₹14 per unit. If a worker in the factory completes the work in six hours, the wages payable to him under Gantt's Task and Bonus System is :
- (A) ₹440
 - (B) ₹360
 - (C) ₹560
 - (D) ₹616
94. Installation of a good costing system is beneficial to :
- (A) Management
 - (B) Creditors
 - (C) Employees
 - (D) All of the above
95. In the organisational set-up, management accountant is generally placed :
- (A) At a higher level of hierarchy than cost accountant
 - (B) At a lower level of hierarchy than cost accountant

- (C) At the same level of hierarchy with cost accountant
(D) Outside the hierarchy
96. Differences in stock of material due to are written off to Profit and Loss Account and do not form part of manufacturing cost.
(A) Normal causes
(B) Abnormal causes
(C) Unavoidable causes
(D) All of the above
97. The most suitable method for calculating the issue price of slow-moving material is :
(A) Realisable price method
(B) Replacement price method
(C) Standard price method
(D) Inflated price method
98. To which of the following companies, the requirement of Cost Audit is not applicable even if they are covered under applicable class of companies :
(A) Company whose revenue from exports, in foreign exchange, exceeds 51% of its total revenue
(B) Company which is operating from a special economic zone
(C) Company which is engaged in generation of electricity for public consumption
(D) All of the above
99. A factory is currently working at 50% of its capacity. At this level the variable, semi-variable and fixed expenses are respectively ₹60,000, ₹20,000 and ₹10,000. If, its semi-variable expenses have a tendency to increase by 10% for every 25% increase in production, the total cost at 75% of its capacity is :
(A) ₹1,30,000
(B) ₹1,35,000
(C) ₹1,27,000
(D) ₹1,22,000
100. method of cost is adopted when by-products are utilised by the factory itself as input for some other process.
(A) Standard cost
(B) Replacement cost
(C) Market value
(D) Net realisable value

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

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

ECONOMIC AND COMMERCIAL LAWS

Time allowed : 3 hours

Maximum marks : 100

NOTE : Answer ALL Questions.

PART A

Question 1

- (a) Which are the sectors in Indian economy where Foreign Direct Investment (FDI) is not allowed under the present foreign direct investment policy ?
- (b) Describe the 'Principles of Restrictions' on Export and Import under Foreign Trade Policy and Procedures.
- (c) Section 25 of the Patent Act, 1970 allows the interested person to give notice of opposition to the controller within certain period after grant of patent. Discuss the grounds on which a patent can be opposed under the Act.
- (d) A school owned a swimming pool and offered swimming facilities to the public on payment of a fee. The school conducted winter and summer training camps to train boys in swimming and for this purpose engaged a trainer/coach. The complainant had enrolled their son for learning swimming under the guidance of the coach. It was alleged that due to the negligence of the coach the boy was allowed and met with his death. The school denied that it had engaged the services of a coach and also denied any responsibility on its part. The coach claimed that he was a person with considerable experience in coaching young boys in swimming and that as in other cases he taught the deceased boy also the way in which he should swim and take all precautions while swimming. When the deceased was found to have been drowned, the coach immediately took him out of the water and removed the water from his stomach and gave him artificial respiration and thereafter took him to a doctor, where he died.

In view of the Consumer Protection Act, 1986 decide whether the school and coach are liable for deficient in rendering service to the deceased.
- (e) State whether Arbitral Tribunal can have lien on the Arbitral Award for any unpaid costs of the arbitration under the Arbitration and Conciliation Act, 1996 ?

(5 marks each)

Answer 1(a)

As per Foreign Direct Investment (FDI) Policy, Foreign Direct Investment (FDI) is not allowed in the following Sectors:

- Lottery Business including Government/private lottery, online lotteries, etc.

- Gambling and Betting including casinos etc.
- Chit funds
- Nidhi company
- Trading in Transferable Development Rights (TDRs)
- Real Estate Business or Construction of Farm Houses

'Real estate businesses shall not include development of townships, construction of residential/commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) Regulations 2014.

- Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
- Activities/sectors not open to private sector investment e.g.
 - (I) Atomic Energy and
 - (II) Railway operations (other than permitted activities).

Answer 1(b)

Under Foreign Trade Policy & Procedure, the Director General of Foreign Trade may, through a Notification, impose restrictions on export and import, necessary for: -

- (a) Protection of public morals;
- (b) Protection of human, animal or plant life or health;
- (c) Protection of patents, trademarks and copyrights, and the prevention of deceptive practices;
- (d) Prevention of use of prison labour;
- (e) Protection of national treasures of artistic, historic or archaeological value;
- (f) Conservation of exhaustible natural resources;
- (g) Protection of trade of fissionable material or material from which they are derived;
- (h) Prevention of traffic in arms, ammunition and implements of war.

Answer 1(c)

Following are the grounds on which Patent can be opposed:

- (a) that the patentee or the person under or through whom he claims, wrongfully obtained the invention or any part thereof from him or from a person under or through whom he claims;
- (b) that the invention so far as claimed in any claim of the complete specification has been published before the priority date of the claim in any specification filed in pursuance of an application for a patent made in India on or after the 1st day of January, 1912; or in India or elsewhere, in any other document;

- (c) that the invention so far as claimed in any claim of the complete specification is claimed in a claim of a complete specification published on or after the priority date of the claim of the patentee and filed in pursuance of an application for a patent in India, being a claim of which the priority date is earlier than that of the claim of the patentee;
- (d) that the invention so far as claimed in any claim of the complete specification was publicly known or publicly used in India before the priority date of that claim;
- (e) that the invention so far as claimed in any claim of the complete specification is obvious and clearly does not involve any inventive step, having regard to the matter published as mentioned in point (b) above or having regard to what was used in India before the priority date of the claim;
- (f) that the subject of any claim of the complete specification is not an invention within the meaning of this Act, or is not patentable under this Act;
- (g) that the complete specification does not sufficiently and clearly describe the invention or the method by which it is to be performed;
- (h) that the patentee has failed to disclose to the Controller the information required by section 8 of the Patents Act or has furnished the information which in any material particular was false to his knowledge;
- (i) that in the case of a patent granted on convention application, the application for patent was not made within twelve months from the date of the first application for protection for the invention made in a convention country or in India by the patentee or a person from whom he derives title;
- (j) that the complete specification does not disclose or wrongly mentions the source and geographical origin of biological material used for the invention;
- (k) that the invention so far as claimed in any claim of the complete specification was anticipated having regard to the knowledge, oral or otherwise, available within any local or indigenous community in India or elsewhere.

Answer 1(d)

The present case is similar to the case of *Sashikant Krishnaji Dole v. Shitshan Prasarak Mandali*.

In this case the National Commission observed that the State Commission had given cogent reasons for holding the school and the coach responsible for death of the deceased. A detailed examination of the depositions of eye witnesses showed that the Commission had correctly appreciated the evidence and come to the conclusion that the coach was negligent and the school did not provide the necessary life saving mechanism to save the lives of trainee students in cases of accidents. So far as the compensation was concerned the State Commission had taken all relevant factors into account and fixed the amount of compensation.

According to the Consumer Protection Act, deficiency means any fault, imperfection, shortcoming or inadequacy in the quality, nature and manner of performance which is required to be maintained by or under any law for the time being in force or has been undertaken to be performed by a person in pursuance of a contract or otherwise in relation to any service.

In view of the above case and Consumer Protection Act the school and coach are liable for deficiency in rendering services to the deceased.

Answer 1(e)

Section 39(1) of the Arbitration & Conciliation Act, 1996 provides that subject to the provisions of sub-section (2) and to any provision to the contrary in the arbitration agreement, the arbitral tribunal shall have a lien on the arbitral award for any unpaid costs of the arbitration.

Section 39 (2) of the Act states that if in any case an arbitral tribunal refuses to deliver its award except on payment of the costs demanded by it, the Court may, on an application in this behalf, order that the arbitral tribunal shall deliver the arbitral award to the applicant on payment into Court by the applicant of the costs demanded, and shall, after such inquiry, if any, as it thinks fit, further order that out of the money so paid into Court there shall be paid to the arbitral tribunal by way of costs such sum as the Court may consider reasonable and that the balance of the money, if any, shall be refunded to the applicant.

As per Section 39 (3) of the Act an application under sub-section (2) may be made by any party unless the fees demanded have been fixed by written agreement between him and the arbitral tribunal and the arbitral tribunal shall be entitled to appear and be heard on any such application.

Under Section 39 (4) of the Act the Court may make such orders as it thinks fit respecting the costs of the arbitration where any question arises respecting such costs and the arbitral award contains no sufficient provision concerning them.

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

Question 2

- (a) *What is the difference between ‘Contract of service’ and ‘Contract for service’ under Consumer Protection Act, 1986 ?*
- (b) *A orally grants to B the rights to catch and carry away fish from his lake for ₹ 1,000 but later on A backs out. What is the remedy for B under the Transfer of Property Act, 1882?*
- (c) *Goyal Ltd. a small scale industry applied for a loan to a financial institution Royal Ltd. Royal Ltd. in exercising their discretion and to act in accordance with best judgement took time to grant the loan. Before the loan was granted, Goyal Ltd. became sick and filed a suit in Consumer Dispute Redressal Forum for damages caused due to delay in granting loan pleading that there was ‘deficiency in service’ as per Consumer Protection Act, 1986. Advise whether Goyal Ltd. will succeed in this case?*
- (d) *Answer the following with reasons in context with Law relating to Transfer of Property Act, 1882:*
 - (1) *A transfers to B for valuable consideration his reversionary interest in a property. When A succeeds to the property, B sues him for possession. Whether B will succeed?*
 - (2) *X wants to make gift of property to Y which is to come in his hands in future. Whether this gift is valid?*

(3) *A is the owner of a property and his son B is the heir of this property having hope expectancy that he will inherit the property of his father. Can B transfer the property to C?*

(e) *State the cases where "Doctrine of supervening impossibility" does not apply.*
(3 marks each)

OR (Alternate question to Q. No. 2)

Question 2A

- (i) *Discuss the adjudication powers of the Adjudication Authority to deal with the cases of money laundering under the Prevention of Money Laundering Act, 2002.*
- (ii) *Discuss the liability of a company for committing an offence of falsely representing a trade mark as registered under the Trade Mark Act, 1999.*
- (iii) *Section 13 of the Special Economic Zone Act, 2005 empowers the Central Government to constitute an Approval Committee. Discuss the powers and functions of Approval Committee in a Special Economic Zone Area under the Act.*
(5 marks each)

Answer 2(a)

The Supreme Court of India in the case of *Indian Merchants Association v. V P Santha* observed that a contract for service implies a contract whereby one party undertakes to render services e.g. professional or technical services to or for another in the performance of which he is not subject to detailed direction and control but exercises professional or technical skill and uses his own knowledge and discretion.

A contract of service on the other hand implies relationship of master and servant and involves an obligation to obey orders in the work to be performed and as to its mode and manner of performance.

Answer 2(b)

The Supreme Court in *Ananda Behra v. State of Orissa, (1956) SCJ p. 96*, observed that such a right is a benefit arising out of immoveable property namely the lake. So under General Clauses Act it is immoveable property. The sale requires a registered instrument for its validity under Section 54 of the Transfer of Property Act, 1882.

Therefore, the oral grant is invalid and cannot pass any title in favour of B.

Answer 2(c)

National Consumer Disputes Redressal Commission in the case of *Special Machines v. Punjab National Bank* held that failure to provide nursing and financing facilities to a small scale industry which consequently became sick cannot be said to constitute 'deficiency in service' as in matters of grant or withholding of further advances and insisting on margin money, banks may exercise their discretion and act in accordance with their best judgement after taking into account various relevant factors. Therefore, the proper forum to agitate such grievances is a civil court.

In view of the above Goyal Ltd. will not succeed.

Answer 2(d)

- (1) A transfers to B for valuable consideration his reversionary interest in a property. When A succeeds to the property, B sues him for possession of the same. B will not succeed as the reversionary interest is a spes successionis and non-transferable. So the transfer is void and B's suit for possession fails.
- (2) Where a person wants to make a gift of the property which is to come in his hands in future, he cannot transfer it because a gift is a voluntary transfer without any consideration. Thus a gift of future property is void.
- (3) The chance of a heir apparent succeeding to the estate of a deceased person cannot be transferred. This type of property which B hopes to get after the death of the father cannot be transferred, during the life time of A.

Answer 2(e)

In the following cases contracts are not discharged on the ground of supervening impossibility.

- (a) Difficulty of performance: The mere fact that performance is more difficult or expensive than the parties anticipated does not discharge the duty to perform.
- (b) Commercial impossibilities do not discharge the contract. A contract is not discharged merely because expectation of higher profits is not realised.
- (c) Strikes, lockouts and civil disturbance like riots do not terminate contracts unless there is a clause in the contract providing for non-performance in such cases.

Answer 2A(i)

The Central Government shall, by notification, appoint an Adjudicating Authority to exercise jurisdiction, powers and authority conferred by or under Section 6 of the Prevention of Money Laundering Act, 2002.

Further under Section 8 of the Act, on receipt of a complaint under section 5(5), or applications made under section 17(4) or under section 18(10) of the Prevention of Money Laundering Act, 2002, if the Adjudicating Authority has reason to believe that any person has committed an offence under section 3 or is in possession of proceeds of crime, it may serve a notice of not less than thirty days on such person calling upon him to indicate the sources of his income, earning or assets, out of which or by means of which he has acquired the property attached.

Where the Adjudicating Authority decides that any property is involved in money-laundering, he shall, by an order in writing, confirm the attachment of the property made under section 5(1) or retention of property or record seized or frozen under section 17 or section 18 of the Prevention of Money Laundering Act, 2002.

Answer 2A(ii)

As per Section 107 of the Trade Marks Act, 1999 if a person falsely represent a trade mark as registered, he shall be punishable with imprisonment for a term which may extend to three years, or with fine, or with both.

If the person committing an offence under Trade Marks Act is a company, the

company as well as every person in charge of, and responsible to, the company for the conduct of its business at the time of the commission of the offence shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly under Section 114.

But such person is not liable to any punishment if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

Answer 2A(iii)

Section 14 of the Special Economic Zones Act, 2005 empowers every Approval Committee to discharge the functions and exercise the powers in respect of the following matters:

- (a) Approve, the import or procurement of goods from the Domestic Tariff Area, for carrying on the authorised operations by a Developer in the Special Economic Zone;
- (b) Approve providing of services by a service provider from outside India or from the Domestic Tariff Area for carrying on the authorised operations by the Developer, in the Special Economic Zone;
- (c) Monitor the utilisation of goods or services or warehousing or trading in the Special Economic Zone;
- (d) Approve, modify or reject proposals for setting up Units for manufacturing or rendering of services or warehousing or trading in SEZ in accordance with the provisions of Section 15(8) of the Act;
- (e) Allow on receipt of approval foreign collaborations and foreign direct investments, including investments by a person outside India for setting up a Unit;
- (f) Monitor and supervise compliance of conditions subject to which the letter of approval or permission, if any, is granted to the Developer or entrepreneur; and
- (g) Perform any other functions as may be entrusted to it by the Central Government or the State Government concerned, as the case may be.

Question 3

- (a) *Mohan, who separated from his father Krishan, sells to Raghav three fields, X, Y and Z, representing that Mohan is authorized to transfer the same. Of these fields, Z does not belong to Mohan, it having been retained by Krishan on the partition, but on Krishan's dying, Mohan as heir obtains field Z. Raghav had not rescinded the contract. Discuss if Raghav can require Mohan to deliver field Z to him.*
- (b) *X, Y and Z jointly promise to pay ₹600 to A. Z was compelled to pay the whole amount, X was declared insolvent, however his assets are sufficient to pay one-half of his debt. State the liability of X, Y and Z under the Indian Contract Act, 1872.*
- (c) *Where an instrument is chargeable with advalorem duty in respect of any money*

stated in any currency other than that of India, how the duty on the value of such money shall be calculated under the Indian Stamp Act, 1899. Discuss.
(5 marks each)

Answer 3(a)

Where, a person fraudulently or erroneously represents that he is authorised to transfer certain immoveable property and professes to transfer such property for consideration, such transfer shall, at the option of the transferee, operate on any interest which the transferor may acquire in such property at any time during which the contract of transfer subsists. (Section 43 of Transfer of Property Act)

This is known as the Doctrine of feeding the grant by Estoppel.

Nothing in this Section shall impair the right of transferees in good faith for consideration without notice of the existence of the said option.

So based on the Doctrine of Estoppel in his case, Raghav can require Mohan to transfer field Z to him after Krishna's death as he has not rescinded the contract.

Answer 3(b)

Under Section 43 of the Indian Contract Act, 1872 where two or more persons made a joint promise, the promisee may, in the absence of an express agreement to the contrary compel any one or more of such joint promisors to perform the whole of the promise. Each of two or more joint promisors may compel every other joint promisor to contribute equally with himself to the performance of the promise unless a contrary intention appears from the contract. If any one of two or more promisors make default in such contribution, the remaining joint promisors should bear the loss arising from such default in equal share.

In the light of the above provisions, Z who has paid the whole amount will be entitled to receive Rs. 100 from X's estate and Rs. 250 from Y.

X will be liable for Rs. 100.

Y will be liable for Rs. 250.

Z will be liable for Rs. 250.

Answer 3(c)

According to Section 20 of the Indian Stamp Act, 1899, where an instrument is chargeable with ad valorem duty in respect of any money expressed in any currency other than that of India, such duty shall be calculated on the value of such money in the currency of India, according to the current rate of exchange on the date of the instrument. The Central Government notifies from time to time, in the Official Gazette the rate of exchange for conversion of certain foreign currencies into Indian currency for this purpose and such rate shall be deemed to be the current rate.

Question 4

(a) *Discuss the nature of interim relief which Court or Arbitration Tribunal may on an application of a party under an arbitration agreement order during the arbitral*

proceedings and thereafter but before the execution of the arbitral award under the Arbitration and Conciliation Act, 1996. (8 marks)

- (b) *List the documents to be submitted by a “person resident in India” for transfer of shares to a person resident outside India by way of gift as per Foreign Exchange Management Act, 1999.* (7 marks)

Answer 4(a)

Section 9(1) of the Arbitration and Conciliation Act, 1996 states that a party may, before or during arbitral proceedings or at any time after the making of the arbitral award but before it is enforced in accordance with section 36, apply to a court—

- (i) for the appointment of a guardian for a minor or person of unsound mind for the purposes of arbitral proceedings; or
- (ii) for an interim measure of protection in respect of any of the following matters, namely:—
 - (a) the preservation, interim custody or sale of any goods which are the subject-matter of the arbitration agreement;
 - (b) securing the amount in dispute in the arbitration;
 - (c) the detention, preservation or inspection of any property or thing which is the subject matter of the dispute in arbitration, or as to which any question may arise therein and authorising for any of the aforesaid purposes any person to enter upon any land or building in the possession of any party, or authorising any samples to be taken or any observation to be made, or experiment to be tried, which may be necessary or expedient for the purpose of obtaining full information or evidence;
 - (d) interim injunction or the appointment of a receiver;
 - (e) such other interim measure of protection as may appear to the Court to be just and convenient, and the Court shall have the same power for making orders as it has for the purpose of, and in relation to, any proceedings before it.

Where, before the commencement of the arbitral proceedings, a Court passes an order for any interim measure of protection under section 9(1), the arbitral proceedings shall be commenced within a period of ninety days from the date of such order or within such further time as the Court may determine.

Once the arbitral tribunal has been constituted, the Court shall not entertain an application under section 9(1), unless the Court finds that circumstances exist which may not render the remedy provided under section 17 efficacious.

Answer 4(b)

List of Documents to be submitted by a person resident in India for transfer of shares to a person resident outside India by way of gift are:

- i. Name and address of the transferor (donor) and the transferee (donee).

- ii. Relationship between the transferor and the transferee.
- iii. Reasons for making the gift.
- iv. In case of Government dated securities and treasury bills and bonds, a certificate issued by a Chartered Accountant on the market value of such security.
- v. In case of units of domestic mutual funds and units of Money Market Mutual Funds, a certificate from the issuer on the Net Asset Value of such security.
- vi. In case of shares and convertible debentures, a certificate from a Chartered Accountant on the value of such securities according to the guidelines issued by Securities & Exchange Board of India or as per any internationally accepted pricing methodology on arm's length basis for listed companies and unlisted companies, respectively.
- vii. Certificate from the concerned Indian company certifying that the proposed transfer of shares/convertible debentures by way of gift from resident to the non-resident shall not breach the applicable sectoral cap/ FDI limit in the company and that the proposed number of shares/convertible debentures to be held by the non-resident transferee shall not exceed 5 per cent of the paid up capital of the company.
- viii. An undertaking from the resident transferor that the value of security to be transferred together with any security already transferred by the transferor, as gift, to any person residing outside India does not exceed the rupee equivalent of USD 50,000 during a financial year.
- ix. A declaration from the donee accepting partly paid shares or warrants that donee is aware of the liability as regards calls in arrear and consequences thereof.

PART B

Question 5

- (a) *In the following cases, state with reasons if the trust is created under The Trusts Act, 1882 :*
 - (i) *A bequeaths certain property to B, desiring him to divide the bulk of it among C's children.*
 - (ii) *A bequeaths certain property to B, "hoping he will continue it in the family".*
 - (iii) *A bequeaths a shop and stock-in trade to B on condition that he pays A's debts and a legacy to C. (3 marks)*
- (b) *Discuss the objectives of the New Industrial Policy, 1991. Why the policy was initiated by the Government ? (3 marks)*
- (c) *'Carbon Credit' is a key component of national and international attempts to mitigate the growth in concentration of green house gases. Explain. (3 marks)*
- (d) *Whether a society can be amalgamated with other society under the Societies Registration Act, 1860 ? What are the procedural requirements for the same ? (3 marks)*

- (e) Explain the doctrine of 'Cypres' in the cases of a charitable trusts. Where this doctrine is applied by the courts under Indian Trust Act, 1882 ? (3 marks)

Answer 5(a)

- (i) This does not create a trust, for the trust property is not indicated with sufficient certainty.
- (ii) This does not create a trust as the beneficiary is not indicated with reasonable certainty.
- (iii) This is condition, not a trust for A's creditors and C.

Answer 5(b)

The objectives of Industrial Policy, 1991 are as under:

- To maintain a sustained growth in productivity;
- To enhance gainful employment;
- To achieve optimal utilisation of human resources;
- To attain international competitiveness; and
- To transform India into a major partner and player in the global arena.

The Policy was initiated for:

- Deregulating Indian industry;
- Allowing the industry freedom and flexibility in responding to market forces; and
- Providing a policy regime that facilitates and fosters growth of Indian industry.

Answer 5(c)

The most dangerous gases thrown out by the industrial units are carbon dioxide, methane, nitrous oxide, etc. and the major industry sources of Green House Gases are cement, steel, textile and fertilizer manufacturers. The groups of such gases, which are responsible for removing greenery from our planet, are known as Green House Gases (GHGs). Carbon credits are a key component of national and international attempts to mitigate the growth in concentration of Green House Gases (GHGs). One Carbon credit is equal to one ton of carbon. Carbon trading is an application of an emissions trading approach. Greenhouse gas emissions are capped and then markets are used to allocate the emissions among the group of regulated sources. The idea is to allow market mechanisms to drive industrial and commercial processes in the direction of low emissions or less "carbon intensive" approaches than are used when there is no cost to emitting carbon dioxide and other GHGs into the atmosphere. Since GHG mitigation projects generate credits, this approach can be used to finance carbon reduction schemes between trading partners and around the world. They are a part of international emission trading norms. They incentivise companies or countries that emit less carbon. The total annual emissions are capped and the market allocates a monetary value to any shortfall through trading. Businesses can exchange, buy or sell Carbon credits in international markets at the prevailing market price.

Answer 5(d)

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

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

The majority of a body cannot alter the fundamental principles of the body unless such power is specially reserved. The Government may order division or amalgamation of a society after giving the society an opportunity to represent against such proposal.

Answer 5(e)

Where the object of the charitable trust, specified by the settler, is or subsequently becomes impossible or impracticable or unlawful, the trust will not necessarily fail, but the Court has power to apply the trust to some other charitable object as nearly as possible resembling the intention of the author. This power of the Court is known as "doctrine of cypris". When a particular mode of charity indicated by the author is not capable of being carried out, yet a general intention of charity, is indicated by the author of the trust, the Court would execute it 'cypris' i.e. in a way as nearly as possible to that which testator specified.

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

Question 6

- (a) State the procedure for 'Approval of model' of weight or measures before its manufacture or import under the Legal Metrology Act, 2009. Under what circumstances approval is not required?
- (b) What is Industrial Licence? Discuss the consequences where an individual 'A' starts a new industrial undertaking and the business of manufacturing a new article without obtaining a licence from the Government under the Industrial (Development and Regulation) Act, 1951.
- (c) The Micro, Small and Enterprises Development Act, 2006 empowers the Central Government to constitute an advisory committee and seeks its recommendations before classifying any class or classes of enterprises on what considerations, the advisory committee communicates its recommendations to the Government?
(5 marks each)

OR (Alternate to question to Q. No. 6)

Question 6A

- (i) *A sub-registrar refuses to register a document on the ground of undervaluation for stamp duty. The person aggrieved with the order of sub-registrar approaches to seek your advice. What advice/remedy would you suggest to him ? Discuss.*
- (ii) *An industry during manufacturing operation had caused major leakage of harmful gas and was ordered to be closed down by the Central Pollution Control Board due to loss and damage to the people of nearby area. Can that industry be allowed for recommencement of operation ? Support your answer with the decided cases.*
- (iii) *A made a gift of a house in favour of B and handed over the deed to B. But before presenting the same for registration A died and C, the son of A opposed the registration. Will B succeed in getting the deed registered before the registration ? With the support of case laws decide under Registration Act, 1908. (5 marks each)*

Answer 6(a)

Every person, before manufacturing or importing any weight or measure shall seek the approval of model of such weight or measure in such manner, on payment of such fee and from such authority as may be prescribed.

However, such approval of model may not be required in respect of any cast iron, brass, bullion, or carat weight or any beam scale, length measures (not being measuring tapes) which are ordinarily used in retail trade for measuring textiles or timber, capacity measures, not exceeding twenty litre in capacity, which are ordinarily used in retail trade for measuring kerosene, milk or potable liquors.

It may be noted that the prescribed authority may, if he is satisfied that the model of any weight or measure which has been approved in a country outside India conforms to the standards established by or under this Act, approve such model without any test or after such test as he may deem fit.

Answer 6(b)

An Industrial licence is a written permission from the Government to an industrial undertaking to manufacture specified articles, listed in the First Schedule and includes particulars of industrial undertaking, its location, articles to be manufactured, the capacity on the basis of maximum utilisation of plant and machinery etc. The licence is subject to a validity period within which the licensed capacity of the undertaking should be established.

The owner of an industrial undertaking (other than Central Government) registered under Section 10 of the Industries (Development and Regulation) Act, 1951, or licensed under Section 11 of the Industries (Development and Regulation) Act, 1951, shall not produce or manufacture any new article unless: (a) in the case of an industrial undertaking registered under Section 10, he has obtained a licence for producing or manufacturing such new articles, and (b) in the case of an undertaking licensed under Section 11, he has had the existing licence amended in the prescribed manner.

If the Central Government is satisfied, either on a reference made to it in this behalf

or otherwise, that any person or authority, to whom or to which, a licence has been issued under section 11, has, without reasonable cause, failed to establish or to take effective steps to establish the new industrial undertaking in respect of which the licence has been issued within the time specified therefor or within such extended time as the Central Government may think fit to grant in any case, it may revoke the licence.

If any person contravenes or attempts to contravene or abets the contravention of the provisions of sub-section 10 or section 11 or of section 11A, he shall be punishable with imprisonment which may extend to six months, or with fine which may extend to five thousand rupees, or with both, and, in the case of a continuing contravention, with an additional fine which may extend to five hundred rupees for every day during which such contravention continues after conviction for first such contravention.

Answer 6(c)

Section 7(2) of the Micro Small and Medium Enterprise Development Act, 2006 empowers the Central Government to constitute an Advisory Committee

The Advisory Committee communicates its recommendations or advice to the Central Government or, State Government or the Board after considering the following:

- (a) The level of employment in a class or classes of enterprises;
- (b) The level of investments in plant and machinery or equipment in a class or classes of enterprises;
- (c) The need of higher investment in plant and machinery or equipment for technological upgradation, employment generation and enhanced competitiveness of the class or classes of enterprises;
- (d) The possibility of promoting and diffusing entrepreneurship in a micro, small or medium enterprise; and
- (e) The international standards for classification of small and medium enterprises.

Answer 6A(i)

According to Section 72(1) of the Registration Act, 1908, an appeal shall lie against an order of a Sub-Registrar refusing to admit a document to registration (whether the registration of such document is compulsory or optional) to the Registrar to whom such Sub-Registrar is subordinate if presented to such Registrar within thirty days from the date of the order; and the Registrar may reverse or alter such order.

If the order of the Registrar directs the document to be registered and the document is duly presented for registration within thirty days after the making of such order, the Sub-Registrar shall obey the same, and thereupon shall, so far as may be practicable, follow the procedure prescribed in Sections 58, 59 and 60; and such registration shall take effect as if the document had been registered when it was first duly presented for registration.

Answer 6A(ii)

In *Shriram Foods and Fertilizer Industries and another v. Union of India and Others* [(1986) 1 Comp. LJ 25 (SC)]. The Supreme Court considered a writ petition seeking re-

commencement of manufacturing operations in the plant especially after the manufacturing operations were ordered to be closed down because of a major leakage of oleum gas. The Supreme Court allowed the re-commencement of manufacturing operations subject to the condition that the chairman and managing director of the company and also the officers who were in actual management of the plant concerned gave an undertaking that in case there was any escape of chlorine gas resulting in death or injury to the people living in the vicinity as well as to any workman, they shall be personally liable for payment of compensation for such death or injury.

The Supreme Court, however, clarified that if the escape of gas took place as a result of vis majeure or sabotage or where the officer proves that he had exercised all due diligence to prevent the escape of the gas, he shall be entitled to be indemnified by the company.

Answer 6A(iii)

The facts of the case are similar to the case of *Kalyan Sundaram Pillai v. Karuppa Moppanar*, AIR 1927 PC 42 where the Privy Council held that that while registration is a necessary solemnity for the enforcement of a gift of immovable property, it does not suspend the gift until registration actually takes place, when the instrument of gift has been handed over by the donor to the donee and accepted by him, the former has done everything in his power to complete the donation and to make it effective. And if it is presented by a person having necessary interest within the prescribed period the Registrar must register it. Neither death nor the express revocation by the donor, is a ground for refusing registration, provided other conditions are complied with.

In view of the above, B will succeed in getting the deed registered.

TAX LAWS AND PRACTICE - SELECT SERIES

Time allowed : 3 hours

Maximum marks : 100

Total number of Questions : 100

Note : *All questions in Part-A relate to the Income-tax Act, 1961 and Assessment Year 2021-22, unless stated otherwise*

PART A

1. *Determine the status of the following :-*
 - (i) *Mohan Lal Sukhadia University*
 - (ii) *Bhilwara Municipal Corporation.*
 - (A) *An association of persons, Artificial juridical person*
 - (B) *Artificial juridical person, A local authority*
 - (C) *A local authority, Artificial juridical person*
 - (D) *An association of persons, A local authority*
2. *Which out of the following cases are capital receipt/expense ?*
 - (A) *Sales-tax collected from the buyer of goods.*
 - (B) *A company instead of receiving royalty year by year, received it in advance in lump sum*
 - (C) *An employee director of a company was paid ₹1,50,000 as a lump sum consideration for not resigning from the directorship.*
 - (D) *Payment of ₹50,000 as compensation for cancellation of a contract for the purchase of machinery with a view to avoid an unnecessary expenditure.*
3. *The surcharge applicable to a foreign company for Assessment Year 2021-22 :*
 - (A) *5%, if the total income exceeds ₹ 1 crore*
 - (B) *10%, if the total income exceeds ₹ 1 crore*
 - (C) *2%, if the total income exceeds ₹ 10 crore*
 - (D) *2%, if the total income exceeds ₹ 1 crore but does not exceed ₹ 10 crore*
4. *Tax liability of Raj Co-operative Society (which opts to pay tax under section 115 BAD) on the total income of ₹ 90,000 for F. Y. 2020-21 is :*
 - (A) *₹ 24,960*
 - (B) *₹ 20,592*

- (C) ₹ 19,800
(D) ₹24,000
5. Where there is a decision to increase the D.A. in March, 2021 with retrospective effect from 1st April, 2019, and increased D.A. is received in April, 2021, the increased portion of D.A. is taxable :
- (A) In the Financial year 2019-20
(B) In the Financial year 2020-21
(C) In the Financial year 2021-22
(D) In the respective years to which they relate
6. Dividend income from England company received in England in the year 2019, brought to India during the previous year 2020-21 is taxable in the A. Y. 2021-22 in case of :
- (A) Resident and ordinarily resident only
(B) Both resident & ordinarily resident and resident not ordinarily resident
(C) Non-resident
(D) None of the above
7. Prabhudayal is engaged in the development and sale of computer software application. It has started a new undertaking in a Special Economic Zone. He furnishes the following information and request you to calculate the amount of deduction available u/s 10AA : (Assuming assessee has not opted U/s 115BAC)
- | Particulars | ₹ in Lakh |
|--|-----------|
| Total profit | 50 |
| Total Turnover | 500 |
| Sale proceed by respect of export | 300 |
| Tele-com and insurance charges (related to export) | 10 |
| Staff cost and travel expenses (related to export) | 40 |
- (A) 25 Lakh
(B) 30 Lakh
(C) 50 Lakh
(D) 300 Lakh
8. Political parties are liable to pay tax on their income and they are assessed as _____ ,
- (A) Association of persons
(B) Company
(C) Firm
(D) Artificial juridical person

9. As per Rule 7B(1A) the _____ of income derived from the sale of coffee grown, cured, roasted and grounded manufactured in India shall be exempt from tax and remaining _____ will be taxed as business income.
- (A) 60%; 40%
- (B) 75%; 25%
- (C) 35%; 65%
- (D) 40%; 60%
10. Raja is employed in a company at Kanpur. His monthly salary is ₹ 5,000. He stayed in his father's house without paying any rent up to 31st December, 2020 and thereafter he took an accommodation on monthly rent of ₹ 2,500. His employer pays him house rent allowance ₹ 500 per month. Calculate the amount of house rent allowance exempt from tax for the A. Y. 2021-22 of Raja. (Assuming assessee has not opted U/s 115BAC).
- (A) 1,500
- (B) 6,000
- (C) 7,500
- (D) 5,000
11. Calculate the value of amenity of motor car provided by the employer in the following case assuming that the employee is specified one :-
- Free use of employer's car having engine of 2.0 litre cubic capacity for personal as well as official purpose. Expenses relating to personal uses are borne by assessee. The car is driven by the assessee himself. (Assuming assessee has not opted U/s 115BAC).*
- (A) ₹ 10,800
- (B) ₹ 7,200
- (C) ₹ 21,600
- (D) ₹ 28,800
12. Nitesh has let out his one of the house since 1st April, 2002 at a rent of ₹10,000 per month. On 1st May, 2020 he received ₹39,000 as arrear of rent because rent was increased by ₹3,000 per month with effect from 1st April, 2019 as per decision of the Court. At the same time he recovered ₹40,000 out of unrealized rent from his earlier tenant. Find taxable amount out of this arrear received and recovery of unrealized rent for the A. Y. 2021-22. (Assuming assessee has not opted U/s 115BAC).
- (A) ₹ 53,200
- (B) ₹ 76,000
- (C) ₹ 79,000
- (D) ₹ 55,300

13. *Shanti Lal has taken loan of ₹ 5,00,000 on 1st October, 1999 @ 10% p.a. for construction of a house which was completed on 1st October, 2019 and the house remained self-occupied throughout the previous year 2020-21. The assessee has income under the head salary of ₹ 4,00,000. Shanti Lal has paid life insurance premium of ₹ 30,000. Compute total income for A.Y. 2021-22. (Assuming assessee has opted U/s 115BAC).*

(A) ₹ 2,45,000

(B) ₹ 3,40,000

(C) ₹ 4,00,000

(D) ₹ 3,70,000

14. *Which out of the following is not considered as deemed owner of property as per section 27 :*

(A) *Member of a co-operative society*

(B) *Person in possession of a property*

(C) *Person having right in a property for a period not less than 15 years*

(D) *Holder of an impartible estate*

15. *What is the rate of depreciation that shall be allowable in case of fluidized bed type heat treatment furnaces ?*

(A) 15%

(B) 25%

(C) 30%

(D) 40%

16. *Vinod furnishes the following particulars for Financial Year 2020-21. You are required to arrive at the deduction U/s 35 for A.Y. 2021-22, while computing the Income under head "Profits/Gains from Business/ Profession".*

<i>Amount paid to Indian Institute of Science, West Bengal for Scientific Research</i>	<i>₹8,50,000</i>
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<i>Capital Expenditure on In-house R&D facility as approved by prescribed authority</i>	<i>₹10,00,000</i>
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Assuming assessee has not opted U/s 115BAC.

(A) ₹ 18,50,000

(B) ₹ 23,50,000

(C) ₹ 22,75,000

(D) ₹ 27,75,000

17. The requirement of audit u/s 44AB, doesn't apply to a person who declares profits/gains on a presumptive basis u/s 44AD and his total sales/turnover/ gross receipts doesn't exceed _____ .
- (A) One crore
(B) Two crore
(C) Five crore
(D) 50 lakhs
18. What is the limit of cash payment under section 40A(3), where payment made for plying, hiring or leasing goods carriages ?
- (A) ₹10,000
(B) ₹ 20,000
(C) ₹ 35,000
(D) ₹ 50,000
19. Rahim purchased house on 1st April, 2001 for ₹2,00,000 and incurred ₹3,00,000 on improvement on 1st July, 2002. He further incurred ₹ 4,00,000 on 1st July, 2013 for improvement. The house was sold by him on 1st July, 2020 for ₹ 2,00,00,000. He is entitled to deduction u/s 80C of ₹1,00,000. Compute the total income of Rahim for the A.Y. 2021-22 assuming that Rahim opted for section 115BAC. (CII 2001- 02=100, 2002-03=105, 2013-14=220).
- (A) ₹ 1,79,90,730
(B) ₹ 1,78,90,730
(C) ₹ 1,91,00,000
(D) ₹ 1,84,40,270
20. As per section 48 of Income Tax Act, 1961, it is provided that where the stamp duty value does not exceed _____ of the consideration received or accruing as a result of the transfer, the consideration so received or accruing as a result of the transfer shall, for the purpose for computing profits and gains from transfer of such assets, be deemed to be the full value of the consideration.
- (A) 105%
(B) 110%
(C) 120%
(D) 150%
21. Mark to market loss computed in accordance with income computation and disclosure standards (ICDS) shall be allowed as deduction from the Income under _____ .
- (A) Salaries

- (B) *Income from house property*
- (C) *Profits and gains of business or profession*
- (D) *Capital gains*
22. *For claiming exemption u/s 54F, the amount to the extent of net consideration price is to be invested in the purchase of residential house property in India within :*
- (A) *Two years from the date of transfer*
- (B) *Three years from the date of transfer*
- (C) *One year before or two years after the date of transfer*
- (D) *One year before or three years after the date of transfer*
23. *The legal heir of the deceased who receives family pension is entitled to take deduction from such family pension (where option u/s 115BAC is not exercised) received to the extent of :*
- (A) *Allowed a standard deduction of 1/3rd of such pension subject to maximum of ₹ 20,000*
- (B) *Allowed a standard deduction of 1/3rd of such pension or 15,000 whichever is less*
- (C) *Allowed a standard deduction of 1/3rd of such pension or ₹12,000 whichever is less*
- (D) *No deduction is allowed*
24. *As per section 49 (2AA), where the capital gain arise from the transfer of specified security or sweat equity shares referred to in section 17(2)(vi), the cost of acquisition of such security or shares shall be the _____ which has been taken into account for perquisite valuation.*
- (A) *Fair market value*
- (B) *Cost price*
- (C) *Cost or Market price, whichever is higher*
- (D) *Cost or Market price, whichever is lower*
25. *If the assessee has more than two houses that are self-occupied, the choice of houses that should be construed as self-occupied and for the others to be considered as deemed to be let out, lies with :*
- (A) *Assessing officer*
- (B) *Assessee*
- (C) *Either (A) or (B)*
- (D) *Relevant Jurisdiction ITO where the house was situated*

26. Long-term capital gains on listed securities (other than units) and Zero coupon bonds are chargeable to tax :
- (A) @ 20% computed after indexation of such bonds
 - (B) @ 10% computed without indexation of such bonds
 - (C) @ 20% computed without indexation of such bonds
 - (D) @ 10% computed after indexation of such bonds
27. For how many no. of years, losses of business mentioned in section 35AD can be carried forward ? (Assessee has not opted for section 115BAC).
- (A) Eight Years
 - (B) Four Years
 - (C) Seven Years
 - (D) No time limit
28. On 31.10.2020, Raju (Minor child) gets a gift of ₹ 15,00,000 from his father's friend. On the same day, the amount is deposited as fixed deposit in Raju's bank account. On the said deposit, interest of ₹ 15,000 was earned during the F.Y. 2020-21. In whose hands the income of Raju shall be taxable ? (Assessee has not opted for section 115BAC).
- (A) Income of ₹15,13,500 shall be taxable in the hands of Raju's father.
 - (B) Income of ₹15,15,000 shall be taxable in the hands of Raju's father.
 - (C) Income of ₹15,13,500 shall be taxable in the hands of Raju's father or mother, whose income before this clubbing is higher.
 - (D) Income of ₹15,15,000 shall be taxable in the hands of Raju's father or mother, whose income before this clubbing is higher
29. According to section 80, no loss which has not been determined in pursuance of a return filed in accordance with the provisions of section 139(3), shall be carried forward. The exceptions to this are :
- (A) Loss from specified business under section 73A
 - (B) Loss under the head "Capital Gains" and unabsorbed depreciation carried forward under section 32(2)
 - (C) Loss from house property and unabsorbed depreciation carried forward under section 32(2)
 - (D) Loss from speculation business under section 73
30. Heena is a self-employed lady. Her business income is ₹9,00,000 and other income is ₹2,00,000. She contributes ₹20,000 per month towards National Pension Scheme. Besides, she deposited ₹20,000 in public provident fund, ₹5,000 in notified annuity plan of LIC. Compute total income of Heena for the Assessment Year 2021-22. (Assuming assessee has not opted for section 115BAC)

- (A) 8,05,000
(B) 9,00,000
(C) 7,85,000
(D) 9,50,000
31. Rupam has computed his gross total income of ₹ 5,60,000 for the Assessment Year 2021-22 which includes ₹ 4,70,000 on account of long-term capital gain from sale of equity shares which are taxable u/s 112A of the Income Tax Act. He paid ₹ 1,30,000 as premium of life insurance taken for his own life. Compute the amount of total income of Rupam if he is a senior citizen. (Assuming assessee has not opted for section 115BAC)
- (A) ₹ 4,70,000
(B) ₹ 4,30,000
(C) ₹ 90,000
(D) ₹ 4,10,000
32. Ram is a resident individual and suffers from severe disability certified by the appropriate authority. He is mainly dependent on his father Karan. Karan has to spend ₹ 4,000 per month on the treatment of Ram. The gross total income of Ram and Karan is ₹50,000 and ₹1,50,000 respectively. Find out total income of Karan for the Assessment Year 2021-22. (Assuming assessee has not opted for section 115BAC)
- (A) ₹ 25,000
(B) ₹ 50,000
(C) ₹ 1,02,000
(D) Nil
33. Maximum deduction available u/s 80 QQB in respect of royalty income of authors of certain books other than text-books are : (Assuming assessee has not opted for section 115BAC)
- (A) Deduction of 100% of such income or ₹3,00,000, whichever is less
(B) Deduction of 100% of such income or ₹2,50,000, whichever is less
(C) Deduction of 50% of such income or ₹3,00,000, whichever is less
(D) Deduction of 50% of such income or ₹2,50,000, whichever is less
34. Compute tax payable by Rajkumar for the Previous Year 2020-21: Taxable income of Rajkumar by normal rates of income tax is ₹ 2,10,000, Long-term capital gain (with indexing benefit) ₹2,00,000 and short term capital gain taxable u/s 111A is ₹4,00,000 (Securities Transaction Tax on such sale is paid). (Assuming assessee has not opted for section 115BAC)
- (A) ₹ 2,10,000

- (B) ₹ 1,00,000
(C) ₹ 95,680
(D) ₹ 60,000
35. Taxable income of Mohan Singh from different sources during the previous year was ₹10, 41,000. His agriculture income for the period was ₹42,000. Find his tax liability for the A. Y. 2021-22. (Assuming assessee has not opted for section 115BAC)
- (A) ₹3, 12,300
(B) ₹1,37,400
(C) ₹1,42,896
(D) ₹1,40,710
36. In order to rationalize the presumptive taxation scheme and to reduce the compliance burden of the small tax payers having income from profession and to facilitate the ease of doing business, a new section 44ADA has been inserted to provide presumptive taxation regime for professionals where, total gross receipts should not exceed _____
- (A) ₹25,00,000
(B) ₹50,00,000
(C) ₹75,00,000
(D) ₹1,00,00,000
37. Which of the ITR Form is used by association of persons (AOP) for filling income tax return ?
- (A) ITR-4
(B) ITR-5
(C) ITR-6
(D) ITR-7
38. Which out of the following is the false statement for computation of income of the Hindu Undivided Family (H.U.F.) ?
- (A) Income from 'stridhan' is included in the income of the family.
(B) Income from impartible estate is taxable in the hands of the holder of the estate and not in the hands the H.U.F.
(C) Under the Dayabhaga School of law, no son has any right in the ancestral property during the lifetime of his father.
(D) Personal income of the member cannot be treated as income of H.U.F.
39. Excess of 12% interest on capital received by a partner from the firm is taxable in the hands of partner under the head :
- (A) Salary

- (B) *Business and profession*
- (C) *Income from other sources*
- (D) *Exempt from tax*
40. *Compute taxable income of a trading firm from the following details relating to the previous year 2020-21 :*
- | | |
|---|---------------|
| <i>Net loss before interest and salary paid to partners</i> | <i>11,000</i> |
| <i>Interest paid to partner @ 12% p.a.</i> | <i>20,000</i> |
| <i>Salary paid to each of the two partners @ ₹ 2,500 p.m.</i> | <i>60,000</i> |
- The firm has no other income under any head.*
- (A) *₹ 69,000*
- (B) *₹ 91,000*
- (C) *(-) 31,000*
- (D) *(-) 91,000*
41. *There are three individual members Raja, Harshil and Gopal in an association of persons (AOP) sharing profits and losses in equal proportion. AOP earned total taxable income ₹9,00,000 for the Assessment Year 2021-22 which included ₹ 30,000 for longterm capital gain. The net taxable income of members from their own business was ₹ 30,000, ₹ 40,000 and ₹ 50,000 respectively before transferring share of profit from AOP. Find the tax liability of AOP.*
- (A) *₹ 89,960*
- (B) *₹ 6,000*
- (C) *₹ 3,78,110*
- (D) *₹ 96,200*
42. *Alternate minimum tax (AMT) credit can be carried forward up to _____ immediately succeeding the assessment year in which such credit become allowable.*
- (A) *10th assessment year*
- (B) *12th assessment year*
- (C) *15th assessment year*
- (D) *20th assessment year*
43. *As per section 6(3) of the Act, a company is said to be resident in India (resident company) in any previous year if :*
- (A) *It is an Indian Company*
- (B) *Its place of effective management (POEM), in that year, is in India*
- (C) *Either it is an Indian company or the POEM is in India*
- (D) *It is both an Indian company and the POEM is in India*

44. *What is the tax rate applicable for the manufacturing companies incorporated in India on or after 1st October, 2019, where it opted for section 115BAB ?*
- (A) 22%
 - (B) 15%
 - (C) 25%
 - (D) 30%
45. *What is the decision of Supreme Court in the case of Apollo Tyres Ltd. V. CIT (2002) 255 ITR 273(SC) that regarding the power of Assessing Officer to examine correctness of net profits shown in P&L Account.*
- (A) *The Assessing Officer does not have the power to question correctness of P&L A/c prepared by assessee and certified by the statutory auditors of the company as having been prepared in accordance with the provision of Parts II and Schedule VI to the Companies Act.*
 - (B) *The Assessing Office has the power to question correctness of P&L A/c prepared by assessee and certified by the statutory auditors of the company as having been prepared in accordance with the provision of Parts II and Schedule VI to the Companies Act.*
 - (C) *After permission of the assessee, the Assessing Office has the power to question correctness of P&L A/c*
 - (D) *None of the above*
46. *For computing the book profit under section 115JB which of the following is not added back to the profits ?*
- (A) *Provision for diminution in value of investment*
 - (B) *Securities Transaction Tax*
 - (C) *Proposed dividend*
 - (D) *Provision for deferred tax*
47. *As per section 194N, if any assessee withdraw the amount of from banks, post office or co-operative society engaged in banking business more than _____ during the previous year 2020-21 then the tax will be deducted at rate _____ on the amount in excess withdrawn. (Assuming the cash withdrawn before May, 2020)*
- (A) *One crore; 1%*
 - (B) *One crore; 2%*
 - (C) *Two crore; 1%*

- (D) Two crore; 2%
48. As per section 192A, where amount is payable to the employees from the Employee Provident fund, 1952 and such payable amount or aggregate amount which has become due is more than by _____, then the tax will be deducted at source at the rate _____ on amount paid. (Assuming TDS deduction for the period June, 2020 to March, 2021).
- (A) ₹50,000; 10%
- (B) ₹50,000; 7.5%
- (C) ₹1,00,000; 10%
- (D) ₹1,00,000; 7.5%
49. From the following information compute the amount of interest payable by the income tax department u/s 244A:
- | | |
|--|------------|
| Tax paid by way of advance tax and tax deducted at source up to 31.03.2021 | ₹13,000 |
| Tax due as per assessment u/s 143(1) | ₹12,000 |
| Date of refund granted | 15.12.2021 |
- (A) ₹45
- (B) ₹40
- (C) ₹90
- (D) No interest is payable
50. Compute the advance tax payable by Banshi (not a senior citizen) for the Assessment year 2021-22, if he has not been assessed to tax previously. His estimated taxable income for the financial year 2020-21 is ₹4,68,000
- (A) 10,900
- (B) 11,336
- (C) 65,400
- (D) NIL
51. Who is entitled to refund in case of insolvency of the assessee ?
- (A) His legal representative
- (B) The receiver
- (C) The liquidator of the company
- (D) His agent provided he has been duly authorized by the principal
52. The person responsible for paying to any person any amount referred to in

section 80CCA(2)(a) shall, at the time of payment thereof, deduct income-tax at the rate of 20%. No deduction shall, however, be made under section 194EE where the amount of such payment or the aggregate of such payment to the payee during the financial year is less than _____.

- (A) ₹1,500
 - (B) ₹2,500
 - (C) ₹5,000
 - (D) ₹10,000
53. The estimated gross total income of Raja is ₹7,70,000 which includes ₹80,000 on account of long-term capital gain earned on 16.09.2020. Compute the advance tax payable including long-term capital gain by Raja assuming ₹5,000 has been deducted at source during the financial year 2020-21 ?
- (A) ₹66,500
 - (B) ₹69,160
 - (C) ₹64,160
 - (D) ₹61,500
54. Mohan Singh filed ITR for the A. Y. 2021-22 on 31st May, 2021. Intimation under section 143(1) may be sent up to :
- (A) 31st July, 2021
 - (B) 31st March, 2022
 - (C) 31st March, 2023
 - (D) No Time Limit
55. An assessee can file a revised return of income at any time before the completion of assessment or before expiry of the following period, whichever is earlier.
- (A) End of relevant assessment year
 - (B) Six months from the end of the relevant assessment year
 - (C) One year from the end of the relevant assessment year
 - (D) Two months from the end of the relevant assessment year
56. What is the time limit to get issued notice under section 147, if income escaping from return is less than by ₹1,00,000 ?
- (A) Two years from the end of the related assessment year
 - (B) Four years from the end of the related assessment year
 - (C) Six years from the end of the related assessment year
 - (D) Seven years from the end of the related assessment year

57. The self-assessment tax computed u/s 140A by Gaurav is ₹65,000 which includes ₹30,000 as interest for late filing of return. The assessee deposited ₹35,000 as self-assessment tax. In this case :
- (A) ₹35,000 shall be adjusted towards tax due
 - (B) ₹30,000 shall be adjusted towards interest due and balance 5,000 shall be adjusted towards tax due
 - (C) ₹35,000 shall be adjusted in the proportion towards tax and interest
 - (D) No adjustment of tax is possible
58. As per section 249(1) of Income Tax Act, 1961 the appeal should be filed in the prescribed form and verified in the prescribed manner. What is rate of fees when the assessed income is more than one hundred thousand rupees but not more than two hundred thousand rupees?
- (A) ₹250
 - (B) ₹500
 - (C) ₹1,000
 - (D) ₹2000
59. Which of the Form number requires that the memorandum of appeal, statement of facts and the grounds of the appeal must be in duplicate and should be accompanied by a copy of the order appealed against and the notice of demand in original ?
- (A) Form 25
 - (B) Form 35
 - (C) Form 40
 - (D) Form 50
60. Which out of the following is the false statement regarding payment of tax before filing appeal ?
- (A) No appeal against any order passed by the Assessing Officer can be admitted by the Commissioner (Appeals) unless at the time of filing of the appeal the assessee has paid tax due on the income returned by him.
 - (B) Where the assessee has not furnished the return of income, he has paid an amount to the amount of advance tax which was payable by him.
 - (C) If the appellant wants exemption from the payment of such tax he has to make an application to the commissioner (appeals) who is empowered to waive this requirement in appropriate cases if he is satisfied that there are good and sufficient reasons for doing so.
 - (D) It may be noted that Income-tax law requires the payment of tax before the filing of the appeal and also payment of penalty or any other sum payable by the assessee on the basis of the order appealed against.

61. What is the quantum of penalty under section of 272A(1)(d), in case of failure to comply with a notice under section 142(1) or 143(2) or fails to comply with a direction issued under section 142(2A) ?
- (A) ₹1,000
 - (B) ₹5,000
 - (C) ₹10,000
 - (D) ₹20,000
62. "-----" is a method of evading tax liability by dishonest means like suppression, showing lower incomes, conscious violation of rules, inflation of expenses etc.
- (A) Tax Evasion
 - (B) Tax Avoidance
 - (C) Tax Planning
 - (D) Tax Management
63. What is the legal implication of Tax Avoidance ?
- (A) It overrules of law
 - (B) It uses loopholes in the law
 - (C) It uses benefits of the law
 - (D) Advantages arise in the long run
64. Which planning is based on the measures which circumvent the law :
- (A) Short range and long range tax planning
 - (B) Permissive tax planning
 - (C) Presumptive tax planning
 - (D) Purposive tax planning
65. Place where there is no tax on income or it is taxed at low rate; individuals or corporate entities move from jurisdiction of high rates of taxes to the region of low tax in order to lower their overall tax liability is known as _____ .
- (A) Tax Haven
 - (B) Tax beneficiary country
 - (C) Safe Harbour
 - (D) Controlled foreign Corporation
66. Deduction under section 80GG is allowed only to :
- (A) HUF

- (B) Partnership firm
(C) Company
(D) Individual
67. Under the scheme of Advance Ruling, the power of giving advance ruling has been entrusted by the _____ to an independent adjudicatory body designated as Authority for Advance Ruling (AAR).
- (A) Central Government
(B) Revenue Administration Authority
(C) Statutory Authority
(D) The Central Board of Direct Taxes (CBDT)
68. Form No. _____ is applicable to resident/ non-resident who seeks advance ruling in respect of impermissible avoidance arrangement ?
- (A) 34C
(B) 34D
(C) 34E
(D) 34EA
69. In addition to GAAR there also exists SAAR which specifically aim at certain arrangements of tax avoidance. What is the full name of "SAAR" ?
- (A) Specific Anti-Avoidance Rules
(B) Simple Anti-Avoidance Rules
(C) Search Anti-Avoidance Rules
(D) Search Authority of Advance Ruling
70. How much is the fee for filing an application for advance ruling ?
- (A) NIL
(B) ₹ 5,000
(C) ₹ 10,000
(D) ₹ 20,000

PART-II

71. In the GST Council, a decision will be taken by a _____ majority with the Centre having a _____ vote and the States remaining _____ vote.
- (A) 3/4, 1/3, 2/3
(B) 3/4, 2/3, 1/3
(C) 1/3, 2/3, 3/4
(D) 2/3, 3/4, 1/3

72. Different countries follow different model of GST based upon their own legislative and administrative structure and their requirement. Kelkar-Shah Model is based on _____ .
- (A) Canada Model wherein taxes are collected by the Centre however, two different rates of tax are to be levied by the Centre and the States
 - (B) Canada Model wherein taxes are collected by the Centre however, same rates of tax are to be levied by the Centre and the States
 - (C) Australian Model wherein taxes are collected by the Centre however, two different rates of tax are to be levied by the Centre and the States
 - (D) Australian Model wherein taxes are collected by the Centre however, same rates of tax are to be levied by the Centre and the States.
73. As per structure of the anti-profiteering mechanism in the GST regime, complaints of local nature will be first sent to the Statelevel _____ while those of national level will be marked for the _____ .
- (A) Screening committee, Standing Committee
 - (B) Standing committee, Screening Committee
 - (C) Asim Desgupta committee, Standing Committee
 - (D) Screening committee, Asim Dasgupta Committee
74. Under Section 2(6) of the UTGST Act, 2017, "Government" means the Administrator or any authority or officer authorized to act as Administrator by the _____ .
- (A) State Government
 - (B) Central Government
 - (C) GST Council
 - (D) State Government and Central Government both
75. What is the Full Form of "NAA" under GST ?
- (A) National Accounting Association
 - (B) National Anti-profiteering Authority
 - (C) National Amendment Act
 - (D) National Authority of Association
76. According to Rule 6 of CGST Rules, upon receipt of the reply to the show cause notice issued under sub-rule (4) from the registered person in FORM _____, the proper officer shall issue an order in FORM _____ within a period of 30 days of the receipt of such reply, either accepting the reply, or denying the option to pay tax under section 10 from the date of the option or from the date of the event concerning such contravention, as the case may be.
- (A) CMP-04, CMP-05
 - (B) CMP-06, CMP-07

- (C) *CMP-07, CMP-08*
- (D) *CMP-05, CMP-06*
77. *Activities which are not covered under Schedule III under CGST Act, 2017 :*
- (A) *Development, design, programming, customization, adaptation, up gradation, enhancement, implementation of information technology software*
- (B) *Services by employee to employer*
- (C) *Services by any court or tribunal*
- (D) *Actionable claims, other than lottery, betting and gambling*
78. *Section 2(6) defines “aggregate turnover” as the aggregate value of _____ .*
- (A) *All taxable supplies including the value of inward supplies on which tax is payable by a person on reverse charge basis, exempt supplies, export of goods or services or both and interstate supplies of person having the same permanent account number to be computed on all India basis.*
- (B) *All taxable supplies excluding the value of inward supplies on which tax is payable by a person on reverse charge basis, exempt supplies, export of goods or services or both and interstate supplies of person having the same permanent account number to be computed on all India basis.*
- (C) *All taxable supplies excluding the value of inward supplies on which tax is payable by a person on reverse charge basis, exempt supplies, export of goods or services or both and interstate supplies of person having different permanent account number to be computed on all India basis.*
- (D) *All taxable supplies including the value of inward supplies on which tax is payable by a person on reverse charge basis, exempt supplies, export of goods or services or both and interstate supplies of person having different permanent account number to be computed on all India basis.*
79. *Section 2 of the CGST Act, 2017 contains the definitions of various terms used at several places in the Act, What is the correct definitions of “Exempt supply” and “NonTaxable supply”.*
- (A) *“Exempt supply” means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the IGST Act, and includes non-taxable supply. Where “Non-Taxable supply” means a supply of goods or services or both which is not leviable to tax under this Act or under the IGST Act.*
- (B) *“Exempt supply” means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the IGST Act, and excludes non-taxable supply. Where “Non-Taxable supply” means a supply of goods or services or both which is not leviable to tax under this Act or under the IGST Act.*
- (C) *“Non-Taxable supply” means supply of any goods or services or both which*

attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the IGST Act, and includes exempt supply. Where "Exempt supply" means a supply of goods or services or both which is not leviable to tax under this Act or under the IGST Act.

- (D) "Non-Taxable supply" means supply of any goods or services or both which attracts nil rate tax or which may be wholly exempt from tax under section 11, or under section 6 of the IGST Act, and excludes exempt supply. Where "exempt supply" means a supply of goods or services or both which is not leviable to tax under this Act or under the IGST Act.

80. Determine the time of supply from the following particulars :

7th May	Booking of banquet hall, sum agreed ₹25,000 advance of ₹ 4,000 received
16th September	Function held in banquet hall
28th October	Invoice issued for ₹25,000, indicating balance of ₹21,000 payable
4th November	Balance payment of ₹21,000 received

- (A) The time of supply of service to the extent of advance amount received is 7th May and the time of supply of service to the extent of the balance amount is 16th September
- (B) The time of supply is 16th September for the all amount
- (C) The time of supply is 28th October
- (D) The time of supply is 4th November

81. XYZ Bank Limited a scheduled commercial bank, has furnished the following details for the month of August, 2020 :

Particulars	Amount (₹ in crore) (excluding GST)
Extended housing loan to its customers.	200
Processing fees collected from its customers on sanction on loan	40
Commission collected from its customers on Bank guarantee	60

Compute the value of taxable supply.

- (A) 100 crore
- (B) 300 crore
- (C) 240 crore
- (D) 260 crore

82. Which out of the following is a correct statement regarding collection of composition tax from customers ?
- (A) The registered person under composition scheme is not permitted to collect tax. It means that a composition scheme supplier cannot issue a tax invoice.
 - (B) The registered person under composition scheme is permitted to collect tax. It means that a composition scheme supplier cannot issue a tax invoice.
 - (C) The registered person under composition scheme is permitted to collect tax. It means that a composition scheme supplier can issue a tax invoice.
 - (D) The registered person under composition scheme is not permitted to collect tax. It means that a composition scheme supplier can issue a tax invoice.
83. Out of the following manufacturer/producer/ service provider, who cannot avail composition scheme ?
- (A) Manufacturer
 - (B) Tax payer making interstate supplies
 - (C) Beauty Parlour
 - (D) Person supplying goods through an electronic commerce operator
84. Which out of the following is the false statement regarding eligibility and conditions for taking input tax credit as per section 16 of CGST Act ?
- (A) Every registered person is eligible to take credit of GST charged to him for his inward supply of goods/services if he uses such supplies in course or furtherance of his business.
 - (B) Payment of tax and filing of return is also necessary to claim ITC.
 - (C) Where the goods against an invoice are received in lots or installments, the registered person shall be entitled to take credit upon receipt of the last lot or installment.
 - (D) Depreciation under section 32 of the Income Tax Act shall be claimed on the tax portion on which ITC has been claimed.
85. Section 17 of CGST Act, 2017 where a banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advance shall have the option to either comply with the provision of sub section (2), or avail of, every month, an amount equal to _____ of the eligible input tax credit on inputs, capital goods and input services in that month and the rest shall lapse.
- (A) 30%
 - (B) 40%
 - (C) 50%
 - (D) 60%

86. *The maximum time limit for availing Input Tax Credit (ITC) in CGST Act, 2017 :*
- (A) *90 days*
 - (B) *180 days*
 - (C) *One year*
 - (D) *Two years*
87. *Under GST regime, when goods are sent from a taxable person to a job worker it shall be treated as supply and will be liable to GST if the goods so sent are not received back within _____ in case of “inputs” and _____ in case of “capital goods”, as case may be.*
- (A) *180 days, One year*
 - (B) *Three Years, One Year*
 - (C) *One Year, Three Years*
 - (D) *Three Years, Five Years*
88. *The due date for filling of GSTR 6 as per GST Act :*
- (A) *1st of the following month*
 - (B) *11th of the following month*
 - (C) *13th of the following month*
 - (D) *20th of the following month*
89. *Refund of unutilized input tax credit is allowed where :*
- (A) *Zero rated supplies are made after payment of tax*
 - (B) *The credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies*
 - (C) *Goods exported out of India are subjected to export of duty*
 - (D) *Supplier of goods avails duty drawback.*
90. *What will be maximum rate of interest, if a taxable person who makes an undue or excess claim of input tax credit or undue or excess reduction in output tax liability ?*
- (A) *12%*
 - (B) *18%*
 - (C) *24%*
 - (D) *36%*
91. *Who is required to Furnish Form GSTR-10 ?*
- (A) *Taxable person whose registration has been surrendered or cancelled*

- (B) *Person having UIN and claiming refund*
- (C) *E-Commerce Operator/Tax Collector*
- (D) *Non-Resident Taxable Person*
92. *Special Audit under GST signed and certified by the appointed _____ is required to be submitted within _____ although this period can be extended to 90 days.*
- (A) *Company Secretary, 180 days*
- (B) *Chartered Accountant, 180 days*
- (C) *Cost Accountant, 90 days*
- (D) *Chartered Accountant, 60 days*
93. *A return under GST in form _____ is required to be filed by a Tax Deductor by _____.*
- (A) *GSTR-4; 18th of the month succeeding quarter*
- (B) *GSTR-5; 20th of the next month*
- (C) *GSTR-6; 13th of the next month*
- (D) *GSTR-7, 10th of the next month*
94. *Which out of the following persons is not liable for registration under GST law ?*
- (A) *Agriculturist engaged in making any supply other than supply of produce out of cultivation of land*
- (B) *Agriculturist supplying produce out of cultivation of land*
- (C) *Payer of reverse charge*
- (D) *Input service distributor*
95. *As per section 132(2) of CGST Act, 2017 where any person convicted of an offence under this section is again convicted of an offence under this section; then, he shall be punishable for the second and for every subsequent offence with imprisonment for a term which may extend to ----- and with fine.*
- (A) *3 Years*
- (B) *5 Years*
- (C) *10 Years*
- (D) *15 Years*
96. *The highest applicable approved rate of UTGST has been prescribed at _____*
- (A) *18%*
- (B) *20%*
- (C) *28%*
- (D) *40%*

97. *As per section 10 of CGST Act, 2017, the proceeds of the cess and such other amounts as may be recommended by the Council, shall be credited to a non-lapsable Fund known as the _____, which shall form part of the public account of India and shall be utilized for purposes specified in the said section.*
- (A) *Goods and Services Tax Compensation Fund*
 - (B) *Consumer Welfare Fund*
 - (C) *Central Welfare Fund*
 - (D) *Consolidated Fund of India*
98. *Section 9 of the IGST Act, 2017 defines :*
- (A) *Levy under IGST*
 - (B) *Interstate Supply*
 - (C) *Intrastate Supply*
 - (D) *Supplies in Territorial Waters*
99. *If the goods so seized are of perishable or hazardous nature, such goods can be released by an order under GST INS-05 only after taxable person pays an amount equivalent to the _____ or things or the amount of tax, interest and penalty that is or may become payable by the taxable person, whichever is lower.*
- (A) *Market price of such goods*
 - (B) *Cost price of such goods*
 - (C) *Cost or Market price (Whichever is least) of such goods*
 - (D) *Amount as decided by higher authority*
100. *Mrs. Mallick, an unregistered person, from Mumbai, has an account with a bank at Mumbai. She is on a vacation in Rajasthan and visits a bank for getting a demand draft made. The place of supply in such case shall be _____.*
- (A) *Mumbai*
 - (B) *Rajasthan*
 - (C) *Mumbai and Rajasthan both*
 - (D) *None of the above*

ANSWER KEY
TAX LAWS AND PRACTICE - SELECT SERIES

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

**Notes :*

- Q. No. 4 None of the options are correct. The correct answer is Rs. 22650.
- Q. No. 7 Definition of Export turnover excludes Telecom and insurance charges (related to export) while calculating export turnover and total turnover for claiming exemption u/s 10AA. Reference has been made to circular No. 4/2018 Dated 14.08.2018 to exclude the telecom and insurance charges from total turnover also. However, the circular has been issued in view of section 10A and not section 10AA. Further, freight, telecommunication and insurance charges is deductible only in cases if the assessee (exporter) recover the same from importer in addition to sale price. Further, the staff cost and travel expenses is not specifically be excluded while calculating export turnover / total turnover. Therefore, If the Tele-com and insurance expenses are deducted from total and export turnover, the correct answer is $50 \times 290/490 = 29.59$ lakh. If the same is not deducted, the correct answer is Rs. $50 \times 300/500 = 30$ Lakh.
- Q. No. 26 Option A and B both are correct. As per section 112 where the tax payable in respect of any income arising from the transfer of a long-term capital asset, being listed securities (other than a unit) or zero coupon bond, exceeds 10% of the amount of capital gains before giving effect to the provisions of the second proviso to section 48, then, such excess shall be ignored for the purpose of computing the tax payable by the assessee.
- Q. No. 48 Option A is correct without considering the lower rate due to pandemic. Option B is correct considering the lower rate announced due to pandemic.
- Q. No. 50 Option B is correct if Mr. Banshi is non-resident as rebate u/s 87A is not allowed. If Mr. Banshi is resident, Option D is correct.

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