

GUIDELINE ANSWERS

EXECUTIVE PROGRAMME

DECEMBER 2020

MODULE 1



**THE INSTITUTE OF
Company Secretaries of India**

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Statutory body under an Act of Parliament

(Under the jurisdiction of Ministry of Corporate Affairs)

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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

DECEMBER 2020

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) *Is it mandatory for every public company to appoint Key Managerial Personnel?*
- (b) *A petition to the National Company Law Tribunal for winding up of a company shall be presented only by the company and not by any contributory.*
- (c) *It is not mandatory for every company issuing debentures to create a debenture redemption reserve account.*
- (d) *The Articles of Association may contain provisions for entrenchment.*

(5 marks each)

Answer 1(a)

Section 203 of the Companies Act, 2013 read with Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 mandates the appointment of whole-time Key Managerial Personnel and makes it obligatory for every listed company and every other public company having a paid-up share capital of rupees ₹10 crores or more, to appoint the following whole-time key managerial personnel:

- (i) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-Time Director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer.

Accordingly, it is mandatory for only those Public Limited Companies which are covered under the aforesaid mentioned provisions to appoint whole-time Key Managerial Personnel.

Answer 1(b)

Section 272(1) of the Companies Act, 2013 provides that subject to the provisions of this section, a petition to the Tribunal for the winding up of a company shall be presented by—

- (a) the company;
- (b) any contributory or contributories;
- (c) all or any of the persons specified in clauses (a) and (b);

- (d) the Registrar;
- (e) any person authorised by the Central Government in that behalf; or
- (f) in a case falling under clause (b) of section 271 of the Companies Act, 2013 i.e., if the company has acted against the interests of the sovereignty and integrity of India, by the Central Government or a State Government.

In terms of Section 272(2) of the Companies Act, 2013, a contributory is entitled to present a petition for the winding up of a company, notwithstanding that he may be the holder of fully paid-up shares, or that the company may have no assets at all or may have no surplus assets left for distribution among the shareholders after the satisfaction of its liabilities, and shares in respect of which he is a contributory or some of them were either originally allotted to him or have been held by him, and registered in his name, for at least 6 months during the 18 months immediately before the commencement of the winding up or have devolved on him through the death of a former holder.

Therefore, a Contributory can also present a petition for winding up of a company to the National Company Law Tribunal (NCLT) in addition to the Company and other parties as mentioned in Section 272(1) of the Companies Act, 2013.

Answer 1(c)

Section 71(4) of the Companies Act, 2013, provides that when debentures are issued by a company under this section, the company is required to create a Debenture 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 utilized by the company except for the redemption of debentures.

The provisions for creation of Debenture Redemption Reserve Account (DRR) for various classes of companies as per Rule 18 of the Companies (Share Capital and Debentures) Rules, 2014 are as follows:

- (i) **All India Financial Institutions (AIFIs) regulated by Reserve Bank of India and Banking Companies-** No DRR is required for debentures issued by them for both public as well as privately placed debentures.
- (ii) **Financial Institutions (FIs) within the meaning of clause (72) of Section 2 of the Companies Act, 2013-** DRR shall be as applicable to NBFCs registered with RBI.
- (iii) **For NBFCs registered with the RBI under Section 45 – IA of the RBI Act, 1934, and for Housing Finance Companies registered with the National Housing Bank:**
 - **Listed NBFCs and Housing Finance Companies-** No DRR is required in case of both public issue of debentures as well as privately placed debentures.
 - **Unlisted NBFCs and Housing Finance Companies-** No DRR is required in case of privately placed debentures.
- (iv) **Listed Companies-** No DRR is required in case of both public issue of debentures as well as privately placed debentures.

- (v) **Unlisted companies-** Adequacy of DRR shall be 10% of the value of the outstanding debentures.

Therefore, Debenture Redemption Reserve is not mandatory for every company issuing Debentures.

Answer 1(d)

Section 5(3) of the Companies Act, 2013 has prescribed that the Articles may contain provisions for entrenchment to the effect that specified provisions of the articles may be altered only if conditions or procedures that are more restrictive than those applicable in the case of a special resolution, are met or complied with.

The Companies Act 2013, recognizes an interesting concept of entrenchment. Essentially, the entrenchment provisions allow for certain clauses in the articles to be amended upon satisfaction of certain conditions or restrictions greater than those prescribed under the Companies Act, 2013 (such as obtaining 100% consent). This provision acts as a protection to the minority shareholders and is of specific interest to the investment community. This shall empower the enforcement of any pre-agreed rights and provide greater certainty to investors, especially in joint ventures.

Section 5(4) of the Companies Act, 2013 provides that the provisions for entrenchment referred to in Section 5(3) of the Companies Act, 2013, shall only be made either:

- (a) on formation of a company, or
- (b) by an amendment in the articles agreed to by all the members of the company in the case of a private company and by a special resolution in the case of a public company.

Section 5(5) of the Companies Act, 2013 read with Rule 10 of the Companies(Incorporation) Rules, 2014 stipulates that, where the articles contain provisions for entrenchment, the company shall give notice to the Registrar of Companies of such provisions in web-form SPICe+ [Simplified Proforma for Incorporating company Electronically Plus: (INC-32)], along with specified fees at the time of incorporation of the company or in case of existing companies, the same shall be filed in Form No.MGT.14 within 30 days from the date of entrenchment of the articles, as the case may be, along with the specified fees.

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

Question 2

Distinguish between the following:

- (a) *Winding up and striking off name of companies.*
- (b) *Limited Liability Partnership and Partnership firm.*
- (c) *Pre-scrutiny and Check form.*
- (d) *Mortgage and Charge.*

(4 marks each)

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

- (i) *Malafied Ltd. would like to forfeit the shares allotted to a shareholder for non-payment of final call. The company has sent the notice to the address as per the records of the company and forfeited the shares. The defaulter objects the forfeiture on the ground that he did not receive the notice. Explain the validity of the objections raised by the defaulted shareholder.*
- (ii) *“Every company can issue shares with differential voting rights up to 50% of its share capital”. Validate this statement with a brief answer.*
- (iii) *Your company has constituted an Audit Committee. As the Company Secretary, prepare a note on the role of Audit Committee on related party transactions.*
- (iv) *Arohan Ltd., an unlisted company is having its corporate office in Kolkata. It is having registered office in New Delhi and wants to call its annual general meeting in Mumbai on 1st September 2019. Can the company do so as per the provisions of the Companies Act, 2013? (4 marks each)*

Answer 2(a)

S. No. <i>Winding up of Companies</i>	<i>Striking off name of Companies</i>
1. Winding up is a proceeding by means of which the dissolution of a company is brought about & in the course of which its assets are collected and realised; and applied in payment of its debts; and when these are satisfied, the remaining amount is applied for returning to its members the sums which they have contributed to the company in accordance with Articles of the Company.	Striking off name of a company is an alternative method of winding up of a company subject to statutory criterion specified under Section 248 of the Companies Act, 2013.
2. To be authorized by way of special resolution passed by the company or by order of the Tribunal for winding up (Section- 271).	Either through Notice by ROC under Section 248(1), when he has reasonable cause to believe that the company has either failed to commence its business within 1 year of its incorporation or it is not carrying any business or operation for a period of 2 immediately preceding financial years and has also not applied for being classified as a Dormant Company; or By voluntary application by company under Section 248(2), authorized by a special resolution or through consent of 75% members in terms of paid-up share capital of the company.

3.	Tribunal will appoint a Provisional Liquidator or a Company Liquidator, as the case may be.	The company after extinguishing all its liabilities, file the application to the ROC and liquidator is not required to be appointed.
4.	Section 272(1) allows for the petition for winding up to be filed by either of the company or any contributory(s) or the Registrar or any other persons specified in that sub-section.	Section 248 provides that strike-off/removal of name of the company can be done either :- - By Registrar of Companies on <i>suo-motto</i> basis; - By Application of Company.
5.	The name of the company will be struck off from the Register of Companies only after completion of the winding-up and dissolution procedures.	Once the Registrar is convinced that the conditions and requirements mentioned under Section 248 are fulfilled only then the name of the company will be struck off from the Register of Companies.

Answer 2(b)

S. No.	Limited Liability Partnership (LLP)	Partnership Firm
1.	LLP is a body corporate and a legal entity separate from its partners and therefore can be sued in its own name or it can sue others in its own name without involving the partners.	A partnership firm is not distinct from the several persons (Partners) who compose it.
2.	It is governed by the provisions of Limited Liability Partnership Act, 2008.	It is governed by the provisions of the Partnership Act, 1932.
3.	Partners of LLP would have limited liability i.e., they would not be held liable beyond the money contributed by them.	Partners of Partnership firm would have unlimited liability.
4.	Retirement or death of a partner would not dissolve the LLP.	Retirement or death of partner would dissolve the Partnership Firm.
5.	LLP is formed by an incorporation of document and agreement to give it a legality and compulsory registration.	Partnership firm may be formed either orally or by a deed of agreement, whether registered or not.
6.	A minimum of 2 partners will be required for formation of an LLP. There will not be any limit to the maximum number of partners.	A minimum of 2 partners will be required. Maximum Number of Partners will be 50.

7. Properties of the LLP are not property of individual partners.	Properties of the Partnership Firm are properties of individual partners comprising it.
8. Individual partner can enter into business transactions with LLP as the LLP is a separate legal entity by itself.	In Partnership Firm an individual partner is not allowed to enter into business transactions with the firm in which he is a partner.

Answer 2(c)**Difference between Pre-Scrutiny and Check Form:**

Pre-scrutiny is a functionality that is used for checking whether certain core aspects are properly filled in an e- Form and are not in conflict with the existing data of the company available on the MCA portal. The necessary attachments and digital signatures should be affixed to the e-form before submitting the e-Form for pre-scrutiny. Internet connection is required to carry out the pre-scrutiny functions.

By clicking "Check Form", the user will be in a position to find out whether the mandatory fields in an e-Form are duly filled-in. For example, if the user enters alphabets in "Date of Appointment of Director" field, he/she will be asked to correct the entered information.

Thus, the Check form is a basic verification done at the e-form level only by internal features of the form which ensure that all the mandatory and required field are filled up and attachment are made to the e-form, while Pre-Scrutiny is a complete legal and technical scrutiny of an e-form done in comparison to the data of the company available with the MCA portal before accepting the form.

Answer to Question No. 2 (d)

<i>S.No.</i>	<i>Mortgage</i>	<i>Charge</i>
1.	A mortgage is created by the act of the parties	A charge may be created either through the act of parties or by operation of law.
2.	A mortgage requires registration under the Transfer of Property Act, 1882.	A charge created by operation of law does not require registration but a charge created by act of parties requires registration
3.	A mortgage is a transfer of an interest in specific immovable property.	A charge only gives a right to receive payment out of a particular property. There is no such transfer of interest in the case of a charge. Charge does not operate as transfer of an interest in the property and a transferee of the property gets the property free from the charge provided, he purchases it for value without notice of the charge.
4.	A mortgage is for a fixed term.	The charge may be in perpetuity.

5. A mortgage is good against subsequent transferees.	A charge is good against subsequent transferees with notice.
6. A simple mortgage carries personal liability unless excluded by express contract.	In case of charge, no personal liability is created. But where a charge is the result of a contract, there may be a personal remedy.

Answer 2A(i)

Forfeiture of shares means taking back of shares by the Company from the shareholders. Article 28 of Table-F of Schedule-I of the Companies Act, 2013 stipulates that, if a member of the company fails to pay any call, or instalment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.

For a valid forfeiture, satisfaction of following conditions is necessary:

- (i) Articles of Association must authorize the forfeiture of shares;
- (ii) Proper Notice is required to be sent to the shareholder;
- (iii) Board Resolution is required to be passed for forfeiture of shares;
- (iv) Power of forfeiture must be exercised bona fide and for the benefit of the company.

In terms of Article 29 of Table F, the notice shall specify a further day, which shall not be earlier than the expiry of 14 days from the date of service of notice, on or before which the payment required by the notice is to be made. Further, the notice shall also mention that in the event of non-payment, on or before the day so named, the shares in respect of which the call was made shall be liable to be forfeited.

According to Article 30 of Table F, if the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

As per the conditions stipulated as above, the Malafied Ltd. has sent the notice to the shareholders at the address available as per records of the Company.

In the case of *Sparks vs. Liverpool Water Works Co.*, Accidental non-receipt of notice of forfeiture by the defaulter is not a ground for relief against forfeiture regularly effected.

Thus, the objection of defaulter is not valid.

Answer 2A(ii)

Section 43 of the Companies Act, 2013, provides that a company limited by shares can issue equity shares with differential rights as to dividend, voting or otherwise in accordance with the conditions which are prescribed under Rule 4 of the Companies (Share Capital and Debentures) Rules, 2014.

Rule 4 of Companies (Share capital and Debentures) Rules, 2014 specifies a condition w.r.t. the limit on issue of shares with differential rights i.e., a company limited by shares can issue equity shares with differential rights complying with the condition that the voting power in respect of shares with differential rights of the company shall not exceed 74% of total voting power including voting power in respect of equity shares with differential rights issued at any point of time.

Hence, the statement that every company can issue shares with differential voting rights up to 50% of its share capital is well within the limit mentioned in Rule 4 of Companies (Share Capital and Debentures) Rules, 2014. Thus, this statement is correct.

Answer 2A(iii)

Role of Audit Committee on Related Party Transactions

Section 177(4)(iv) of the Companies Act, 2013 specifies that the terms of reference of Audit Committee includes approval or any subsequent modification of transactions of the company with related parties.

The Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to such conditions as prescribed under Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014, namely–

- (i) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely: -
 - (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - (b) the maximum value per transaction which can be allowed;
 - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
 - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (ii) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
 - (a) repetitiveness of the transactions (in past or in future);
 - (b) justification for the need of omnibus approval.
- (iii) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.

- (iv) The omnibus approval shall contain or indicate the following: -
- (a) name of the related parties;
 - (b) nature and duration of the transaction;
 - (c) maximum amount of transaction that can be entered into;
 - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

However, where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding ₹1 crore per transaction.

- (v) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- (vi) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- (vii) Any other conditions as the Audit Committee may deem fit.

Answer 2A(iv)

Section 96(2) of the Companies Act, 2013 states that every Annual General Meeting of the company shall be held either at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situated.

However, the first proviso to Section 96(2) of the Companies Act, 2013 provides that the Annual General Meeting of an unlisted company may be held at any place in India if consent is given in writing or by electronic mode by all the members in advance.

Accordingly, Arohan Ltd. as an unlisted company can call its Annual General Meeting in Mumbai on September 01, 2019 subject to consent given in writing or by electronic mode by all the members in advance.

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

Question 3

- (a) *Sec. 186 and Sec. 185 dealing with loans and investments by companies speak about loan given to directors and employees and not about any investment made by one corporate body in another. Referring to the provisions of the Companies Act, 2013 validate the above statement. (4 marks)*
- (b) *An investigation into the affairs of a company has been ordered by National Company Law Tribunal in public interest (Sec. 210). As a Company Secretary to handle the investigation with courage and confidence, what are the major aspects to be considered? (4 marks)*
- (c) *Beauty Ltd. wants to include additional grounds for vacation of office of directors in the Articles of Association of the company. Can the company do so under the*

provisions of the Companies Act, 2013? What will be your answer if this company is private Ltd.? (4 marks)

- (d) *ESS Ltd., a government company was incorporated on 1st June 2018 and appointed first auditor on 15th July 2018. Explain as to whether ESS Ltd. has complied with the provisions of the Companies Act, 2013?* (4 marks)

OR (Alternate question to Q. No. 3)

Question 3A

- (i) *ABC Ltd. has accepted deposits from the public for three years with interest payable at 8% p.a annually or at the end of three years at 9% p.a. One depositor "D" has requested the company for repayment of deposit after one year. Is the depositor eligible to get repayment before maturity period? Answer with legal provisions.* (4 marks)
- (ii) *A widow applies for transmission of shares standing in the name of her deceased husband without producing a succession certificate. The company officials insist for succession certificate as mandatory for transmission of shares of the deceased person. The widow represents again and again requesting for transmission explaining her inability to submit the succession certificate. Can the directors of the company transmit the shares to the widow? Advise the company.* (4 marks)
- (iii) *Shyam Agarwal wants to incorporate a company in the name and style of Raghav Forest Corporation Ltd. in the state of Himachal Pradesh. Can a company be incorporated with the said name? Referring to the provisions of the Companies Act, 2013 and you being a practicing Company Secretary, advise the promoters.* (4 marks)
- (iv) *Gopal Kabra who is a member of Shakti Ltd. wants to inspect the Register of deposits maintained by the company as required under the provisions of the Companies Act, 2013 and rules made thereunder. The Company Secretary has refused to show the register for inspection. Comment on the action of the Company Secretary referring to the provisions of the Companies Act, 2013.* (4 marks)

Answer 3(a)

As per Section 185(1) of the Companies Act, 2013, no company can 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 of its directors or of a company which is its holding company or any partner or relative of any such director; or
- any firm in which any such director or relative is a partner.

However, Section 185(2) of the Companies Act, 2013, subject to fulfilling of certain conditions prescribed therein, does allow a company to advance any loan including any loan represented by a book debt, or give guarantee, or provide any security in connection with any loan taken by any person in whom any of the director of the company is interested.

Further, Section 185(3) of the Companies Act, 2013 allows giving of loans by the companies to their Managing or Whole-time Directors if the loan is given as a part of conditions of service extended by the company to all its employees or pursuant to any scheme approved by the members by way of a special resolution.

Whereas Section 186 of the Companies Act, 2013, is more of a procedural requirement only which prescribes that a company shall unless otherwise prescribed, make investment through not more than two layers of investment companies and that no company shall directly or indirectly give any loan to any person or other body corporate, give any guarantee or provide security in connection with a loan to any other body corporate or person and acquire by way of subscription, purchase or otherwise, the securities of any other body corporate, exceeding 60% of its paid-up share capital, free reserves and securities premium account or 100% of its free reserves and securities premium account, whichever is more unless previously authorised by Special Resolution.

Accordingly, the statement, that “Section 186 and Sec 185 of the Companies Act, 2013 dealing with Loans and investments by companies speak about loan given to directors and employees and not about any investment made by one corporate body in another” is not fully correct as while Section 185 of the Companies Act, 2013 does talks about loans to directors and employees, Sec 186 of the Companies Act, 2013 specifically talks about loans and investments by one corporate entity into another.

Answer 3(b)

Before an inspector commences investigation under Section 210 of the Companies Act, 2013 into the affairs of a company, it is advisable for the Company Secretary to prepare a report touching upon various aspects of the activities of his company particularly those transactions in respect of which fraud or misfeasance or mismanagement is alleged. This exercise will enable the secretary to handle the investigation into the affairs of his company with courage and confidence. The aspects which should be considered by the secretary include:

- i. Basic information about the company—Name of the company; date of incorporation; location of the registered office, branches, factories and other offices; status of the company—public or private; objects of the company—capital structure; voting rights attached to the shares; shareholding pattern of the company.
- ii. Business activities—Nature of existing business, licensed and installed capacities, expansion programme and sources of finance, whether the company belongs to a particular group; if so the names of other companies falling within the same group.
- iii. Debentures, bank finance and deposits.
- iv. Foreign collaboration agreements.
- v. Management—Brief history of past management set up; existing management set up; composition of Board of Directors; whether the terms and conditions of the appointment of managerial personnel are being adhered to; details regarding appointment of directors and their relatives to an office or place of profit.

- vi. Whether all the statutory registers including minute's books are being maintained up-to-date?
- vii. Whether the internal checks and internal control system is being properly followed?
- viii. Working results and financial position—General assessment of working of the company, evaluation of the level of performance and efficiency of the management, a review of the profits of the company, performance data, financial position of the company in the context of its working results for the last three years.
- ix. Compliance by the company and its officers with the provisions of the Companies Act, 2013.
- x. Compliance with the provisions of other Acts applicable to the company.
- xi. Whether the loans taken and loans advanced to Directors, the firms in which they are partners or companies in which they are Directors are in accordance with the provisions of the Companies Act, 2013.
- xii. The investments made by the company.
- xiii. Sole selling agency agreement.
- xiv. Instance of mismanagement and other irregularities.
- xv. Acquisition/disposal of substantial assets.
- xvi. A scrutiny of abnormal/heavy expenditure items.
- xvii. Complaints, if any, against the company and its management and steps taken to redress them.
- xviii. Brief particulars of the litigations against the company and the reasons thereof.
- xix. Management's relations with the employees and labour.
- xx. Shareholders—Instance of oppression of minority shareholders, allegations of non-receipt of dividend, notices of meetings, accounts, share certificates, etc.; illegal forfeiture of shares, etc. and steps taken to redress Investors, complaints.
- xxi. Auditors—Name and address of Statutory auditors, Secretarial Auditor and Cost Auditor, compliance as per the provisions of the Companies Act, 2013.

Answer 3(c)

No, it is not allowed, for a Public Limited Company under the provisions of Section 167 of the Companies Act, 2013, to amend its Article of Association to include additional grounds for vacation of office of Directors over and above what is specifically prescribed under Sec 167(1) of the Companies Act, 2013.

However, if Beauty Ltd had been a Private Limited Company then as provided under Sec 167(4) of the Companies Act, 2013, it may, by its Articles, provide any other ground for the vacation of the office of a director in addition to provisions mentioned in section 167(1) of the Companies Act, 2013.

Answer 3(d)

In terms of Section 139(7) of the Companies Act, 2013, in case of a Government Company or any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government, or Governments, or partly by the Central Government and partly by one or more State Governments, the first auditor shall be appointed by the Comptroller and Auditor General of India within 60 days from the date of registration of the company and in case the Comptroller and Auditor-General of India does not appoint such auditor within the said period, the Board of Directors shall appoint such auditor within the next 30 days; and in the case of failure to do so by the Board of Directors, it shall inform the members, who shall appoint the auditor within 60 days at an extraordinary general meeting (EGM), such auditor shall hold office till conclusion of the first Annual General Meeting of the company.

The above provisions shall be applicable to ESS Ltd., as it is a government company and it has appointed its first auditor on July 15, 2018 i.e., well within 60 days from the date of incorporation. Hence, it has duly complied with the applicable provisions of the Companies Act, 2013.

Answer 3A(i)

As per Rule 15 of the Companies (Acceptance of Deposits) Rules, 2014, when 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.

However, this rule shall not 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—

- (a) complying with the provisions of Rule 3 of the Companies (Acceptance of Deposits) Rules, 2014; or
- (b) providing war risk or other related benefits to the personnel of the naval, military or air forces or to their families, on an application made by the associations or societies formed by such personnel, during the period of emergency declared under article 352 of the Constitution.

In view of the above provision, D can get repayment of deposit after one year of deposit with reduction of 1% i.e., 7% per annum from ABC Ltd.

Answer 3A(ii)

Where any person acquires any right to securities by operation of any law, the company may register the transmission of shares in favour of such person if the company receives intimation of transmission from such person, and in such a case no transfer deed shall be necessary.

Article 23(i) of Table F of Schedule I of the Companies Act, 2013, states that on the death of a member, the survivor or survivors where the member was a joint holder, and his

nominee or nominees or legal representatives where he was a sole holder, shall be the only persons recognised by the company as having any title to his interest in the shares.

Further, according to Section 56(2) of the Companies Act, 2013, a company shall have power to register on receipt of an intimation of transmission of any right to securities by operation of law from any person to whom such right has been transmitted. The legal heirs have to produce the succession certificates for transmission of securities.

However, if a widow applies for transmission of the shares standing in the name of her deceased husband without producing succession certificate and if the Articles of Association of the Company so authorizes, the directors may dispense with the production of succession certificate, probate or letter of administration upon such terms as to indemnity, as the Directors may consider necessary, and transmit the shares to the widow of the deceased by obtaining an Indemnity bond, (*Pushpa Vadera vs. Thomas Cook (India) Ltd.*).

Answer 3A(iii)

In terms of Sec 4(3)(b) of the Companies Act, 2013 read with Rule 8B(u) of the Companies (Incorporation) Rules, 2014, the word “Forest Corporation” shall not be used in the name of a company in English or any of the languages depicting the same meaning unless the previous approval of the Central Government has been obtained for the use of any such word or expression.

Hence, Raghav Forest Corporation Ltd. cannot be formed without such previous approval of the Central Government for the use of any such word or expression. The promoters of the proposed company have been advised accordingly.

Answer 3A(iv)

According to Rule 14 of the Companies (Acceptance of deposits) Rules, 2014, every company accepting deposits is required to, maintain at its registered office one or more separate registers for deposits accepted or renewed, in which prescribed particulars shall be entered separately in the case of each depositor.

The provisions of the Companies Act, 2013 do not contain any provisions governing the inspection of the Register for deposits and therefore it can be said that in absence of any enabling provision, this register is not open for inspection by members and company may refuse to open it for inspection.

Accordingly, the Company Secretary has not defaulted under any provision of the Companies Act, 2013 by refusing an inspection of Register of Deposits to Gopal Kabra, member of the Company.

Question 4

- (a) *MNO International Financial Service Company is a subsidiary of Lee Ltd of Japan, established in SEZ of India. The holding company Lee Ltd follows calendar year as financial year. MNO-IFSC also proposes to follow the same financial year as of holding company. Is it necessary to take approval of the National Company Law Tribunal?* (4 marks)
- (b) *“Shareholders are liable to pay on the money due on shares even if assets of the company exceed its liability.” Is this statement true as per the provisions of the Companies Act, 2013?* (4 marks)

- (c) *XY Ltd. is the holding company of Z Ltd. Can Z Ltd acquire shares of its holding company XY Ltd.? Advise as a practicing Company Secretary. (4 marks)*
- (d) *P Ltd. intends to raise share capital by issuing equity shares in different stages over a certain period of time. However, the company does not wish to issue prospectus each and every time of issue of shares. Considering the provisions of the Companies Act 2013, discuss what formalities P Ltd. should follow to avoid repeated issuance of prospectus? (4 marks)*

Answer 4(a)

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

As stipulated under Clause 41 of Section 2 of the Companies Act 2013, in case of Specified IFSC Public/ Private Company, which is a subsidiary of a foreign company, the financial year of the subsidiary may be same as the financial year of its holding company and approval of the Tribunal shall not be required.

Accordingly, MNO-IFSC, being a subsidiary of Lee Ltd., of Japan, a holding company established in SEZ of India can also follow the calendar year as financial year as followed by its holding company without requiring to take any approval of the National Company Law Tribunal.

Answer 4(b)

“The privilege of limited liability for business debts is one of the principal advantages of doing business under the corporate form of organisation.” The company, being a separate person, is the owner of its assets and bound by its liabilities. The liability of a member as shareholder, extends to the contribution to the capital of the company up to the nominal value of the shares held and not paid by him.

Members, even as a whole, are neither the owners of the company’s undertakings, nor liable for its debts. In other words, a shareholder is liable to pay the balance, if any, due on the shares held by him, when called upon to pay and nothing more, even if the liabilities of the company exceed its assets. This means that the liability of a member is limited. For e.g. If A holds shares of the total nominal value of ₹1000 and has already paid ₹500 (or 50% of the value) as part payment at the time of allotment, he cannot be called upon to pay more than ₹500, the amount remaining unpaid on his shares.

Hence, Shareholders are only liable to pay on the money due on shares, even if the assets of the company exceeds its liabilities.

Answer 4(c)

Section 19(1) of the Companies Act, 2013 provides that a subsidiary company shall not either by itself or through its nominees, hold any shares in its holding company and no holding company shall allot or transfer its shares to any of its subsidiary companies

and any such allotment or transfer of shares of a company to its subsidiary company shall be void.

The reference in the above mentioned section w.r.t. the shares of a holding company which is a company limited by guarantee or an unlimited company, not having a share capital, shall be construed as a reference to the interest of its members, whatever be the form of interest.

Therefore, no subsidiary company shall hold any interest in its holding company.

However, following are the circumstances where a subsidiary company can hold the shares of its holding company:

- (a) Where the subsidiary company holds such shares as the legal representative of a deceased member of the holding company; or
- (b) Where the subsidiary company holds such shares as a trustee; or
- (c) Where the subsidiary company is a shareholder even before it became a subsidiary company of the holding company.

Accordingly, in the present case Z Ltd. cannot acquire shares of its holding company XY Ltd.

Answer 4(d)

“Shelf prospectus” means a prospectus in respect of which the securities or class of securities included therein are issued for subscription in one or more issues over a certain period without the issue of a further prospectus.

- (1) According to Section 31 of the Companies Act 2013, any class or classes of companies as the Securities and Exchange Board of India may provide by regulations in this behalf, may file a shelf prospectus with the Registrar of Companies at the stage:
 - of the first offer of securities included therein which shall indicate a period not exceeding 1 year as the period of validity of such prospectus which shall commence from the date of opening of the first offer of securities under that prospectus, and
 - in respect of a second or subsequent offer of such securities issued during the period of validity of that prospectus, no further prospectus is required.
- (2) The other formalities related to such repeated/ subsequent issue of shares:

A company filing a shelf prospectus shall be required to file an information memorandum containing all material facts relating to new charges created, changes in the financial position of the company as have occurred between the first or previous offer of securities and the succeeding offer of securities and such other prescribed changes, with the Registrar of Companies within the prescribed time, prior to the issue of a second or subsequent offer of securities under the Shelf Prospectus.

Thus, P. Limited can follow the above mentioned provisions and issue a Shelf Prospectus, to avoid repeated issuance of prospectus.

Question 5

- (a) *The basic principle of non-interference with internal management of company by the court was laid down in a celebrated case of Foss Vs. Harbottle. Discuss the rule with its exceptions.*
- (b) *Rahul has to claim certain shares and unclaimed dividend from Ocean Ltd which has transferred it to Investor Education and Protection Fund (IEPF). Discuss the procedure to be followed by Rahul in terms of relevant rules notified in this regard. (8 marks each)*

Answer 5(a)

The Company Law provides for adequate protection for the minority shareholders when their rights are trampled by the majority. However, the protection of the minority is not generally available when the majority does anything in the exercise of their powers for internal administration of a company. The court will not usually intervene at the instance of shareholders in matters of internal administration, and will not interfere with the management of a company by its directors, so long they are acting within the powers conferred on them under the Articles of the company. In other words, the Articles are the protective shield for the majority of shareholders who compose the Board of directors for carrying out their object at the cost of minority shareholders. The basic principle of non-interference with the internal management of company by the court was laid down in a celebrated case of *Foss vs. Harbottle* that no action can be brought by a member against the directors in respect of a wrong alleged to be committed to a company. The company itself is the proper party of such an action.

However, the rule in *Foss vs. Harbottle* is not absolute but is subject to certain exceptions. In other words, the rule of supremacy of the majority is subject to certain exceptions and thus, minority shareholders are not left helpless, but they are protected by;

- a) The common law and
- b) The provision of the Companies Act, 2013

The cases in which the majority rule does not prevail are commonly known as exceptions to the rule in *Foss vs. Harbottle* and are available to the minority. In all these cases an individual member may sue for declaration that the resolution complained of is void, or for an injunction to restrain the company from passing it. The said rule will not apply in the following cases:

- (1) **Ultra Vires Acts-** Where the directors representing the majority of shareholders perform an illegal or *ultra vires* act for the company, an individual shareholder has right to bring an action. The majority of shareholders have no right to confirm an illegal or *ultra vires* transaction of the company. In such case a shareholder has the right to restrain the company by an order or injunction of the court from carrying out an ultra vires act.
- (2) **Fraud on Minority-** Where an act done by the majority amounts to a fraud on the minority; an action can be brought by an individual shareholder.
- (3) **Wrongdoers in Control of the company-** If the wrongdoers are in control of the company, the minority shareholders' representative action for fraud on the minority will be entertained by the court

- (4) **Resolution requiring Special Majority but is passed by a Simple Majority-** A shareholder can sue if an act requires a special majority but is passed by a simple majority. Simple or rigid, formalities are to be observed if the majority wants to give validity to an act which purports to impede the interest of minority.
- (5) **Personal Actions-** Individual membership rights cannot be invaded by the majority of shareholders. It is to be noted that shareholder is entitled to all the rights and privileges appertaining to his status as a member.
- (6) **Breach of duty-** The minority shareholder may bring an action against the company, where although there is no fraud, there is a breach of duty by directors and majority shareholders to the detriment of the company.
- (7) **Prevention of oppression and mismanagement -** The minority shareholders are empowered to bring action with a view to preventing the majority from oppression and mismanagement.

Answer 5(b)

Rule 7 of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, details the procedure of refund to claimants from the Investor Education Protection Fund (Fund). It provides as under:

- Any person whose shares, unclaimed dividend, matured deposits, matured debentures, application money due for refund, or interest thereon, sale proceeds of fractional shares, redemption proceeds of preference shares etc., has been transferred to the Fund, may claim the shares under proviso to Section 124 (6) of the Companies Act, 2013 or apply for refund under clause (a) of Section 125(3) or under proviso to Section 125(3) of the Companies Act, 2013, as the case may be, to the Authority by submitting an online application in Form IEPF-5 available on the website www.iepf.gov.in along with fee specified by the Authority from time to time in consultation with the Central Government.
- Upon submission, Form No. IEPF-5 shall be transmitted online to the Nodal Officer of the company for verification of claim. Further, the claimant after making an application in Form No. IEPF-5, shall send original physical share certificate, original bond, deposit certificate, debenture certificate, as the case may be, along with Indemnity Bond, Advance Receipts, and any other document as enumerated in Form No. IEPF-5, duly signed by him, to the Nodal Officer of the concerned company at its registered office for verification of the claim.
- The company shall, within 30 days from the date of receipt of claim, send an online verification report to the Authority after verification of details in Form No. IEPF-5 in the format specified by the Authority along with all the documents submitted by the claimant and shall attach the scanned copy of all the original documents submitted by the claimant in physical form duly certified by its nodal officer along with the e-verification report along with a scanned copy of both sides of original physical share certificate or original bond or deposit or debenture certificate/s duly cancelled and certified.
- If the online verification report is not sent by the company within 30 days of filing of claim, the company may do so by paying additional fee of ₹50 for every day

subject to maximum of ₹2500. Further, the company shall be liable to maintain the original documents submitted to it by the claimant and shall produce such documents whenever required.

- In case of non-receipt of verification report along with documents by the Authority after the expiry of 60 days from the date of filing of Form No. IEPF-5, the Authority may reject Form No. IEPF-5, after sending a communication to the claimant and the concerned company, on the e-mail address of the claimant and the company, to furnish response within a period of 15 days.
- After verification of the entitlement of the claimant:
 - to the amount claimed, the Authority and then Drawing and Disbursement Officer of the Authority shall present a bill to the Pay and Accounts Office for e-payment as per the guidelines,
 - to the shares claimed, the Authority shall issue a refund sanction order with the approval of the Competent Authority and shall credit the shares to the DEMAT account of the claimant to the extent of the claimant's entitlement.
- An application received for refund of any claim duly verified by the concerned company shall be disposed off by the Authority within 60 days from the date of receipt of the verification report from the company, complete in all respects and any delay beyond 60 days shall be recorded in writing specifying the reasons for the delay and the same shall be communicated to the claimant in writing or by electronic means.
- Where the Authority, on examining any application for claim, finds it necessary to call for further information or finds such application or e-form or document to be defective or incomplete in any respect, the Authority shall give intimation of such information called for or defects or incompleteness, by e-mail on the email address of the claimant and the company, which has filed such application or e-form or document, directing him or it to furnish such information or to rectify such defects or incompleteness or to re-submit such application or e-Form or document within 15 days from the date of receipt of such communication, failing which the Authority may reject the claim or e-form No. IEPF-5.
- If such information or incompleteness is called from the claimant, he shall file the e-form and shall send such documents as called for within 15 days, duly signed by him, to the Nodal Officer of the concerned company at its registered office for verification of the claim and company shall send a revised verification report. Provided further, if any such information or incompleteness is called from the company, the company shall file the revised verification report and shall send such documents as called for within 30 days.
- In case, claimant is a legal heir or successor or administrator or nominee of the registered share holder, the claimant shall ensure to submission of self-attested scanned copy of all prescribed documents online along with the Form No. IEPF-5.
- In case, claimant is a legal heir or successor or administrator or nominee of any other registered security or in cases where request of transfer or transmission of

shares is received after the transfer of shares by company to the Authority, the company shall verify all requisite documents required for registering transfer or transmission and shall issue letter to the claimant indicating his entitlement to the said security and furnish a copy of the same to the Authority while verifying the claim of such claimant through its e-verification report. Further, the authority shall dispose such request of transfer or transmission based on the e-verification report of the company subject to verification of such request.

- The company shall be liable under all circumstances whatsoever to indemnify the Authority in case of any dispute or lawsuit that may be initiated due to any incongruity or inconsistency or disparity in the verification report or otherwise and the Authority shall not be liable to indemnify the security holder or Company for any liability arising out of any discrepancy in verification report submitted etc., leading to any litigation or complaint arising thereof.
- Any fraudulent claim by the claimant shall be deemed to be fraud within the meaning of Section 447 of the Companies Act, 2013 and the claimant shall be liable accordingly.

Accordingly, Rahul has to follow the above mentioned procedure to claim certain shares and unclaimed dividend from the company, which has been transferred into Investor Education Protection Fund.

Question 6

- (a) *RST Ltd. proposes to convene the board meeting for approval of the Board's report through video conferencing and seeks your advice for the same. Further clarify who will be signing the Board's report as per the provisions of the Companies Act, 2013?* (4 marks)
- (b) *With reference to the following queries of Sangita, Chief Executive Officer of South Village Fresh Farmers Producer Company Ltd., how would you deal with them as per the Companies Act, 2013?*
 - (i) *There has arisen a dispute relating to management of the entity.*
 - (ii) *The entity wants to amend its Articles relating to quorum for general meeting which would stipulate that three fourth of total members shall be the required quorum for its general meeting.* (4 marks)
- (c) *Independent directors (ID) of a listed company decided to convene a meeting of IDs on their own. Non-Independent directors objected to and called it as illegal. Offer your views referring to the provisions of the Companies Act, 2013 and rules made thereunder.* (4 marks)
- (d) *Bispasha is the Vice President (Business Development) of Embee Hardwares Ltd., a listed entity. The company decided to terminate the services of Bispasha due to gross misconduct and negligence in her duties. The company also found that Bispasha has not returned the laptop given to her for official work. Discuss what action can be taken by the company to regain possession of the laptop?* (4 marks)

Answer 6(a)

The Board's Report should be considered, approved and signed at a meeting of the Board, convened in accordance with the provisions of the Companies Act, 2013 and shall not be dealt with in any meeting held through video conferencing or other audio visual means as per Rule 4 of the Companies (Meetings of Board and its Powers) Rules, 2014.

However, where there is quorum is present in a meeting through physical presence of directors, any other director may participate through video- conferencing or other audio-visual means for approval of the restricted item.

Accordingly, the proposal of RST Limited to convene the Board Meeting for approval of the Board's report through video conferencing is not permissible.

Signing of Board's Report

As per Section 134(6) of the Companies Act, 2013, the Board's report and any annexures thereto under section 134(3) of the Companies Act, 2013 shall be signed by the chairperson of the company if he is authorised by the Board and where he is not so authorised, shall be signed by at least two directors, one of whom shall be a managing director, or by the director where there is one director.

It is recommended as per Secretarial Standard-4, the annexures to the Board Report is required to be signed in the similar manner as the Board Report, except the Report on CSR activities of the company, which is required to be signed by the Chief Executive Officer or the Managing Director or any other Director of the company and by the Chairman of the CSR Committee of the company.

Answer 6(b)

First Proviso to Section 465(1) of the Companies Act, 2013, provides that the provisions of Part IX A of the erstwhile Companies Act, 1956 shall be applicable mutatis mutandis to the Producer Companies in a manner as if the Companies Act, 1956 has not been repealed until a Special Act is enacted for Producer Companies.

- (i) Section 581ZO of the erstwhile Companies Act 1956, provides that any dispute relating to the formation, management or business of a Producer Company shall be settled by conciliation or arbitration as provided under the Arbitration and Conciliation Act, 1996.
- (ii) Section 581Y of the erstwhile Companies Act 1956, provides that unless articles of association provide for a larger number, one-fourth of total membership shall constitute quorum at a general meeting. If the Article provide for a larger number, it is a valid provision. Hence, the provision in articles requiring the quorum for general meeting to be three-fourth of total members is valid.

Thus, Sangita Chief Executive of South Village Fresh Farmers Producer Company Ltd. should be informed accordingly.

Answer 6(c)

Section 149(8) read with Schedule IV of the Companies Act, 2013 provides for the separate meeting of the Independent Director within the ambit of the code for the Independent Directors:

- (1) The independent directors of the company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management;
- (2) All the independent directors of the company shall strive to be present at such meeting;
- (3) The meeting shall:
 - (a) review the performance of non-independent directors and the Board as a whole;
 - (b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
 - (c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Hence, holding of such separate meeting of Independent Directors is valid within the applicable provisions of the Companies Act, 2013 and Non- Independent Directors cannot challenge this.

Answer 6(d)

According to Section 452 of the Companies Act, 2013, if any officer or employee of a company:

- wrongfully obtains possession of any property, including cash of the company;
or
- having any such property including cash in his possession, wrongfully withholds it or knowingly applies it for the purposes other than those expressed or directed in the Articles and authorized by the Companies Act, 2013.

Such an offence on the complaint of the company or of any member or creditor or contributory thereof, is punishable with fine which shall not be less than ₹1 lakh but which may extend to ₹5 lakhs. Further the court may also order such officer or employee to deliver up or refund to the company, within a time to be fixed by it, any such property or cash wrongfully obtained or wrongfully withheld or knowingly misapplied, the benefits that have been derived from such property or cash or in default, to undergo imprisonment for a term which may extend to 2 years.

The Supreme Court in the matter of *Gopika Chandrabhushan Saran vs. XLO India Ltd.* held and prescribe circumstances where Section 630 of the erstwhile Companies Act, 1956 (presently Section 452 of the Companies Act, 2013) can get attracted: "it was observed that once right of an employee or officer of company to retain possession of property, either on account of termination of services, retirement, resignation or death, gets extinguished, persons in occupation of property are under an obligation to return property back to company as per Section 630 of the erstwhile Companies Act, 1956.

Hence, Embee Hardwares Ltd. can file a complaint under Section 452 of the Companies Act, 2013 to initiate action against Bispasha in order to regain the possession of the Laptop wrongfully withheld by her after termination of her service.

COST AND MANAGEMENT ACCOUNTING - SELECT SERIES

Time allowed : 3 hours

Maximum marks : 100

Total number of Questions : 100

1. From the following information of XYZ Ltd., in respect of semi-variable costs, the variable cost per unit will be :

Month	Production (in units)	Semi-variable costs (₹)
January	150	600
February	225	750
March	165	630
April	140	580
May	200	700
June	180	660

- (A) ₹4
(B) ₹3
(C) ₹2
(D) ₹1
2. You are given the following information:

	Per unit ₹
Selling Price	30
Direct Material Cost	10
Direct Labour Cost	6

Variable overhead 65% on direct labour cost, trade discount 5% and fixed cost ₹43,000. What will be the profit if sales is above 25% of the break-even volume?

- (A) ₹10,750
(B) ₹12,750
(C) ₹11,000
(D) ₹27,000

3. Which of the followings is not true?

(A)
$$\text{P/V Ratio} = \frac{\text{Marginal Contribution}}{\text{Sales}}$$

(B)
$$\text{Margin of safety} = \frac{\text{Profit}}{\text{P/V Ratio}}$$

(C)
$$\text{P/V Ratio} = 1 - \frac{\text{Variable Cost}}{\text{Sales Value}}$$

(D)
$$\text{Break-even point (in ₹)} = \frac{\text{Fixed Cost}}{\text{Contribution per Unit}}$$

4. Which of the followings is not an application of Marginal Costing?

- (A) Maintaining adequate stock
- (B) Make or buy decision-making
- (C) Offering quotations
- (D) Solving problem of key factor

5. **Statement I:**

Although the Law of supply and demand to a great extent determine the price of an article, cost to the producer plays an important role.

Statement II:

Adequate costing records do not provide a reliable basis for making estimates and quoting tenders.

- (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
6. These costs are incurred to maintain certain facilities and cannot be quickly eliminated. The management has little or no discretion in these costs. These costs are termed as :
- (A) Policy and Managed Costs
 - (B) Committed Costs
 - (C) Discretionary Costs
 - (D) Step Costs

7. is not included in tools and techniques of Management Accounting.
- (A) Financial Planning
 (B) Financial Statement Analysis
 (C) Statutory Audit
 (D) Decision-making
8. 'Cost which can be influenced by its budget holder' is known as :
- (A) Non-controllable Cost
 (B) Controllable Cost
 (C) Opportunity Cost
 (D) Traceable Cost
9. For paper manufacturing industry which method of costing shall be used :
- (A) Single-output costing
 (B) Batch costing
 (C) Process costing
 (D) Composite costing
10. Match the following Cost Accounting Standards with titles :

CAS	Title
(a) CAS 6	(1) Direct Expenses
(b) CAS 10	(2) Manufacturing Cost
(c) CAS 19	(3) Material Cost
(d) CAS 22	(4) Joint Costs

Codes:

- (a) (b) (c) (d)
- (A) (3) (2) (1) (4)
 (B) (4) (3) (1) (2)
 (C) (3) (1) (4) (2)
 (D) (1) (2) (3) (4)
11. Cost Accounting is mostly in its approach.
- (A) Historical
 (B) Futuristic

- (C) Static
- (D) Dynamic
12. What will be the total wages of A, a worker, as per Barth's scheme for the following data?
- | | |
|-------------------|----------------|
| Time Allowed | : 9 Hours Time |
| Taken | : 6.25 Hours |
| Time Saved | : 2.75 |
| Hours Hourly Rate | : ₹25 per hour |
- (A) ₹225
- (B) ₹190.63
- (C) ₹187.50
- (D) ₹204.00
13. In which of the following situations, 'Time Rate System' is most suitable ?
- (A) The quality of work is more important.
- (B) The work is of standard or repetitive nature.
- (C) There is uninterrupted flow of work
- (D) It is necessary for the employer to get maximum production.
14. Cost of training is an example for :
- (A) Preventive Cost
- (B) Replacement Cost
- (C) Direct Cost
- (D) Qualitative Cost
15. Which of the followings is not a characteristic of Taylor's differential piece rate system?
- (A) Time and motion studies are done
- (B) The standard output is determined
- (C) Wages are calculated on the basis of two widely different piece rates
- (D) Minimum wage is guaranteed
16. A worker in PQR Ltd., is paid a guaranteed wages of ₹60 per hour. The standard time per unit for a particular product is 4 hours. X, a machine man, has been paid wages under the Rowan incentive plan and he had earned an effective hourly rate of ₹75 on the manufacture of that particular product. Had he been put on Halsey incentive scheme, his effective hourly rate would be:
- (A) ₹67.50
- (B) ₹52.50
- (C) ₹70.00
- (D) ₹65.00

17. Which of the followings is not an idle time arising due to administrative causes?

- (A) Poor planning
- (B) Improper Instructions
- (C) Unutilized capacity due to management decisions
- (D) Waiting for instructions

18. Which Premium Bonus Plan has the following features?

- (a) Time wages are guaranteed
 - (b) The standard time is set in terms of standard man minutes called 'manits'
 - (c) Bonus is given for the time saved
- (A) Barth's Scheme
 - (B) Hayne's Scheme
 - (C) Bedauxe Point System
 - (D) Diemer Scheme

19. The following data are given :

Direct Material	₹40,000
Indirect Material	₹20,000
Direct Labour	₹24,000
Indirect Labour	₹18,000
Direct Expenses	₹14,000
Indirect Expenses	₹10,000
Carriage Inwards	₹4,000
Carriage Outwards	₹5,000

Prime Cost is :

- (A) ₹1,31,000
- (B) ₹83,000
- (C) ₹82,000
- (D) ₹1,26,000

20. Which of the following items is not included in cost sheet ?

- (A) Octroi Duty
- (B) Indirect Expenses
- (C) Trade discount on Materials
- (D) Interest Paid

21. You are given the following data related to Job No. 555 :

Direct Materials ₹3,600

Direct Wages for 90 hours @ ₹4

Variable overhead incurred for all jobs ₹9,000 for 4,500 hours.

If 25% profit on selling price is expected, the selling price is :

(A) ₹4,140

(B) ₹5,175

(C) ₹5,520

(D) ₹4,968

22. **Assertion (A) :**

Batch costing is used for calculating total cost of each batch.

Reason (R) :

It is used in industries where output is done for a batch of customers.

Codes:

(A) A is false but R is true

(B) A is true but R is false

(C) Both A & R are true but R is not the correct explanation of A

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

23. You are given the following information :

Contract Price ₹75,00,000

Cumulative figures :

(i) To end of previous period — profit recognized ₹12,25,000

(ii) To end of current period — total costs ₹41,50,000

(iii) Cost of work certified ₹ 54,00,000

(iv) Estimated future costs to completion ₹7,25,000

(v) Estimated rectification costs 15% of contract price

The profit/loss to be recognized as per AS 7 in the current period is :

(A) Profit ₹21,00,000

(B) Profit ₹3,00,000

(C) Profit ₹1,25,000

(D) Loss ₹2,75,000

24. Which are not the features of Process Costing ?

- (i) The production is continuous
 - (ii) The product is not homogeneous
 - (iii) The process is standardized
 - (iv) The output of each process is transferred to finished stock account
- (A) (i)
(B) (ii) and (iv)
(C) (i) and (iii)
(D) (ii), (iii) and (iv)

25. The following information is available in respect of Process Z :

Units introduced	5,000 units	₹50,000
Material received from store		₹24,000
Direct Labour		₹16,000
Overheads		₹6,000
Output of Process Z	4,800 units	
Normal wastage	5% of units introduced	
Scrap value of wastage		₹4 per unit

The value of Abnormal Gain is:

- (A) ₹1,000
(B) ₹404.21
(C) ₹395.83
(D) ₹400.84

26. Gasoline, diesel, paraffin and asphalt which are obtained from Crude Oil are :

- (A) Joint Products
(B) Co-Products
(C) By-Products
(D) Unique Products

27. is also known as De nova budgeting.

- (A) Performance Budgeting
(B) Cash Basis Budgeting
(C) Zero Base Budgeting
(D) Programme Budgeting

28. Rajesh Ltd., produces and sells a single product. Sales budget for the current year (quarterwise) is as follows:

Quarter	Units to be Sold
I	24,000
II	30,000
III	33,000
IV	36,000

The year is expected to be opened with an inventory of 8,000 units of finished product and closed with an inventory of 13,000 units of finished product.

Production is customarily scheduled to provide for two-thirds of the current quarter's sales demand plus one-third of the immediately following quarter's demand. The required production for Quarter IV would be :

- (A) 32,000 units
 (B) 37,000 units
 (C) 33,000 units
 (D) 35,000 units
29. A retail store makes 30% of its sales for cash and the remainder on credit. Due to faulty credit collection practice, there have been losses from bad debts to the extent of 2% credit sales on an average in the past.
- It is experienced that normally 50% of credit sales are collected in the month following the sale, 30% in the second following month and 18% in the third following month. Sales in the preceding three months have been — January 2019 ₹4,00,000, February ₹5,00,000 and March ₹7,00,000. Sales for the next three months are estimated as April ₹7,50,000, May ₹5,50,000 and June ₹5,00,000.
- The cash receipt from credit sales in the month of June would be :
- (A) ₹5,15,300
 (B) ₹4,76,400
 (C) ₹4,38,200
 (D) ₹5,88,200
30. You are given the following semi-variable overheads of a company at 60% level of activity

	(₹)
Electricity (40% Fixed)	40,000
Repairs (80% Variable)	6,000
Total	<u>46,000</u>

The total estimated semi-variable overhead at 70% level of activity would be :

- (A) ₹53,300
- (B) ₹57,600
- (C) ₹50,800
- (D) ₹61,000

31. From the following data, Raw Materials Purchase Budget for January 2020 will be:

Estimated Stock on Jan. 1	46,000 units
Estimated Stock on Jan. 31	50,000 units
Estimated Consumption 1,	50,000 units
Standard Price per unit	₹2.50

- (A) ₹3,75,000
- (B) ₹3,85,000
- (C) ₹6,15,000
- (D) ₹3,65,000

32. Material Y is used to produce a toy. It is budgeted that each toy will require 4 kgs of material @ ₹9 per kg. During a month 1,000 pieces of toys were produced using 4,200 kgs of material purchased at ₹50,400. The material price variance is:

- (A) ₹12,600 (A)
- (B) ₹15,000 (A)
- (C) ₹12,600 (F)
- (D) ₹12,000 (A)

33. You are given the following data:

	Standard	Actual
Material P	7 kg @ ₹3	880 kg @ ₹3.10
Material Q	3 kg @ ₹5	320 kg @ ₹4.90

The material mix variance would be:

- (A) ₹120 (A)
- (B) ₹320 (F)
- (C) ₹80 (F)
- (D) ₹80 (A)

34. Following data are given :

- (i) Gross Direct Wages ₹15,000
- (ii) Standard hours produced = 7600
- (iii) Standard Rate per hour = ₹2.10
- (iv) Actual hours paid @ ₹2.40 are 7500, out of which hours not worked (abnormal idle time) are 75 hours.

Labour efficiency variance is :

- (A) ₹240 (A)
- (B) ₹ 210 (F)
- (C) ₹367.50 (F)
- (D) ₹420 (F)

35. The records of a manufacturing company reveals the following information :

Budgeted production for Dec. : 400 units

Budgeted variable overhead : ₹ 8,000

Standard time for one unit : 25 hours

Actual production for Dec. : 300 units

Actual hours worked : 7600 hours

Actual variable overhead : ₹ 6,840

Variable Overhead Expenditure Variance is :

- (A) ₹760 (A)
- (B) ₹840 (A)
- (C) ₹1,600 (A)
- (D) ₹1,160 (F)

36. You are given the following data :

Standard fixed overhead rate per hour ₹5

Actual fixed cost ₹1,00,000

Standard production 19,000 units

Actual production 20,000 units

What will be the Fixed Overhead Efficiency Variance ?

- (A) ₹5,000 (A)
- (B) ₹ 5,000 (F)
- (C) ₹10,000 (A)
- (D) ₹ NIL

37. Which of the followings is not a cause of 'Material Usage Variance' ?
- (A) Lack of due care in the use of materials
 - (B) Defective production necessitating additional materials for correction
 - (C) Abnormal wastage due to pilferage
 - (D) Purchase of material in Economic Order Quantity
38. You are given the following information of a company regarding material S :

Material	% in total units	% in total cost
S	5%	40%

This material will be classified in ABC analysis of inventory control as :

- (A) A item
 - (B) B item
 - (C) C item
 - (D) Z item
39. Raja manufacturing company requires 2000 units of raw material per month. The ordering cost is ₹25 per order. The carrying cost, in addition to ₹3 per unit, also estimated to be 10% of the average inventory cost per unit per year. The purchase price of the raw material is ₹20 per unit.
- The Economic Order Quantity is :
- (A) 141.42 units
 - (B) 489.90 units
 - (C) 632.46 units
 - (D) 774.60 units
40. You are given the following information in respect of Material Y :
- Re-order Quantity : 360 units
 Re-order Period : 3 to 5 weeks
 Maximum Consumption : 90 units per week
 Normal Consumption : 60 units per week
 Minimum Consumption : 30 units per week
- The maximum stock level would be :
- (A) 810 units
 - (B) 720 units
 - (C) 690 units
 - (D) 960 units

41. Which of the following is not an objective of store-keeping?

- (A) To protect stores against losses
- (B) To provide maximum service at minimum cost
- (C) To facilitate perpetual inventory
- (D) To supply inventory at lower price

42. 'Standard Price Method' of pricing material issues is :

- (A) A Cost Price Method
- (B) An Average Price Method
- (C) A Notional Price Method
- (D) A Market Price Method

43. **Statement 1 :**

Financial statements are always expressed in monetary terms.

Statement 2 :

Financial statements are exact final reports of the financial gain or loss and those can never be interim.

Select the correct answer from the following :

- (A) Both statements are correct
- (B) Both statements are incorrect
- (C) Statement 1 is correct but Statement 2 is incorrect
- (D) Statement 2 is correct but Statement 1 is incorrect

44. You are given the following information by P Company :

	₹
Cash	12,00,000
Debtors	3,00,000
Stock	4,00,000
Prepaid Expenses	50,000
Creditors	2,00,000
Bills Payable	50,000

Acid-test ratio is :

- (A) 6.2 times
- (B) 7.8 times
- (C) 7.6 times
- (D) 6 times

45. Vertical analysis of financial statements is also known as :
- (A) Internal Analysis
 (B) External Analysis
 (C) Static Analysis
 (D) Dynamic Analysis
46. The analysis of financial statements by a shareholder is an example for :
- (A) Internal Analysis
 (B) External Analysis
 (C) Horizontal Analysis
 (D) Vertical Analysis
47. Raman company has issued 13% debentures for ₹10,00,000 in cash at par. The impact of this item:
- (A) Increase in current assets and working capital
 (B) Increase in current liabilities and working capital
 (C) Increase in current assets but no increase in working capital
 (D) Decrease in current assets and working capital
48. RST company produces a single product M which passes through three production departments: manufacturing, grinding and finishing. Following details are given :

	Direct Wages	Factory Overheads
	(₹)	(₹)
Manufacturing Dept.	1,00,000	60,000
Grinding Dept.	4,00,000	6,00,000
Finishing Dept.	60,000	68,000

The blanket overhead rate (based upon direct wages) would be :

- (A) 60%
 (B) 150%
 (C) 113.33%
 (D) 130%
49. There are two machines X and Y in production department. The combined insurance and depreciation of these machines is ₹ 40,000. Following details are further given :

	X	Y
Capital value (₹)	3,00,000	2,00,000
Light points	25	15
Number of workers	20,000	20,000
Horse power	30	10

The amount of insurance and depreciation apportioned to Machine Y is:

- (A) ₹16,000
- (B) ₹15,000
- (C) ₹20,000
- (D) ₹10,000

50. Which is not a method for secondary distribution of overheads?

- (A) Ability to pay method
- (B) Incentive method
- (C) General use of indices method
- (D) Trial and error method

51. Match the following:

- | | |
|----------------------|------------------------------------|
| (P) Maintenance | (1) Area department |
| (Q) Welfare | (2) Value of department Materials |
| (R) Stores-keeping | (3) Number of department Employees |
| (S) Building service | (4) Hours department Worked |

- | | (P) | (Q) | (R) | (S) |
|-----|-----|-----|-----|-----|
| (A) | (1) | (2) | (3) | (4) |
| (B) | (4) | (1) | (2) | (3) |
| (C) | (4) | (3) | (2) | (1) |
| (D) | (2) | (3) | (4) | (1) |

52. If cost of machine is ₹1,00,000, installation charges ₹5,000, scrap ₹3,000 and life of machine is 50,000 hours, then depreciation per hour would be :

- (A) ₹2.00
- (B) ₹2.04
- (C) ₹1.96
- (D) ₹1.94

53. You are given the following data:

Cost of machine ₹8,40,000

Estimated scrap value ₹40,000

Effective working hours 40,000

Hours worked during 4 weeks 300 Weekly repairs payment ₹ 500

Standing charges for 4 weekly period: ₹ 4,000

Power consumed by machine: 10 units per hour @ ₹1.50 per unit Machine hour rate will be:

- (A) ₹40.00
- (B) ₹41.50
- (C) ₹42.00
- (D) ₹ 55

54. Which section of the Companies Act, 2013, deals with audit of 'Cost Accounting Records'?

- (A) Section 139
- (B) Section 158
- (C) Section 159
- (D) Section 148

55. Which of the following is not the purpose of Cost Audit ?

- (A) Verification of Cost Accounts
- (B) Facilitating the fixation of price of goods and services
- (C) Promoting corporate governance through various operational disclosures
- (D) Inculcation of law and order consciousness

56. The requirement of Cost Audit is applicable to which of the following category of companies:

- (A) Whose revenue from exports, in foreign exchange, exceeds 75% of its total revenue.
- (B) Which is operating from a special economic zone.
- (C) Which is engaged in production of defence items.
- (D) Which is engaged in the generation of electricity for captive consumption through captive generating plant.

57. The filling of a casual vacancy in the office of a cost auditor shall be informed by the company to the Central Government in:

- (A) Form CRA-1
- (B) Form CRA-2
- (C) Form CRA-3
- (D) Form CRA-4

58. Match the following in the light of cost audit techniques :

- | | |
|-----------------|-------------------------------------|
| (P) Accounting | (1) Exponential Technique Smoothing |
| (Q) Scientific | (2) Ergonomic Technique |
| (R) Statistical | (3) Computer Technique models |
| (S) Personnel | (4) Break-even Technique analysis |

- | | | | | |
|-----|-----|-----|-----|-----|
| | (P) | (Q) | (R) | (S) |
| (A) | (4) | (3) | (2) | (1) |
| (B) | (4) | (3) | (1) | (2) |
| (C) | (4) | (1) | (2) | (3) |
| (D) | (1) | (2) | (3) | (4) |

59. Under activity based costing, which activity is considered as 'Product level activity'?

- (A) Use of indirect materials
- (B) Inspection of products
- (C) Keeping technical drawings of products
- (D) Production plant security

60. The following entry is recorded under Non-integrated system:

Work in Progress Control A/c	Dr.
To General Ledger Adjustment A/c	

The transaction is:

- (A) Materials Purchased
- (B) Materials Purchased for a Special job
- (C) Issue of direct materials to production department
- (D) None of the above

61. Which of the following statements is not true with regard to 'Integrated Accounting System'?

- (A) Easy method to maintain accounts
- (B) Economy of scale
- (C) Saving of time
- (D) Periodically reconciliation of profit as per Financial Accounts is made with profit as per Cost Accounts

62. Which of the following items is not an appropriation of profits?
- (A) Taxes on income and profit
 - (B) Preliminary expenses written off
 - (C) Provision for bad-debts
 - (D) Dividend paid
63. Depreciation charged in cost books is ₹15,000 and in financial books ₹10,000. What will be the profit as per financial books when profit as per cost books is ₹18,500 ?
- (A) ₹13,500
 - (B) ₹23,500
 - (C) ₹18,500
 - (D) ₹21,000
64. Difference between the purchase price of an asset and its salvage value is:
- (A) Differential Cost
 - (B) Sunk Cost
 - (C) Out of Pocket Cost
 - (D) Replacement Cost
65. The loss of interest and dividend that would be earned otherwise from an amount invested in plant and machinery is :
- (A) Imputed Cost
 - (B) Opportunity Cost
 - (C) Controllable Cost
 - (D) Out of Pocket Cost
66. The technique where standardized principles and methods of cost accounting are employed by a number of different companies and firms is:
- (A) Standard Costing
 - (B) Uniform Costing
 - (C) Single Costing
 - (D) Absorption Costing
67. The use of LIFO system is suitable:
- (A) At falling prices of materials
 - (B) At constant prices of materials

- (C) At rising prices of materials
- (D) In all the above situations
68. The personnel department of Zenith Ltd., has computed its labour turnover rates for the quarter ending 31st December, 2018 as 8%, 12% and 16% respectively under 'Separation method', 'Replacement method' and 'Flux method'. If the number of workers replaced during the quarter is 108, find the number of workers who left and discharged:
- (A) 72
- (B) 108
- (C) 144
- (D) 128
69. The incentive scheme is a combination of Halsey's and Gantt's scheme. A straight line increasing incentive is given in it beyond 100% efficiency. The scheme is :
- (A) Hayne's Scheme
- (B) Diemer Scheme
- (C) Scanlon Plan
- (D) Rucker's Plan
70. In Activity Based Costing (ABC), the item for which measurement of cost is required is termed as:
- (A) Cost driver
- (B) Cost object
- (C) Cost pool
- (D) Cost unit
71. Which of the following items is not included in Cost Accounts?
- (A) Goodwill written off
- (B) Interest on debentures
- (C) Tax paid
- (D) All of the above
72. You are given the following data:
- | | |
|---------------|------------|
| Sales | ₹40,00,000 |
| Variable Cost | ₹24,00,000 |
| Net Profit | ₹4,00,000 |

Break-even point in this case would be :

- (A) ₹10,00,000
- (B) ₹30,00,000
- (C) ₹12,00,000
- (D) None of the above

73. The following data are given : Sales ₹15,00,000 Fixed Cost ₹4,00,000 P/V Ratio 40% The Profit is :

- (A) ₹3,00,000
- (B) ₹1,50,000
- (C) ₹2,00,000
- (D) ₹3,20,000

74. In a concern, sales increased from ₹4,00,000 to ₹8,00,000 and corresponding profit from ₹2,00,000 to ₹3,00,000, then P/V ratio is :

- (A) 50%
- (B) 25%
- (C) 37.5%
- (D) None of the above

75. Following data are given :

Fixed Cost	₹7,50,000
Margin of Safety	₹10,00,000
Profit	₹3,00,000

Break-even point would be :

- (A) ₹ 22,50,000
- (B) ₹ 25,00,000
- (C) ₹ 10,50,000
- (D) ₹ 13,50,000

76. Debt Service Ratio from the following data will be :

Interest charges	₹6,50,000
Net Profit ₹15,00,000 after charging :	
Interest	₹3,00,000
Salary	₹2,40,000
Rent	₹60,000
Taxes	₹2,00,000

- (A) 3.08 times
 - (B) 2.31 times
 - (C) 2.77 times
 - (D) 3.54 times
77. Which one of the following is not treated as cash equivalent ?
- (A) Treasury Bill
 - (B) Public Deposit
 - (C) Certificate of Deposit
 - (D) Commercial Paper
78. Cash flows from sale of fixed assets is treated as:
- (A) Cash flow from operating activities
 - (B) Cash flow from investing activities
 - (C) Cash flow from financing activities
 - (D) Cash flow from sales activities
79. Opening debtors ₹1,00,000, Closing debtors ₹2,00,000 and Net profit ₹5,00,000. Then cash flow from operations would be :
- (A) ₹6,00,000
 - (B) ₹4,00,000
 - (C) ₹8,00,000
 - (D) ₹3,00,000
80. "Higher the ratio, the more favourable it is." This presumption does not apply to:
- (A) Operating ratio
 - (B) Stock turnover ratio
 - (C) Gross profit ratio
 - (D) Net profit ratio
81. Which of the following would not cause either an under or over absorption of overhead ?
- (A) Actual direct labour time per unit being greater than budgeted
 - (B) Actual cost of direct labour being greater than budgeted
 - (C) Actual overhead incurred being less than budgeted
 - (D) The number of units produced being greater than budgeted

82. Break-even chart is prepared by assuming that :
- (A) There is no opening stock
 - (B) There is no closing stock
 - (C) There is no change in operating efficiency
 - (D) All of the above
83. If fixed cost decreases while variable cost per unit remains constant, the new B.E.P. in relation to the old B.E.P. will be:
- (A) Lower
 - (B) Higher
 - (C) Unchanged
 - (D) Indeterminate
84. From the following information, determine by how much amount the sales must be increased to attain break-even :
- | | |
|----------------|-----------|
| Net Sales | ₹4,00,000 |
| Fixed Costs | ₹2,00,000 |
| Variable Costs | ₹2,40,000 |
- (A) ₹40,000
 - (B) ₹1,00,000
 - (C) ₹ 5,00,000
 - (D) ₹60,000
85. In absorption costing emphasis is given on :
- (A) Production
 - (B) Sales
 - (C) Profit
 - (D) Production and Sales
86. In standard costing standards are established in respect of :
- (A) Quantities
 - (B) Qualities
 - (C) Costs
 - (D) Quantities and Qualities

87. are more realistic standards.
- (A) Attainable Standards
 - (B) Current Standards
 - (C) Normal Standards
 - (D) Ideal Standards
88. The standard material required to produce one unit of product Z is 5 kgs and the standard price per kg of material is ₹30. The Cost Accounts show that 16,000 kgs of material were used for producing 3,000 units. If the material cost variance is ₹70,000 unfavourable, the actual price per kg of material is :
- (A) ₹27.50
 - (B) ₹29.33
 - (C) ₹32.50
 - (D) ₹34.67
89. is attainable under standard conditions.
- (A) Basic Budget
 - (B) Current Budget
 - (C) Zero Base Budget
 - (D) Fixed Budget
90. The attribute consistency, which should be possessed by the financial statements prepared by an enterprise, has a direct bearing upon the other attribute namely:
- (A) Comparability
 - (B) Authenticity
 - (C) Promptness
 - (D) Relevance
91. In a contract for a consideration of ₹50 lakh commenced on 1-4-2017, cash received on 31-3-2018 was ₹18 lakhs (90% of work certified). Work completed but not certified was ₹one lakh. If notional profit calculated as on 31-3-2018 was ₹2,43,000, the amount of work-in-progress shown in the balance sheet prepared as on that date shall be :
- (A) ₹29,900
 - (B) ₹1,29,900
 - (C) ₹ 2,29,900
 - (D) ₹1,70,100

92. If Orange Ltd.'s current ratio is 5.5 : 1, Quick ratio is 4 : 1 and Inventory is ₹24,000, its current liabilities are :
- (A) ₹ 8,000
 - (B) ₹16,000
 - (C) ₹30,000
 - (D) ₹32,000
93. Market price of a share having a face value of ₹10 is ₹40. The profits available for equity shareholders are ₹2,00,000. If the paid-up share capital of the company is ₹5,00,000, the Earning Yield Ratio is :
- (A) 8%
 - (B) 10%
 - (C) 40%
 - (D) 25%
94. Which of the following will result into flow of funds ?
- (A) Purchase of fixed assets on credit
 - (B) Purchase of fixed assets in exchange of shares
 - (C) Purchase of fixed assets in exchange of old fixed assets
 - (D) None of the above
95. Management reporting is the instrument for :
- (A) Planning and control
 - (B) Control and decision-making
 - (C) Planning and decision-making
 - (D) Planning and organising
96. While apportioning total process costs upto the point of separation over the joint products is considered to be the more equitable than other methods.
- (A) Physical unit method
 - (B) Average unit cost method
 - (C) Survey method
 - (D) Net realisable value method
97. A transport service company incurred a total operating cost of ₹1,40,500 in June, 2019 to operate five buses between two places which are 50 kms apart. Each bus is having a seating capacity of 50 passengers and all buses run on all

days with one round trip only. If the operating cost per passenger km, is ₹0.25, then the capacity occupied in each bus is :

- (A) 60%
 - (B) 75%
 - (C) 80%
 - (D) 100%
98. Besides the management, and are also benefitted in many ways by installing a good cost accounting system in an organisation.
- (A) Shareholders and Creditors
 - (B) Creditors and Employees
 - (C) Employees and Customers
 - (D) Customers and Government
99. In the contractee has the right to conduct cost audit to ensure that he is not being cheated by the contractor.
- (A) Sub-contract
 - (B) Cost plus contract
 - (C) Contract with escalation clause
 - (D) Government contract
100. The Balance Sheet of a company shows an opening balance of ₹1,80,000 and ₹60,000 respectively in Plant A/c and Provision for Depreciation on Plant A/c. The closing balances of these accounts are ₹ 2,88,000 and ₹ 66,000 respectively. An old plant costing ₹36,000 with an accumulated depreciation of ₹24,000 was sold at a profit of ₹600. The amount of cash outflow from plant was :
- (A) ₹1,44,000
 - (B) ₹ 1,24,000
 - (C) ₹ 1,24,600
 - (D) ₹ 1,36,400

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

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

ECONOMIC AND COMMERCIAL LAWS

Time allowed : 3 hours

Maximum marks : 100

NOTE : *Answer ALL Questions.*

PART A

Question 1

- (a) *What is meant by Liberalised Remittance Scheme (LRS) ? State the permissible capital account transactions which may be handled by an individual in this process, under the Foreign Exchange Management Act (FEMA), 1999.*
- (b) *State the genesis of the Trade Related Aspects of Intellectual Property Rights (TRIPS).*
- (c) *Explain the general principles, which are applicable in exercising the powers conferred for working of patents and compulsory licenses, under the Patent Act, 1970.*
- (d) *What is meant by money laundering? State the punishment, which may be inflicted for committing the offence of money laundering, under the Prevention of Money Laundering Act (PMLA), 2002.*
- (e) *Explain the powers and functions of 'Approval Committee' constituted, under Special Economic Zones (SEZ) Act, 2005. (5 marks each)*

Answer 1(a)

Under the Liberalised Remittance Scheme (LRS), Authorised Dealers may freely allow remittances by resident individuals up to USD 2, 50,000 per Financial Year (April-March) for any permitted current or capital account transaction or a combination of both.

The permissible capital account transactions by an individual under LRS are:

- opening of foreign currency account abroad with a bank;
- purchase of property abroad;
- making investments abroad- acquisition and holding shares of both listed and unlisted overseas company or debt instruments; acquisition of qualification shares of an overseas company for holding the post of Director; acquisition of shares of a foreign company towards professional services rendered or in lieu of Director's remuneration; investment in units of Mutual Funds, Venture Capital Funds, unrated debt securities, promissory notes;
- setting up Wholly Owned Subsidiaries and Joint Ventures;

- extending loans including loans in Indian Rupees to Non-resident Indians (NRIs) who are relatives as defined in Companies Act, 2013

Answer 1(b)

The TRIPS Agreement plays a critical role in facilitating trade in knowledge and creativity, in resolving trade disputes over intellectual property, and in assuring WTO members the latitude to achieve their domestic objectives. Ideas and knowledge are an increasingly important part of trade. Creators can be given the right to prevent others from using their inventions, designs or other creations and to use that right to negotiate payment in return for others using them. These are “intellectual property rights”. They take a number of forms. For example books, paintings and films come under copyright; inventions can be patented; brand names and product logos can be registered as trademarks; and so on. Governments and Parliaments have given creators these rights as an incentive to produce ideas that will benefit society as a whole.

The extent of protection and enforcement of these rights varied widely around the world; and as intellectual property became more important in trade, these differences became a source of tension in international economic relations. New internationally-agreed trade rules for intellectual property rights were seen as a way to introduce more order and predictability, and for disputes to be settled more systematically.

The World Trade Organization’s TRIPS Agreement is an attempt to narrow the gaps in the way these rights are protected around the world, and to bring them under common international rules. It establishes minimum levels of protection that each government has to give to the intellectual property of fellow WTO members.

Answer 1(c)

Section 83 of the Patents Act, 1970 dealing with general principles applicable to working of patented invention provides that in exercising the powers conferred for working of patents and compulsory licences, regard shall be had to the following general considerations, namely:

- (a) that patents are granted to encourage inventions and to secure that the inventions are worked in India on a commercial scale and to the fullest extent that is reasonably practicable without undue delay;
- (b) that they are not granted merely to enable patentees to enjoy a monopoly for the importation of the patented article;
- (c) that the protection and enforcement of patent rights contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations;
- (d) that patents granted do not impede protection of public health and nutrition and should act as instrument to promote public interest specially in sectors of vital importance for socio-economic and technological development of India;
- (e) that patents granted do not in any way prohibit Central Government in taking measures to protect public health;

- (f) that the patent right is not abused by the patentee or person deriving title or interest on patent from the patentee, and the patentee or a person deriving title or interest on patent from the patentee does not resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology; and
- (g) that patents are granted to make the benefit of the patented invention available at reasonably affordable prices to the public.

Section 84 of the Patents Act, 1970 provides that at any time after the expiration of three years from the date of the grant of a patent, any person interested may make an application to the Controller for grant of compulsory licence on patent on any of the following grounds, namely:

- (a) that the reasonable requirements of the public with respect to the patented invention have not been satisfied, or
- (b) that the patented invention is not available to the public at a reasonably affordable price, or
- (c) that the patented invention is not worked in the territory of India.

Answer 1(d)

Money laundering is the processing of criminal proceeds to disguise its illegal origin. Fundamentally, money laundering or processing of criminal proceeds is intrinsically linked to the underlying criminal activity that generates it.

According to Section 2(1) (p) of the Prevention of Money Laundering Act, 2002 "money-laundering" has the meaning assigned to it in section 3 of the Act.

Section 3 of the Prevention of Money Laundering Act, 2002 states that whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or actually involved in any process or activity connected with the proceeds of crime including its concealment, possession, acquisition or use and projecting or claiming it is an untainted property shall be guilty of offence of money laundering.

Section 4 provides that any person who commits the offence of money laundering shall be punishable with rigorous imprisonment for a term which shall not be less than three years but which may extend to seven years and also liable to fine. However, where the proceeds of crime involved in money laundering relates to any offence specified under the Narcotic Drugs and Psychotropic Substances Act, the punishment may extend to rigorous imprisonment for ten years.

Answer 1(e)

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.

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

Question 2

- (a) *Alok consigns 500 bales of jute to Aswin, who has made advance to him on such jute. Alok desires, Aswin to sell the jute and to repay himself out of the sale prices and recoup the advance. Which type of agency it is ? Can it be terminated. State also the condition, under which such agency may be created?*
- (b) *Atul travelled by railway from Kanpur to Lucknow, after purchasing a ticket from the Railway Authorities. When he tried to alight at Lucknow railway station in the darkness, the train started without a whistle. He fell down and his legs were chopped off by the wheels of the train. Atul filed a suit against this. The Railway Authorities contended that the fault was of the Electricity Distribution Company, who failed to supply the electricity at that time. Decide, whether the contention of Railway Authorities is tenable ? Is it a deficiency in the service on the part of the Railway Authorities, under the Consumer Protection Act, 1986.*
- (c) *Which agreement may be called as an anti-competitive agreement, under the Competition Act, 2002.*
- (d) *State the various ways in which an offer lapses under the Indian Contract Act, 1872.*
- (e) *When would the Arbitral Tribunal shall issue an order for the termination of Arbitral Proceedings under Arbitral and Conciliation Act, 1996. (3 marks each)*

OR (Alternate question to Q. No. 2)

Question 2A

- (i) *Which documents are compulsorily required for the export of goods, from India and for import of goods in India, under Foreign Trade Policy ? (5 marks)*
- (ii) *Examine with reasons, whether the following transactions are exempted under the Indian Stamp Act, 1899 :*

- (a) *A lease is executed and got registered. A second document is executed altering the terms of the first document.* (1 mark)
 - (b) *A purchaser of land executes a mortgage of the land in favour of the vendor for a portion of the purchase money.* (1 mark)
 - (c) *Any instrument executed by the developer or unitor in connection with carrying out of purposes of the Special Economic Zone (SEZ).* (1 mark)
 - (d) *A scheme for corporatisation or demutualisation or both of a recognised stock exchange.* (1 mark)
 - (e) *The transfer of beneficial ownership of securities, dealt with by a depository.* (1 mark)
- (iii) State the absolute grounds for refusal of the registration of trade mark, under the Trade Marks Act, 1999. (5 marks)

Answer 2(a)

The problem asked in the question is related to the agency coupled with interest. An agency is coupled with an interest when the agent has an interest in the authority granted to him or when the agent has an interest in the subject matter with which he is authorised to deal. Where the agent was appointed to enable him to secure some benefit already owed to him by the principal, the agency was coupled with an interest.

An agency coupled with interest cannot be terminated in the absence of a contract to the contrary to the prejudice of such interest.

The principal laid down in Section 202 of the Indian Contract Act, 1872, applies only if the following conditions are fulfilled:

- (i) The interest of the agent should exist at the time of creation of agency and should not have arisen after the creation of agency.
- (ii) Authority given to the agent must be intended for the protection of the interest of the agent.
- (iii) The interest of the agent in the subject matter must be substantial and not ordinary.
- (iv) The interest of the agent should be over and above his remuneration. Mere prospect of remuneration is not sufficient interest.

Answer 2(b)

According to Section 2(1)(g) of the Consumer Protection Act, 1986, 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. The terms consumer and service are defined under Section 2 of the Consumer Protection Act, 1986 as well.

Passengers travelling by trains on payment of the stipulated fare charged for the ticket are 'consumers' and the facility of transportation by rail provided by the railway

administration is a 'service' rendered for consideration as defined in the Consumer Protection Act, 1986. Failure to maintain the quality of performance required by the law or failure to provide services as per warranties given, by the provider of the service would amount to 'deficiency'.

In given problem Atul travelled by railway is a consumer and Atul suffered injury due to deficiency of service of railway.

Hence the contention of the Railway Authority that it was the fault of the electricity distribution company who failed to supply electricity at that point in time, is not tenable. Not providing the proper and required facilities will be covered under the deficiency in service as per the Consumer Protection Act, 1986 and Railway Authority is liable to compensate to Atul.

Answer 2(c)

An anti-competitive agreement under the Competition Act, 2002 is an agreement having appreciable adverse effect on competition. Anti-competitive agreements include, but are not limited to:-

- agreement to limit production and/or supply;
- agreement to allocate markets;
- agreement to fix price;
- bid rigging or collusive bidding;
- conditional purchase/ sale (tie-in arrangement);
- exclusive supply / distribution arrangement;
- resale price maintenance; and
- refusal to deal.

Answer 2(d)

Section 6 of the Indian Contract Act, 1872 deals with various modes of lapse of an offer. It states that an offer lapses if—

- (a) It is not accepted within the specified time (if any) or after a reasonable time, if none is specified.
- (b) It is not accepted in the mode prescribed or if no mode is prescribed in some usual and reasonable manner, e.g., by sending a letter by mail when early reply was requested;
- (c) The offeree rejects it by distinct refusal to accept it;
- (d) Either the offeror or the offeree dies before acceptance;
- (e) The acceptor fails to fulfill a condition precedent to an acceptance.
- (f) The offeree makes a counter offer, it amounts to rejection of the offer and an offer by the offeree may be accepted or rejected by the offeror.

Answer 2(e)

As per section 32 (1) of the Arbitration and Conciliation Act, 1996, the arbitral proceedings shall be terminated by the final arbitral award or by an order of the arbitral tribunal under sub-section (2).

Under section 32 (2) the arbitral tribunal shall issue an order for the termination of the arbitral proceedings where

- a. the claimant withdraws his claim, unless the respondent objects to the order and the arbitral tribunal recognizes a legitimate interest on his part in, obtaining a final settlement of the dispute,
- b. the parties agree on the termination of the proceedings, or
- c. the arbitral tribunal finds that the continuation of the proceedings has for any other reason become unnecessary or impossible.

Section 32(3) says that the mandate of the arbitral tribunal terminates with the termination of the arbitral proceedings subject to Section 33 and Section 34 (4) of the Arbitration and Conciliation Act, 1996.

The aforesaid are circumstances wherein the arbitral proceedings can stand terminated.

Answer 2A(i)

Mandatory documents required for export of goods from India are as under:

1. Bill of Lading/Airway Bill
2. Commercial Invoice cum Packing List
3. Shipping Bill/Bill of Export

Mandatory documents required for import of goods into India are as under:

1. Bill of Lading/Airway Bill
2. Commercial Invoice cum Packing List
3. Bill of Entry

For export or import of specific goods or category of goods, which are subject to any restrictions/policy conditions or require No Objection Certificate (NOC) or product specific compliances under any statute, the regulatory authority concerned may notify additional documents for purposes of export or import.

In specific cases of export or import, the regulatory authority concerned may electronically or in writing seek additional documents or information, as deemed necessary to ensure legal compliance.

Answer 2A(ii)(a)

Section 4 of the Indian Stamp Act, 1899 provides that, where in the case of any sale, mortgage or settlement, several instruments are employed for completing the

transaction, only the principal instrument shall be chargeable with the duty prescribed for the conveyance, mortgage or settlement.

A lease is executed and got registered. A second document is executed altering the terms of the first document. The second document has to be stamped as a lease. Section 4 does not apply.

Answer 2A(ii)(b)

Section 4 of the Indian Stamp Act, 1899 provides that, where in the case of any sale, mortgage or settlement, several instruments are employed for completing the transaction, only the principal instrument shall be chargeable with the duty prescribed for the conveyance, mortgage or settlement.

A purchaser of land executes a mortgage of the land in favour of the vendor for a portion of the purchase money. The mortgage is liable to full duty as a separate instrument. Section 4 does not apply.

Answer 2A(ii)(c)

According to Section 3 of the Indian Stamp Act, 1899 no duty shall be chargeable in respect of any instrument executed by, or, on behalf of, or in favour of, the Developer or Unit or in connection with the carrying out of purposes of the Special Economic Zone. Accordingly, this instrument is not chargeable with stamp duty.

Answer 2A(ii)(d)

According to Section 8B of the Indian Stamp Act, 1899 a scheme for corporatisation or demutualisation, or both of a recognized stock exchange shall not be liable to duty under the Act or any other law for the time being in force. . Accordingly, this instrument is not liable to stamp duty.

Answer 2A(ii)(e)

As per Section 8A of the of the Indian Stamp Act, 1899, the transfer of registered ownership of securities from a person to a depository or from a depository to a beneficial owner shall not be liable to duty under the Act or any other law for the time being in force. Accordingly, this instrument is not liable to stamp duty.

Answer 2A(iii)

Section 9(1) of the Trade Marks Act, 1999 containing provisions relating to absolute grounds for refusal for registration prohibit the registration of those trade marks which are devoid of any distinctive character or which consist exclusively of marks or indications which may serve in trade to designate the kind, quality, quantity, intended purpose, etc., or which consist exclusively of marks or indications which have become customary in the current language or in the bona fide and established practices of the trade. However, a trademark shall not be refused registration, if the mark has in fact acquired a distinctive character as a result of use or is a well-known trade mark before the date of application. In short, a trade mark which has been demonstrated to be distinctive in the market place shall be regarded as distinctive in law as well and be registerable.

Section 9(3) of the Act prohibits registration of a mark, if it consists exclusively of shape of goods which result from the nature of the goods themselves or which is

necessary to obtain a technical result or which gives substantial value to the goods. It is, however, explained that the nature of goods or services in relation to which the Trade Mark is used or proposed to be used shall not be a ground for refusal of registration.

Question 3

- (a) A person has been arrested for a cognizable and non-bailable offence, punishable for a term of imprisonment for more than three years, under the Prevention of Money Laundering Act, 2002.

Advise him, as to how he can be released on bail.

- (b) Ram promised to pay ₹5,000 per month to his wife Sunita. She was living in Delhi. On receiving information that she was unfaithful to him, Ram stopped payment of ₹5,000 to Sunita. Sunita approaches you to file a case against Ram. Advise her referring to the Provision of the Indian Contract Act, 1872.

- (c) Avtar made an unconditional gift of property to Ashok but continued in possession of the gifted property. Having possession of the gifted property Avtar revoked the gift and transferred it to Suresh. Ashok wants to recover possession from Suresh. State in the context of the transfer of Property Act, 1882, whether Suresh can withhold the property ? (5 marks each)

Answer 3(a)

Section 45 of the Prevention of Money Laundering Act, 2002 deals with offences to be cognizable and non-bailable.

According to Section 45 of the Act, notwithstanding anything contained in the Code of Criminal Procedure, 1973, no person accused of an offence under this Act shall be released on bail or on his own bond unless--

- (i) the Public Prosecutor has been given an opportunity to oppose the application for such release; and
- (ii) where the Public Prosecutor opposes the application, the court is satisfied that there are reasonable grounds for believing that he is not guilty of such offence and that he is not likely to commit any offence while on bail:

A person, who, is under the age of sixteen years, or is a woman or is sick or infirm, or is accused either on his own or along with other co-accused of money-laundering a sum of less than one crore rupees may be released on bail, if the Special Court so directs. The Special Court shall not take cognizance of any offence punishable under section 4 except upon a complaint in writing made by

- (i) the Director; or
- (ii) any officer of the Central Government or a State Government authorised in writing in this behalf by the Central Government by a general or special order made in this behalf by that Government.

The limitation on granting of bail specified in is in addition to the limitations under the Code of Criminal Procedure, 1973 or any other law for the time being in force on granting of bail.

Accordingly, the accused would have to satisfy the court and adopt the procedure as stated in Section 45 and the other related provisions, in order to enable him to get bail.

Answer 3(b)

The present problem is based upon a domestic arrangements between husband and wife. In *Balfour v. Balfour* (1919) 2 KB 571, a husband working in Ceylone, had agreed in writing to pay a housekeeping allowance to his wife living in England. On receiving information that she was unfaithful to him, he stopped the allowance. The Court Held, he was entitled to do so. This was a mere domestic arrangement with no intention to create legally binding relations. Therefore, there was no contract.

In the present case no legally binding contract has been made between Ram and Sunita and the promise is in the nature of domestic arrangement between a husband and wife. Therefore there is no valid contract.

Answer 3(c)

The most essential thing for the validity of a gift is its acceptance. If the gift is accepted but not registered it is a valid gift. The Privy Council in the case of *Kalyan Sundram v. Kumarappa*, A.I.R. 1925 P.C. 42, decided that after acceptance of the deed of gift and before registration, the donor cannot revoke the gift. The gift which is accepted by the donee, will take effect from the date of the execution of the document by the donor, even though it is registered at a later date.

If the deed of gift is executed but never communicated to the intended donee and remains in the possession of the donor undelivered, it cannot be compulsory registered at the instance of the donee. The reason is that the donee did not accept the gift, the donor can at any time before such acceptance revoke the gift. But once a gift is accepted by the donee, the donor cannot revoke it. A gift may, however, be revoked if it is brought about by a fraud or misrepresentation or undue influence.

In the present case Avtar has made unconditional gift to Ashok but he remains in possession of the gifted property and the fact provided it seems the gift was not accepted by the Ashok. Hence Avtar may transfer the property to Suresh. Therefore, Ashok can not recover possession of the property from Suresh as per Section 123 of the Transfer of Property Act, 1882.

Question 4

- (a) *State the objectives of the foreign trade policy from 2015-2020. Also explain the frame work of the foreign trade policy, regarding enhancement and promotion of the exports.* (8 marks)
- (b) *What is meant by 'Fast Track Procedure' to resolve the dispute between the parties, under the Arbitration and Conciliation Act, 1996. State the procedure to be followed by the arbitral tribunal while conducting arbitration proceedings.* (7 marks)

Answer 4(a)

The focus of Foreign Trade Policy has been to promote a framework of rules and

procedure for exports and imports and a set of incentives for promoting exports. The India's Foreign Trade Policy for 2015-2020 seeks to achieve the following objectives:

- (i) To provide a stable and sustainable policy environment for foreign trade in merchandise and services;
- (ii) To link rules, procedures and incentives for exports and imports with other initiatives such as "Make in India", "Digital India" and "Skills India" to create an "Export Promotion Mission" for India;
- (iii) To promote the diversification of India's export basket by helping various sectors of the Indian economy to gain global competitiveness with a view to promoting exports;
- (iv) To create an architecture for India's global trade engagement with a view to expanding its markets and better integrating with major regions, thereby increasing the demand for India's products and contributing to the government's flagship "Make in India" initiative;
- (v) To provide a mechanism for regular appraisal in order to rationalise imports and reduce the trade imbalance.

The frame work of the Foreign Trade Policy, regarding enhancement of and promotion of the exports:

- Employment creation in both manufacturing and services through the generation of foreign trade opportunities
- Zero defect products with a focus on quality and standards;
- A stable agricultural trade policy encouraging the import of raw material where required and export of processed products;
- A focus on higher value addition and technology infusion;
- Investment in agriculture overseas to produce raw material for the Indian industry;
- Lower tariffs on inputs and raw materials; and
- Development of trade infrastructure and provision of production and export incentives.

Additionally, the Export from India Schemes is to provide rewards to exporters to offset infrastructural inefficiencies and associated costs involved and to provide exporters a level playing field. There are two schemes for exports of Merchandise and Services respectively. They are (i) Merchandise Exports from India Scheme (MEIS), (ii) Service Exports from India Scheme (SEIS).

Answer 4(b)

According to Section 29B of the Arbitration and Conciliation Act, 1996, the parties to an arbitration agreement, may, at any stage either before or at the time of appointment of the arbitral tribunal, agree in writing to have their dispute resolved by fast track procedure.

The arbitral tribunal shall follow the following procedure while conducting arbitration proceedings:

- (a) The arbitral tribunal shall decide the dispute on the basis of written pleadings, documents and submissions filed by the parties without any oral hearing;
- (b) The arbitral tribunal shall have power to call for any further information or clarification from the parties in addition to the pleadings and documents filed by them;
- (c) An oral hearing may be held only, if, all the parties make a request or if the arbitral tribunal considers it necessary to have oral hearing for clarifying certain issues;
- (d) The arbitral tribunal may dispense with any technical formalities, if an oral hearing is held, and adopt such procedure as deemed appropriate for expeditious disposal of the case.

The award shall be made within a period of six months from the date the arbitral tribunal enters upon the reference.

PART B

Question 5

- (a) *To whom the appeal shall lie against the award, decision or order of the National Green Tribunal, under the National Green Tribunal Act, 2010.*
- (b) *Describe the functions of the National Board for Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises (MSME) Development Act, 2006.*
- (c) *Distinguish between seizure and confiscation as stated in Essential Commodities Act, 1955.*
- (d) *When a sub-registrar may refuse to register a document? Whether registration of a document may be refused, on the ground of undervaluation of stamp duty, under the Registration Act, 1908.*
- (e) *Explain the 'Environmental Audit' as stated under rule of 14 of Environmental Protection Rules, 1986. (3 marks each)*

Answer 5(a)

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

Answer 5(b)

Section 5 of the Micro, Small and Medium Enterprises Development Act, 2006

empowers the National Board for Micro, Small and Medium Enterprises subject to the general directions of the Central Government to, perform all or any of the following functions, namely:

- (a) Examine the factors affecting the promotion and development of micro, small and medium enterprises and review the policies and programmes of the Central Government in regard to facilitating the promotion and development and enhancing the competitiveness of such enterprises and the impact thereof on such enterprises;
- (b) Make recommendations on matters referred to above or on any other matter referred to it by the Central Government which, in the opinion of that Government, is necessary or expedient for facilitating the promotion and development and enhancing the competitiveness of the micro, small and medium enterprises; and
- (c) Advise the Central Government on the use of the Fund or Funds constituted under Section 12 of the Act.

Answer 5(c)

Essential Commodities Act, 1955 uses the expressions 'confiscation' and 'seizure' in Section 6A and under this section a commodity which has been seized in pursuance of an order under Section 3 can be confiscated under the circumstances mentioned in Section 6A.

'Confiscation' according to Wharton's Law Lexicon, is condemnation and adjudication of property to the public treasury as of goods seized under the Customs Act. Confiscation, according to Stroud's judicial Dictionary, must be an act done in some way on the part of the Government of the country where it takes place and in some way beneficial to that Government, though the proceeds may not strictly speaking be brought into its treasury.

The expression 'seize' means to take possession contrary to the wishes of the owner of the property and that such action is unilateral action of the person seizing. The person from whom anything is seized loses, from the moment of seizure, the right or power to control or regulate the use of that thing.

Answer 5(d)

Grounds for refusal to registration of documents

According to Section 71 of the Registration Act, 1908, every Sub-Registrar refusing to register a document, except on the ground that the property to which it relates is not situate within his sub-district, shall make an order of refusal and record his reasons for such order in his Book No. 2 and endorse the words "Registration refused" on the document; and, on application made by any person executing or claiming under the document, shall without payment and unnecessary delay, give him a copy of the reasons so recorded.

No registering officer shall accept for registration a document so endorsed unless and until, under the provisions hereinafter contained, the document is directed to be registered.

Further, if it is presented by a person who has no right to present it (Section 32).

Registration cannot be refused on the ground of undervaluation for stamp or any other extraneous reason. (Mulla (1998), page 308)

Answer 5(e)

Rule 14 of the Environment Protection Rules, 1986 provides for the submission of environmental audit report. Accordingly, every person carrying on an industry, operation or process requiring consent under Section 25 of the Water (Prevention and Control of Pollution) Act or Section 23 of the Air (Prevention and Control of Pollution) Act or both or authorisation under the Hazardous Wastes (Management and Handling) Rules, 1989 is required to submit an environmental audit report in Form V for the financial year ending on 31st March every year on or before the 15th of May, beginning 1993 to the concerned State Pollution Control Board.

Attempt All Parts of either Q. No. 6 or Q. No. 6A

Question 6

- (a) *Arun bequeaths certain property to Varun, requesting him to distribute it, among such members of Sohan's family, as Varun should think most deserving. Examine the validity of the trust. (5 marks)*
- (b) *Discuss the law and procedure regarding sale of the confiscated commodity and disposal of sale proceeds of confiscated goods under the Essential Commodities Act, 1955. (5 marks)*
- (c) *Who is under an obligation to furnish the information to the State Boards, regarding emission of air pollution ? State the liability of such person, under the Air (Prevention and Control of Pollution) Act, 1981. (5 marks)*

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

Question 6A

- (i) *"A society registered, under the Societies Registration Act, 1860, is a legal entity which is capable to sue and be sued." Analyse this statement referring to the provisions of the Societies Registration Act, 1860.*
- (ii) *A executes a will of his all moveable and immovable property in favour of B, his grandson. He wants to register the will. Advise A regarding the presentment for its registration and deposit of will with reference to the provisions of the Registration Act, 1908.*
- (iii) *Who is empowered to establish 'Central Advisory Council' under the Industries (Development and Registration) Act, 1951 ? State its composition also. (5 marks each)*

Answer 6(a)

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

- (1) *Certainty in words* : The words used to create a trust must be clear and certain so as to explain a clear intention to create a trust. Recommensatory words like "I hope" "I wish" are not sufficient.

- (2) *Certainty in the object of the trust* : The beneficiary, for whose benefit the trust is created, must be shown clearly.
- (3) *Certainty in the subject-matter of the trust* : The subject matter of the trust must be clear, i.e., the property, in respect of which a trust is created, must be shown clearly. Purpose of the trust should be certain.

In the present case Arun bequeaths certain property to Varun, requesting him to distribute it amongst such members of Sohan's family as Varun should think most deserving. This does not create a trust, for the beneficiaries are not indicated with reasonable certainty.

Answer 6(b)

Section 6A(2) of the Essential Commodities Act, 1955 provides that where the collector, on receiving a report of seizure or on inspection of any essential commodity under Sub-section (1), is of the opinion that the essential commodity is subject to speedy and natural decay or it is otherwise expedient in the public interest so to do he may (i) order the same to be sold at the controlled price, if any, fixed for such essential commodity under this Act or under any other law for the time being in force; (ii) where no such price is fixed, order the same to be sold by public auction. Provided that in case of food grains, the collector may, for its equitable distribution and availability at fair prices, order the same to be sold through fair price shops at the price fixed by the Central Government or by the State Government as the case may be, for the retail sale of such food grains to the public.

In terms of Section 6A(3) of the Essential Commodities Act, 1955, the sale proceeds of the essential commodity sold, after deduction of the expenses of any such sale or auction or other incidental expenses relating thereto shall be paid to the owner or person from whom it is seized in the following circumstances: (a) where no order of confiscation is ultimately passed by the Collector; (b) where an order passed on appeal under Section 6C(1) so requires, or (c) where in a prosecution instituted for the contravention of the order in respect of which an order of confiscation has been made under this section, the person concerned is acquitted.

Answer 6(c)

Section 23 of the Air (Prevention and Control of Pollution) Act, 1981 imposes an obligation on the person in charge of the premises where emission of any air pollutant occurs or is apprehended, to furnish the fact of any occurrence or apprehension of emission of any air pollutant into the atmosphere in excess of the standards laid down by the State Board. Even where the person in charge of the premises apprehends that any air pollutant in excess of these standards is likely to occur due to any accident or other unforeseen act or event, he has to intimate such apprehension to the State Board and to such authorities or agencies as may be prescribed.

The State Board or any authority or agency, as the case may be, shall, on receipt of such information, cause such remedial measures to be taken as are necessary to mitigate the emission of such air pollutants. Expenses if any, incurred by the State Board, authority or agency as the case may be, with respect to any such remedial measure shall be recovered from the person in charge of the premises as if they are arrears of land revenue or of public demand.

Answer 6A(i)

A Society registered under the Societies Registration Act, 1860 is a legal entity. According to Section 6 of the Act, it is capable of suing and be sued in the name of the president, chairman or principal, secretary or trustees as determined by the rules and regulations. If there is no such prescribed determination then the society can be sued in the name of such person as appointed by the governing body for the occasion. If no such person is nominated by the governing body on an application made to it, then a person having a claim against society may sue the president or chairman or secretary or trustee.

As per Section 7 of the Act, no suit or proceeding in any Civil Court shall abate or discontinue if the person in whose name the suit has been brought has died or ceased to fill the character. Such suit shall be continued in the name of or against the successor of such person.

The section is merely an enabling provision and does not take away the right of society to sue or be sued in its own name (*Govind Prasad v. Laxminarain 1960 MPLJ 145*).

Answer 6A(ii)**Who is entitled to present Wills and authorises to adopt**

According to Section 40 of the Registration Act, 1908 the testator, or after his death, any person claiming as executor or otherwise under a will, may present it to any Registrar or Sub-Registrar for registration. In case of authority for adoption, the donor or (after his death) the donee, or any authority to adopt, or the adoptive son, may present it to any Registrar or Sub-Registrar for registration.

Registration of will and authority to adopt

- (i) A will, or an authority to adopt, if presented by the testator or the donor, may be registered in the same manner as any other document. [Section 41(1)]
- (ii) If presented by any other person entitled to present it, it shall be registered if the registering officer is satisfied about the particulars mentioned in Section 41(2).

Deposit of will

Any testator may, either personally or by duly authorised agent, deposit with any Registrar his will in a sealed cover superscribed with the name of the testator and that of his agent, if any, and with a statement of the nature of the document.

On receiving such documents, the Registrar on being satisfied shall transcribe in his Registrar Book No. 5, the superscription and shall note the date, time, month, etc. of such receipt and shall then place and retain the sealed cover in his fire-proof box.

However, the testator may withdraw it by applying for the same and the Registrar shall deliver it accordingly. (Sections 42 to 46).

Answer 6A(iii)

Section 5 of the Industries (Development and Regulation) Act, 1951 empowers the

Central Government to establish by notified order, a Council to be called the Central Advisory Council, for advising the Government on matters concerning the development and regulation of scheduled industries.

Section 5(2) of the Industries (Development and Regulation) Act, 1951 deals with composition of Advisory Council and provides that it shall consist of a chairman and such other members not exceeding thirty in number, to be appointed by the Central Government from among persons who are, in its opinion, capable of representing the interest of owners of industrial undertakings in Scheduled Industries; persons employed in industrial undertakings in Scheduled Industries; consumers of goods manufactured or produced by Scheduled Industries; and such other class of persons including primary producers, as in the opinion of the Central Government ought to be represented on the Advisory Council.

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 2020-21, unless stated otherwise.

PART - A

1. Judicial decisions are being pronounced by various appellate authorities, tribunals, courts and by High Courts on the disputed matters which are binding specifically whereas the decisions pronounced by the Supreme Court become judicial precedent and are binding on _____
 - (A) All the Courts & Appellate Tribunals
 - (B) Income Tax Authorities
 - (C) An Assesse
 - (D) All in (A), (B) & (C)
2. Taxes and duties referred to in the Union list except those referred to in Articles 268 and 269, surcharge on taxes and duties and any cess levied by the _____ for specific purpose are to be collected by the Government of India and are to be distributed between the Union and the States.
 - (A) Parliament
 - (B) Central Board of Direct Taxes
 - (C) Finance Minister
 - (D) Revenue Administration Authority
3. The incidence of tax on income under the Act is linked with residential status of an assessee. Ram, an individual brought into India during the previous year 2019-20 past untaxed profits of ₹ 2,00,000 of the business in UK. State in which case amount of ₹ 2,00,000 brought into India be put to tax in A.Y. 2020-21 when Ram is (a) Resident and Ordinary resident (R&OR); (b) Resident and not Ordinary resident (R&NOR) and (c) Non-Resident (NR).
 - (A) Taxable in case of R&OR and R&NOR
 - (B) Taxable in case of R&OR and Non Resident
 - (C) Not taxable in all R&OR; R&NOR and Non-Resident
 - (D) Taxable in all R&OR; R&NOR and Non-Resident
4. Radhika during the previous year 01.04.2019 to 31.03.2020 received (1) Dividend from XYZ Ltd of UK, a Foreign Company of ₹12,00,000 (2) Agriculture income

from land in Rajasthan of ₹50,000 (3) Short term capital gain on sale of shares of Indian company received in London of ₹60,000. Total Income of Radhika when she is a Resident and not Ordinarily Resident (R&NOR) for Assessment Year 2020-21 shall be :

- (A) ₹13,10,000
 - (B) ₹60,000
 - (C) ₹1,10,000
 - (D) ₹12,00,000
5. Sita Raman born in U.K. is a foreign citizen. His father Radha Raman was born in Rajasthan in 1960 and mother Geeta was born in South Africa in 1965. His grandfather was also born in Rajasthan in 1935. Sita Raman for the first time to see historical places comes to India on 25th November, 2019 and remained till June, 2020 for 200 days. Residential status for assessment year 2020-21 of Sita Raman shall be :
- (A) Resident and Ordinarily Resident
 - (B) Not Ordinarily Resident
 - (C) Non-Resident
 - (D) None of the above
6. Section 87A provides a rebate from the tax payable by an assessee, being an individual, whose total income does not exceed ? ----- for the assessment year 2020-21.
- (A) ₹2,50,000
 - (B) ₹3,00,000
 - (C) ₹3,50,000
 - (D) ₹5,00,000
7. The Income Tax Department is governed by the _____ and is a part of the _____ under the Ministry of Finance, Government of India.
- (A) Central Board of Direct Taxes(CBDT), Taxation Cell
 - (B) Central Board of Direct Taxes(CBDT), Department of Revenue
 - (C) Department of Revenue , Central Board of Direct Taxes(CBDT)
 - (D) Department of Revenue, Revenue Administration Authority
8. A resident assessee, who is of the age of 60 years or more but less than 80 years at any time during the previous year 2019- 20 shall not be paying tax on

income up to ₹ _____ but shall be paying surcharge at the rate of _____ of income tax where total income exceeds ₹1 crore.

- (A) ₹2,50,000, 10%
- (B) ₹3,00,000, 10%
- (C) ₹2,50,000, 15%
- (D) ₹3,00,000, 15%

9. Any voluntary contributions received by an electoral trust not be included in the total income where such electoral trust distributes to any political parties _____ of the aggregate donations received by it during the previous year along with the surplus, if any, brought forward from any earlier previous year. A political party, for this purpose, means a political party registered under section _____ of the Representation of the People Act, 1951.

- (A) 85%, 29
- (B) 95%, 29A
- (C) 95%, 29B
- (D) 85%, 29A

10. Kamal has established in the previous year 2018-19 two industrial undertakings, one in a SEZ and one in a normal DTA. The summarized results for both the Units for previous year 2019-20 are :

Item	Amount in Lakh (₹)	
	SEZ	Normal (DTA)
Domestic turnover	100	200
Export turnover	300	0
Gross Profit	75	25
Expenses & Depreciation	15	15

Deduction available under section 10AA of the Act to Kamal in Asst. Year 2020-21 shall be of ₹ _____

- (A) 45
- (B) 60
- (C) 75
- (D) 70

11. Income derived from sale of coffee grown, cured, roasted and grounded in India as per Rule 7B (1A) of Income Tax Rules shall be treated both as agricultural income and business income in the ratio of _____ of such income.

- (A) 60% & 40%

- (B) 65% & 35%
- (C) 75% & 25%
- (D) 70% & 30%
12. Which out of the following is not the correct statement as to the definition/ scheme of "Reverse Mortgage"?
- (A) A person (generally a senior citizen) who owns a house property have the option to mortgage the property with a schedule bank or finance company to get a regular income in periodical installments.
- (B) Scheme is not applicable for a person (generally a senior citizen) who does not have regular income.
- (C) The lender will recover the amount paid i.e. principle and interest thereon by selling the property after the death of borrower.
- (D) The lender will have to give the option to the legal heirs to repay the loan amount along with interest for the release of property.
13. House property owned by Pankaj located at Ajmer having municipal valuation : ₹ 1,55,000, fair rent: ₹ 1,40,000, standard rent: ₹1,24,000 was let out for the period 1st April, 2019 to 15th November, 2019 on a rent of ₹ 8,000 per month and from 16th Nov. 2019 to 31st January 2020 on a rent of ₹13,000 per month. Pankaj transferred the property to Shyam on 1st February, 2020. The gross annual value (GAV) of the house property for assessment year 2020-21 shall be taken at _____
- (A) ₹1,03,333
- (B) ₹92,500
- (C) ₹1,24,000
- (D) ₹1,30,000
14. Chandra owns a house property constructed with the borrowed capital on 31.03.2008 and since then used by him for own residential purposes. Municipal value of the property is ₹1,00,000 whereas fair rent is ₹80,000 and standard rent is ₹90,000. Expenses incurred by Chandra during the previous year 2019-20 for Municipal tax : ₹15,000, insurance : ₹2,000, interest on capital borrowed to construct the property ₹70,000. Income/loss chargeable under the head house property for the assessment year 2020-21 shall be _____
- (A) (₹ 70,000)
- (B) (₹ 85,000)
- (C) (₹ 30,000)
- (D) (₹ 2,00,000)
15. The Gross Annual Value (GAV) as per section 23(1) of the Act of a house

property owned by Suresh covered by Rent Control Act, remained let out during the previous year 2019-20 for which (i) Municipal Valuation is ₹3,00,000; (ii) Actual (de facto) Rent is ₹ 3,20,000; (iii) Fair rent is ₹3,60,000 and (iv) Standard rent is ₹4,00,000 shall be taken at -----

- (A) ₹3,60,000
 - (B) ₹4,00,000
 - (C) ₹3,20,000
 - (D) ₹3,00,000
16. Car having cubic capacity of engine not exceeding 1.6 liters owned or hired by employer provided to the employee for use wholly for private purposes of which running and maintenance expenses are being borne/ met by the employee than find out from the following as to value chargeable to tax in the hands of employee as a perquisite :
- (A) It is not a perquisite, hence not taxable.
 - (B) Value of perquisite shall be 10% of the actual cost of car or hire charges if car is taken on hire plus salary of chauffeur if any paid or payable by the employer.
 - (C) Value of perquisite shall be taken at ₹600 p.m. and at ₹900 p.m. if chauffeur is provided.
 - (D) Value of perquisite shall be the actual expenditure incurred by the employer plus normal wear and tear @ 10% of the cost of car or hire charges if car is taken on hire.
17. Nitesh, working in a factory at Kolkata received during the previous year 2019-20 ₹2,00,000 as basic salary and ₹ 50,000 as house rent allowance. Rent paid by him for residence in Kolkata was ₹ 50,000. Amount of house rent allowance taxable in assessment year 2020-21 is _____
- (A) ₹20,000
 - (B) ₹30,000
 - (C) ₹50,000
 - (D) ₹25,000
18. Subodh Kumar, IAS, a Central Government employee received total salary of ₹ 18,00,000 and ₹10,000 as entertainment allowance during the previous year 2019-20. Actual expenditure incurred by him on entertainment for the official purposes was ₹9,500. The deduction available for entertainment allowance received or for actual amount spent on entertainment for the assessment year 2020-21 is _____
- (A) ₹4,750
 - (B) ₹9,500

- (C) ₹10,000
(D) ₹5,000
19. Rate at which depreciation shall be allowed in case of Ocean-going ships including dredgers, lugs, barges, survey launches and other similar ships used mainly for dredging purposes and fishing vessels with wooden hull as per Rule-5 under the Income Tax for Asst. Year 2020-21 is _____
- (A) 15%
(B) 20%
(C) 30%
(D) 40%
20. ABC limited engaged in the business of growing and manufacturing tea in India deposited ₹80 lakh in the "Special Account" during the previous year 2018-19 and claimed the same as deduction under section 33AB (40% of business profits of 200 lakh). During the previous year 2019-20, company withdrawn ₹40 lakh from the "Special Account" which was utilized as (i) ₹30 lakh on 31st December, 2019 for the scheme framed by the Tea Board (ii) ₹4 lakh on 25th January, 2020 for other purposes and ₹6 lakh was not utilized till 31st March, 2020. The amount chargeable to tax in assessment year 2020-21 shall be-----
- (A) ₹6 lakh
(B) ₹16 lakh (40% of ₹40 lakh)
(C) ₹10 lakh
(D) ₹40 lakh
21. XYZ limited commenced production on 1st December 2019 of paper boards made payments (i) on 1st January 2020 of ₹1,00,000 to the Indian Agricultural Research Association, Jaipur being an approved research association under section 35(1)(ii) for the purpose of carrying out scientific research in natural science and (ii) on 15th January 2020 of ₹50,000 to the Indian Institute of Management, Ahmadabad being an approved institute under section 35(1)(iii) for the purpose of carrying out research in social or statistical science. The amount of deduction available to XYZ limited under section 35(1) for the assessment year 2020-21, if the scientific research not related to the business of the assessee-company is _____
- (A) ₹2,00,000
(B) ₹2,25,000
(C) ₹1,50,000
(D) ₹1,62,500
22. Any expenditure incurred by an assessee on the activities relating to the corporate social responsibility (CSR) referred to in section 135 of the Companies Act,

2013 for the purpose of allowability as deduction under section 37(1) of the Income Tax Act, 1961 _____ for the purpose of the business.

- (A) shall be deemed to be an expenditure incurred
 - (B) shall not be deemed to be an expenditure incurred
 - (C) shall be capitalized
 - (D) shall be amortized in five equal installments
23. XYZ Ltd paid an amount of ₹2,00,000 towards rent for the business premises to Ramavtar on 12.01.2020 and did not deduct tax at source. Ramavtar also had not paid the tax on such income. Treatment according to provision under the Income Tax Act, 1961 in the hands of XYZ Ltd in Assessment Year 2020-21 in respect of expenditure of rent be _____
- (A) disallowance of 10% of such expenditure
 - (B) disallowance of 20% of such expenditure
 - (C) disallowance of 30% of such expenditure
 - (D) disallowance of 100% of such expenditure
24. Maintenance of such books of accounts and other documents is compulsory under section 44AA of the Income Tax Act, 1961 when every person who is carrying on business or profession and whose income from business and profession exceeds _____ or the total sales, turnover or gross receipts exceeds _____ in any one of the three years immediately preceding the previous year.
- (A) ₹2,50,000, ₹25,00,000
 - (B) ₹ 2,50,000, ₹10,00,000
 - (C) ₹ 5,00,000, ₹25,00,000
 - (D) ₹1,20,000, ₹10,00,000
25. GG Goods Transporters engaged in the business of carriage of goods owns on 1st April, 2019 trucks consisting (i) 6 heavy goods vehicles having weight of each of 14 ton and (ii) 3 light goods vehicles having weight of each of 5 ton. On 4th May, 2019 one of the heavy goods vehicle was sold and 1 light goods vehicle was purchased on 15th May 2019. The newly purchased light goods vehicle was put to use only from 25th June 2019. The assessee wants to declare the income as per section 44AE of the Act; which for A.Y. 2020-21 is to be taken at _____
- (A) ₹12,20,500
 - (B) ₹12,06,500
 - (C) ₹ 12,13,000
 - (D) ₹11,99,000

26. Monika enters into an agreement on 7th April, 2019 to transfer a piece of land for an agreed consideration of ₹66,00,000 by taking an advance payment of ₹ 10,00,000 by an account payee cheque. Sale deed of the piece of land was executed on 28th December 2019. Indexed cost of acquisition of the piece of land as per provision of the Act is computed at ₹34,00,000. Stamp valuation Authority determined the value of land on 07.04.2019 at ₹68,50,000 and on 28.12.2019 at ₹71,00,000. Find out the amount of long- term capital gain which shall be chargeable to tax in the assessment year 2020-21.
- (A) ₹32,00,000
(B) ₹34,50,000
(C) ₹35,00,000
(D) ₹37,00,000
27. Rahim converted into stock in trade on 10th May 2007 his capital asset which was acquired by him on 15th June, 2002 for ₹70,000. Subsequently the stock in trade so converted was sold for ₹18,00,000 on 15th July 2019. Fair market value of the asset on 10th May 2007 was ₹4,80,000. By taking the CII for the years 2002-03 as 105, 2007-208 as 129 and of 2019-20 as 289; determine the amount of capital gain taxable in assessment year 2020-21.
- (A) ₹3,23,179
(B) ₹13,20,000
(C) ₹ 2,87,333
(D) ₹4,10,000
28. Mark to market loss computed in accordance with income computation and disclosure standards (ICDS) is being allowable as deduction from the Income computed under the head _____
- (A) Profits and gains of business or profession
(B) Income from other sources
(C) Salaries
(D) Capital Gains
29. Ratan Lal, aged 55 years, resident in India having during the previous year 2019-20 income of winnings from races : ₹ 20,000 (expenditure incurred : ₹ 200), Short Term Capital Gain : ₹ 1,75,000 (applicable STT paid) Interest on Bank Fixed Deposits : ₹ 2,31,000 and had made contribution in public provident fund: ₹ 1,14,000. Total income of Ratan Lal for assessment year 2020-21 shall be _____
- (A) ₹4,26,000
(B) ₹3,12,000
(C) ₹3,02,000
(D) ₹2,62,000

30. Identify and find out which in the following is the false statement regarding applicability of ICDS.
- (A) ICDS provisions shall apply for computation of MAT
 - (B) ICDS apply to tax payers following mercantile system of accounting
 - (C) ICDS also apply to the person computing Income under the relevant presumptive taxation schemes
 - (D) ICDS applies to all tax payers except individual and HUF who are not covered under the tax audit provision under section 44AB
31. Carried forward losses of normal business can be set off against any other income in subsequent assessment year except _____
- (A) income from speculation business
 - (B) income under the head house property
 - (C) income under the head other sources
 - (D) income under the head salaries
32. Where the income of an individual includes any income of his minor child as per section 64(1A) of the Act; such individual shall be entitled to claim exemption of a certain amount (not exceeding the income clubbed) as per section 10(32). The amount of exemption available is -----
- (A) ₹1,500 in respect of each minor child
 - (B) ₹1,500 in respect of each minor child but maximum of two children
 - (C) ₹ 2,000 in respect of each minor child
 - (D) ₹ 3,000 in respect of each minor child
33. Rajkamal has four minor children (2 daughters and 2 sons). The annual income of two daughters was ₹9,000 and ₹4,500 and of two sons was ₹6,000 and ₹ 4,000 for the financial year 2019-20. The income does not accrue or arise to any of the minor children on account of any manual work done by them or activity involving application of their skill, talent or specialized knowledge and experience. The daughter who has income of ₹4,500 was suffering from a disability specified under section 80U. The amount of income earned by all the minor children to be clubbed as per section 64(1A) of Act in the hands of Rajkamal for the assessment year 2020-21 is _____
- (A) ₹23,500
 - (B) ₹14,500
 - (C) ₹17,500
 - (D) ₹19,000

34. Income of interest received by a minor child on a fixed deposit with a bank made out of/from the amount of scholarship received from the State Government is _____
- (A) exempt from tax
 - (B) to be clubbed with the income of father
 - (C) to be assessed in the hands of the minor child
 - (D) to be clubbed with the income of that parent whose total income, before including minor's income is higher
35. Rama Farm Pvt Ltd is a producer company as specified under section 581A (i) of the Companies Act, 1956. In order to avail/ taking the benefit of deduction under section 80PA, the total turnover of the company is to be less than _____ in any previous year.
- (A) ₹100 crores
 - (B) ₹200 crores
 - (C) ₹300 crores
 - (D) ₹500 crores
36. Zubin is intending/going to purchase agriculture lands in the rural area located in Gujrat for ₹70,00,000 in the previous year 2019-20. He wants to know whether there is any obligation on him to deduct tax at source from the payment to be made and if so at what rate ?
- (A) deduct tax @ 1%
 - (B) deduct tax @ 2%
 - (C) deduct tax @ 5%
 - (D) not to deduct tax at source
37. The maximum amount which can be donated in cash for claiming benefit of deduction under section 80G of the Act is _____
- (A) ₹1,000
 - (B) ₹2,000
 - (C) ₹ 5,000
 - (D) ₹10,000
38. An individual resident senior citizen tax payer can claim an amount of ₹ _____ as deduction in respect of specified income of interest on bank deposits, post office deposits and deposits held in a banking cooperative society.
- (A) ₹10,000
 - (B) ₹30,000
 - (C) ₹50,000
 - (D) ₹75,000

39. A deduction of an amount of ₹ _____ under section 80EEA in respect to interest paid on home loan for acquisition of residential house under affordable housing is available to _____ in A.Y. 2020-21.
- (A) 50,000; Individual
 - (B) 1,50,000; Individual & HUF
 - (C) 2,00,000; Individual
 - (D) 1,50,000; Individual
40. Sandeep during the previous year 2019-20 receives royalty on books of ₹ 1,00,000 at a rate of 17% and incurs ₹10,000 as expenditure for earning the amount of royalty. The books are covered under section 80QQB and the entire royalty was to be received from UK. ₹50,000, however shall be remitted to India till 30th September, 2020 out of the total amount of Royalty of ₹1,00,000. Deduction under section 80QQB for the assessment year 2020-21 available to Sandeep is _____
- (A) ₹90,000
 - (B) ₹50,000
 - (C) ₹40,000
 - (D) ₹1,00,000
41. The rates of income tax excluding cess and surcharge if any applicable to a co-operative society for the assessment year 2020-21 where the total income exceeds ₹20,000 be _____
- (A) 10% of the total income
 - (B) ₹2,000 plus 20% of the amount by which the total income exceeds ₹20,000
 - (C) ₹3,000 plus 30% of the amount by which the total income exceeds ₹20,000
 - (D) ₹3,000 plus 25% of the amount by which the total income exceeds ₹20,000
42. Credit for tax (tax credit) paid by a person on account of AMT under Chapter XII-BA shall be allowed which can be carried forward up to _____ immediately succeeding the assessment year in which such credit becomes allowable.
- (A) 20th assessment years
 - (B) 15th assessment years
 - (C) 10th assessment years
 - (D) 5th assessment years
43. Provisions of section 115JC under Chapter XII-BA shall not apply to an Individual or a HUF or an AOP or a body of Individual (whether incorporated or not) or any artificial judicial person, if the adjusted total income of such person does not exceed? _____
- (A) 5 lakh
 - (B) 10 lakh
 - (C) 20 lakh
 - (D) 30 lakh

44. Hindu Undivided Families (HUFs) according to Hindu law are governed by two schools being Mitakshara and Dayabhaga. Mitakshara School applies to whole of India except the states of _____
- (A) West Bengal and Assam
 - (B) Jammu and Kashmir
 - (C) West Bengal
 - (D) Assam and Bihar
45. Amount of salary paid to a working partner by a partnership firm is taxable in the hands of partner in the assessment year as per provisions of Income tax Act, 1961 under _____
- (A) Salaries
 - (B) Profits & Gain of Business and Profession
 - (C) Income from other sources
 - (D) Personal Income
46. As per section 115BBD where the total income of an Indian company includes any income by way of dividends declared, distributed or paid by a specified foreign company, such income of divided shall be chargeable to tax at the rate of _____ with applicable surcharge and cess.
- (A) 5%
 - (B) 10%
 - (C) 15%
 - (D) 20%
47. Where the total income of an assessee includes any income by way of transfer of Carbon Credits, the tax payable thereon in Asst. Year 2020-21 shall be at the rate of ----- with applicable surcharge and cess.
- (A) 2%
 - (B) 5%
 - (C) 7%
 - (D) 10%
48. As per section 176 of Income Tax Act, 1961 where any business or profession is discontinued in any assessment year than as per section 176(3), person discontinuing their business or profession shall give to the A.O. a notice of such discontinuance within _____ thereof.
- (A) 5 days
 - (B) 10 days
 - (C) 15 days
 - (D) 30 days

49. As per section 234B, where the advance tax paid during the previous year 01.04.2019 to 31.03.2020 on or before March, 2020 is less than 90% of the assessed tax as reduced by the amount of tax deducted at source, the assessee shall be making payment of simple interest on the amount of shortfall per month at the rate of _____.
- (A) 1%
 - (B) 1.25%
 - (C) 1.50%
 - (D) 1.75%
50. Person paying any sum on which tax is collectible at source as per provisions of section 206CC shall furnish his PAN to the person responsible for collecting such tax at source. A lower tax collection certificate under this section shall not be granted unless application in _____ made contains his _____.
- (A) Form no. 10, PAN
 - (B) Form no. 10, TAN
 - (C) Form no. 13, PAN
 - (D) Form no. 13, TAN
51. Section 244A provides where the refund is out of any tax paid under section 140A, simple interest shall be calculated at the rate of _____ comprised in the period from the date of furnishing of return or payment of tax, whichever is later, to the date on which the refund is granted.
- (A) 1% for every month
 - (B) 1% for every month or part of a month
 - (C) 1½% for every month
 - (D) 1½% for every month or part of a month
52. XYZ Ltd during the previous year 2019- 20 has made payments for Professional Services of ₹15,000 and of ₹ 20,000 towards Royalty to Mahesh Kumar. TDS required to be deducted by XYZ Ltd for Assessment Year 2020-21 out of such payments shall be _____
- (A) NIL being not required
 - (B) 10% of ₹35,000
 - (C) 10% of ₹15,000
 - (D) 10% of ₹20,000
53. A return of income where furnished after the due date than the period for which the interest is payable under section 234A commences from _____
- (A) first day of relevant Assessment Year to ending on the date of furnishing of the return
 - (B) the date immediately following the due date for filing the return and ending on the date of furnishing of the return

- (C) first day of relevant Assessment Year to due date for filing the return
- (D) the date immediately following the date for filing the return and ending on the end of relevant Assessment Year
54. The payer as per section 194N of Income tax Act, 1961 is required to deduct tax at source at the rate of _____ on the cash payments, if aggregate of withdrawals during the financial year from any account maintained with a banking company or cooperative bank or post office exceeds _____ .
- (A) 1%, ₹1 crore
- (B) 2%, ₹1 crore
- (C) 1%, ₹2 crore
- (D) 1%, ₹ 5 crore
55. Any person being an individual or a HUF (other than those who are not required to deduct tax under section 194C or 194H or 194J) paying any sum to any resident contractor or professional required to deduct tax at source under section 194M at the rate of _____, if aggregate payment during the year exceeds _____.
- (A) 10%, 20 lakh
- (B) 5%, 20 lakh
- (C) 5%, 50 lakh
- (D) 10%, 50 lakh
56. State and find out in which of the following transactions quoting of PAN is not compulsory/mandatory?
- (A) Payment in cash in connection with travel to any foreign country of an amount exceeding ₹50,000 at any one time
- (B) Contract for sale/purchase of securities exceeding ₹1,00,000
- (C) Sale/Purchase of any immovable property valued at ₹10 lakhs or more and valued by the stamp valuation authority under section 50C at an amount exceeding ₹10 lakhs
- (D) Sale or purchase, by any person of goods or services of any nature other than those specified where amount exceeding ₹1,00,000 per transaction
57. Ram Nath a resident individual having income of salary and interest on deposits has computed his total income at ₹9,00,000 for assessment year 2020-21. He wants to furnish his return of income for assessment year 2020-21 after the due date as prescribed under section 139(1) likely on or by 30.01.2021. As per section 234F of Income Tax Act, 1961, he is liable to pay fee of _____
- (A) ₹1,000
- (B) ₹5,000
- (C) ₹10,000
- (D) ₹15,000

58. State which out of the following, statement relating to Dispute Resolution Panel (DRP) is a wrong or incorrect statement :
- (A) If the member of the Dispute Resolution Panel differs in opinion on any point, the point shall be decided according to the opinion of the majority of the members.
 - (B) Every direction issued by the Dispute Resolution Panel shall be binding on the Assessing Officer.
 - (C) No direction shall be issued unless an opportunity of being heard is given to the assessee and the Assessing Officer on such directions which are prejudicial to the interest of the assessee or the interest of the revenue.
 - (D) No direction shall be issued after 12 months from the end of the month in which the draft order is forwarded to the eligible assessee.
59. The Chief Commissioner or the Commissioner or an assessee aggrieved by any order passed by the Income Tax Appellate Tribunal (ITAT) may file an appeal before the high court and such appeal shall be filed within _____ of the date on which the order appealed against is received by the assessee or the chief commissioner.
- (A) 120 days
 - (B) 90 days
 - (C) 60 days
 - (D) 30 days
60. An assessee may at any stage of a case relating to him make an application in Form No. _____ to the Settlement Commission to settle the case. Such application other than the case of specified person can be made to the Settlement Commission only where the additional amount of income tax payable on the income disclosed in the application as per section 245C(1A) exceeds _____.
- (A) 34A; ₹5,00,000
 - (B) 34B; ₹10,00,000
 - (C) 34A; ₹25,00,000
 - (D) 34B; ₹50,00,000
61. In case of failure to file the income tax return, prosecution proceeding may be initiated against the assessee under section 276CC of the Act where the tax payable on the returned income exceeds _____.
- (A) ₹3,000
 - (B) ₹5,000
 - (C) ₹10,000
 - (D) ₹20,000

62. " _____ " will be used to describe every attempt by legal means to prevent or reduce tax liability which would otherwise be incurred by taking advantage of some provision or lack of provision of law. It excludes fraud, concealment or other illegal measures.
- (A) Tax Evasion
 - (B) Tax Planning
 - (C) Tax Avoidance
 - (D) Tax Management
63. Tax planning is legitimate, honest and rightful approach to the attainment of maximum benefits of taxation laws within their frame work having certain basic objectives. Find from the following which is not the basic objective of Tax Planning:
- (A) Reduction of tax liability
 - (B) Healthy growth of economy
 - (C) Minimization of litigation
 - (D) Non Productive Investment
64. Instructions issued by CBDT as per section 119 of the Act have statutory force and are equally binding on all concerned. State which out of the following is the false statement in this context:
- (A) The instructions of the board are binding on the department and assessee both
 - (B) The instructions have to be followed by the department officers
 - (C) In the exercise of its power, the board cannot impose a burden or put the assessee in a worse position
 - (D) Instruction adverse to an assessee's interest can be challenged by him
65. Tax Planning exercise ranges from devising a model for specific transaction as well as for systematic corporate planning. In this context find from the following which is not a type of tax planning :
- (A) Short range and long range tax planning
 - (B) Permissive tax planning
 - (C) Presumptive tax panning
 - (D) Purposive tax planning
66. Ram & Associates entered into an international transaction or specified domestic transaction failed to furnish information and documents in respect of such international transaction or specified domestic transaction. State the quantum of penalty to be imposed by Assessing Officer or Commissioner (appeals) for such failure on Ram & Associates.

- (A) 1% of the value of each international transaction
 - (B) 2% of the value of each international transaction
 - (C) 3% of the value of each international transaction
 - (D) 4% of the value of each international transaction
67. The Advance Pricing Agreement (APA) shall be valid for a period as specified in the Advance Pricing Agreement. However this period will not be more than _____.
- (A) Six consecutive previous years
 - (B) Five consecutive previous years
 - (C) Four consecutive previous years
 - (D) Three consecutive previous years
68. Chapter X-A of the Act contains General Anti-Avoidance Rule (GAAR) and section 102 in this chapter contains various definitions. Find and state the meaning assigned to "Tax Treaty" under this section :
- (A) An agreement referred to in sub section (1) of section 90 or subsection (1) of section 90A
 - (B) A measure or an action, particularly one of a series taken in order to deal with or achieve a particular thing or object
 - (C) A reduction or avoidance or deferral of tax or other amount that would be payable under this Act as a result of a tax treaty
 - (D) A reduction in total income or an increase in loss in the relevant previous year or any other previous year
69. The application for obtaining an advance ruling as per section 245Q (2) shall be made in _____ and it should be accompanied by a fee of _____ or such fees as may be prescribed stating the question on which the advance ruling is sought.
- (A) Triplicate, ₹ 10,000
 - (B) Triplicate, ₹ 20,000
 - (C) Quadruplicate, ₹ 10,000
 - (D) Quadruplicate, ₹ 20,000
70. State which amongst the following is not a power of Authority for Advance Ruling (AAR) under section 245U of Income Tax Act, 1961 :
- (A) Compelling the production of books of account and other document specific Anti-Avoidance Rules
 - (B) Power of arrest
 - (C) Enforcing the attendance of any person, including any officer of a banking company and examining him on oath.
 - (D) Issuing commissions

PART B

71. Integrated Goods & Service Tax (IGST) Act, 2017 was passed by the Parliament under _____ of the Constitution and it provides that goods and services tax on _____ in the course of interstate trade or commerce shall be received and collected by the Government of India.
- (A) Article 246; turnover
 (B) Article 268; supplies
 (C) Article 269; sales
 (D) Article 269A; supplies
72. "-----" is based on Canada Model wherein taxes are being collected by the Centre. However, it also provides that two different rates of tax are to be levied by the Centre and the States.
- (A) Australian Model
 (B) Dual Tax Model
 (C) Kelkar - Shah Model
 (D) Bagchi - Poddar Model
73. State and find from the following which hierarchy of Administrative Mechanism is being in operation at the central level for GST :
- (A) Ministry of Finance Revenue Department CBIT Regions Zones
 Commissionerates Division
- (B) Ministry of Finance Revenue Department CBIT Zones Regions
 Commissionerates Division
- (C) Ministry of Finance Revenue Department CBIT Division Regions
 Zones Commissionerates
- (D) Revenue Department Ministry of Finance CBIT Zones
 Regions Commissionerates Division
74. The Constitution (One Hundred and First Amendment) Act, 2016 provides that the GST Council, in its discharge of various functions shall be guided by the need for a ----- structure of GST and that every decision of the GST Council shall be taken at meeting by a majority of not less than ----- of the weighted votes of the member present and voting.
- (A) harmonized; 3/4th
 (B) synchronized; 3/4th
 (C) simplified; 2/3rd
 (D) harmonized; 2/3rd

75. The Constitution (One Hundred and First Amendment) Act, 2016 provides for compensation to the states for loss of revenue arising on account of implementation of the Goods and Services Tax for a period of -----.
- (A) 3 Years
 - (B) 5 Years
 - (C) 7 Years
 - (D) 10 Years
76. Goods and Services Tax Net Work (GSTN) is a Central Agency providing the whole Information Technology (IT) infrastructure to achieve the objects of tax administration under GST. In this context find which is a false statement regarding "Functioning GSTN is the IT backbone of GST" :
- (A) It puts in place the IT infrastructure for the new taxation system.
 - (B) It enables the transition of tax payers from the multiple existing systems to a single one system.
 - (C) It unifies a large number of taxation systems working at different levels of administration into multiple interfaces.
 - (D) It establishes a uniform interface for the tax payer and a common and shared IT infrastructure between the Center and States.
77. According to Rule - 3 of CGST Rules, any registered person opts to pay tax under section 10 of the CGST Act, 2017 shall file an intimation in Form GST _____ prior to commencement of financial year and shall also furnish the statement in Form GST _____ within 60 days from the commencement of relevant financial year.
- (A) CMP-01, ITC-1
 - (B) CMP-02, ITC-3
 - (C) CMP-03, ITC-3
 - (D) CMP-02, ITC-2
78. Scope of supply has been given under section 7 of the CGST Act, 2017 and schedules I, II and III list various activities to be treated as supply or otherwise. Find from the following activities which is not being covered in Schedule - II of the CGST Act, 2017 :
- (A) Permanent transfer or disposal of goods forming part of business assets by or under the direction of the person carrying on the business whether or not for consideration
 - (B) Supply by unincorporated association to a member thereof for cash
 - (C) Supply of goods between principal to his agent and vice versa
 - (D) Development, design, programming, customization, up-gradation, enhancement, implementation of information technology software

79. Section 10(2) of the CGST Act, 2017 lays down various conditions and restrictions relating to eligibility for composition levy. Find from the following in this context, which of the statement is not correct :
- (A) The scheme is not available for service sector, except restaurants
 - (B) Tax payer who is not a manufacturer of such goods as may be notified by the government on the recommendation of the council is also not eligible for composition scheme
 - (C) Tax payer making supplies through e-commerce operators who are required to collect tax at source shall also be eligible for composition scheme.
 - (D) Tax payers making interstate supplies are eligible for composition scheme which implies that there is no bar on interstate inward supplies
80. Under GST regime, a category by the name "North Eastern and Special Category States" has been defined which comprise of :
- (A) Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Sikkim and Himachal Pradesh
 - (B) Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Arunachal Pradesh
 - (C) Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Himachal Pradesh
 - (D) Assam, Manipur, Meghalaya, Nagaland, Tripura, Sikkim and Arunachal Pradesh
81. Under section 14 of the CGST Act, 2017 where the payment has been received before the change in rate of tax but the invoice for the same is issued after the change in rate of tax, the time of supply shall be the -----
- (A) date of issue of invoice
 - (B) date of receipt of payment
 - (C) (A) & (B) whichever is later
 - (D) date of supply of goods or services
82. Section 7(2) of the CGST Act, 2017 provides that notwithstanding anything contained in section 7(1) of the CGST Act, 2017, activities which are neither of goods nor supply of services as specified in schedule-III include _____
- (A) Supply of goods by any unincorporated association or body of person to member for cash, deferred payment or other valuable consideration
 - (B) Temporary transfer or permitting the use or enjoyment of any intellectual property right
 - (C) Actionable claim, other than lottery, batting and gambling
 - (D) Renting of immovable property

83. Main difference between Composite supply and Mixed supply is that :
- (A) Composite supply is naturally bundled i.e. goods or services are usually provided together in normal course of business whereas in Mixed supply, the goods or services can be sold separately.
 - (B) Mixed supply, is naturally bundled i.e. goods or services are usually provided together in normal course of business whereas in Composite supply, the goods or services can be sold separately.
 - (C) Mixed supply is naturally bundled but Composite supply is not naturally bundled.
 - (D) There is no difference between Composite supply and Mixed supply.
84. Form GST CMP-07 is used for :
- (A) Issue show cause notice (SCN) to registered person by proper officer
 - (B) Issue an order within 30 days of receipts of reply by proper officer
 - (C) Intimation of withdrawal from the Composition scheme
 - (D) Giving details of stocks on date of opting for Composition Levy
85. 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 being not received back within _____ or _____ in case of inputs or capital goods as the case may be.
- (A) 6 months; 1 year
 - (B) 1 year; 18 months
 - (C) 1 year; 3 years
 - (D) 1 year; 2 years
86. Input Service Distributor (ISD) is required to file monthly return by ----- of the following month in form -----.
- (A) 13th; GSTR-6
 - (B) 18th; GSTR-5
 - (C) 13th; GSTR-4
 - (D) 18th; GSTR-3
87. A GST registered manufacturing company provides the information and particulars of GST paid for the month of December, 2019 on (a) goods and services where tax has been paid by supplier under section 10 of the CGST Act, 2017 of ₹ 20,000 (b) capital goods used for construction of building of ₹10,000 (c) laptops to be used within factory office of ₹35,000. You are required to work out the amount of available input tax credit (ITC).
- (A) ₹45,000
 - (B) ₹55,000
 - (C) ₹65,000
 - (D) ₹35,000

88. As per Section 11 of CGST Act, 2017 where Government is satisfied that it is necessary in the public interest so to do, it may, on the recommendations of the council, by special order in each case, under circumstances of an exceptional nature to be stated in such order, exempt from payment of tax any goods or services or both on which tax is leviable. However, if it considers necessary, the Government for clarifying the scope or applicability may insert an explanation in such order. State the time limit for insertion of an explanation by the Government in such order/notifications :
- (A) Within 6 months
 - (B) Within 18 months
 - (C) Within one year
 - (D) Within two years
89. Ascertain the value of taxable supply under GST with respect to the given independent services provided by the registered persons (1) Fee charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income Tax Act, 1961 of ₹2,00,000 (2) Fee charged for services provided by commentator to a recognized sports body of ₹1,00,000 (3) Amount charged for service provided by way of vehicle parking to general public in a shopping mall of ₹60,000.
- (A) ₹3,60,000
 - (B) ₹1,60,000
 - (C) ₹1,00,000
 - (D) ₹60,000
90. As per section 36 of CGST Act, 2017 the time duration for retention of accounts and records under GST is until expiry of ----- from the due date of furnishing of ----- for the year pertaining to such accounts and records.
- (A) 36 Months; annual return
 - (B) 72 Months; annual return
 - (C) 36 Months; monthly return
 - (D) 72 Months; monthly return
91. A specialized agency of the UNO and/or Embassy of foreign countries entitled to a refund of tax paid by it on inward supplies of goods or services or both, may make an application for such refund, in such form and manner as may be prescribed before the expiry of ----- in which such supply was received.
- (A) six months from the last day of the quarter
 - (B) one year from the last day of the quarter
 - (C) six months from the last day of the financial year
 - (D) one year from the last day of the financial year

92. A return in Form GSTR-11 under GST giving details of inward supplies is required to be furnished by 28th of the month following the month for which statement is filed by -----.
- (A) Input Service Distributor
 - (B) Person having UIN and claiming refund
 - (C) E-commerce Operator/Tax Collector
 - (D) Non Resident taxable person
93. Section 52 of CGST Act, 2017 specifies that electronic commerce operator to collect tax not exceeding----- of the net value and to deposit within ----- of the expiry of the month in which he collected the tax.
- (A) $\frac{1}{2}\%$; 10 days
 - (B) $\frac{1}{2}\%$; 15 days
 - (C) 1%; 15 days
 - (D) 1%; 10 days
94. As per section 50 of CGST Act, 2017 interest not exceeding ----- calculated from the next day of the due date has to be paid for delay of payment. Interest on undue or excess claim of ITC or excess reduction in output tax liability shall be not exceeding -----
- (A) 24%; 18%
 - (B) 12%; 18%
 - (C) 18%; 24%
 - (D) 18%; 12%
95. A return under GST in form ----- is required to be filed by a Non-resident taxable person by -----.
- (A) GSTR-4; 18th of the next month
 - (B) GSTR-5; 20th of the next month
 - (C) GSTR-6; 13th of the next month
 - (D) GSTR-7; 10th of the next month
96. A registered taxable supplier of services in case of continuous supply of services having unascertainable due date is required to raise the invoice as per section 31 of the CGST Act, 2017 within the timeline -----
- (A) on or before the date of completion of that event
 - (B) on or before the due date of payment
 - (C) before or at the time when the supplier of services receives the payment
 - (D) at the time when the supply ceases and such invoice shall be issued to the extent of the supply made before such cessation

97. The ----- under Section 49(1) shall be maintained for each person, liable to pay tax, interest, penalty, late fee or any other amount, on the common portal for crediting the amount deposited and debiting the payment there from towards tax, interest, penalty, fee or any other amount.
- (A) Electronic Cash Ledger
 - (B) Electronic Credit Ledger
 - (C) Electronic Tax Ledger
 - (D) Electronic Tax Liability Ledger
98. As per section 5 of the IGST Act, 2017 a maximum rate of tax of ----- can be imposed on interstate supply of goods and services.
- (A) 28%
 - (B) 35%
 - (C) 40%
 - (D) 50%
99. The place of supply (POS) as per section 10 of the IGST Act, 2017 in case of where supply not involving movement of goods whether by the supplier or the recipient shall be -----.
- (A) location of such goods at the time at which the movement of goods terminates for delivery to the recipient
 - (B) deemed that the third person has received such goods and principal place of business of such person shall be the place of supply
 - (C) location at which such goods are taken on conveyance
 - (D) location of such goods at the time of the delivery to the recipient
100. If the goods so seized are of perishable or hazardous nature, such goods can be released by an order under ----- only after taxable person pays an amount equivalent to the market price of such goods or things or the amount of tax, interest and penalty that is or may become payable by the taxable person, whichever is lower.
- (A) GST INS-05
 - (B) GST INS-04
 - (C) GST INS-03
 - (D) GST INS-02

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

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

Notes

- Q. No. 14 Option A & C Both are correct. Option A is correct, assuming condition for claiming higher deduction (such as construction has been completed within 5 years from the end of the financial year in which capital was borrowed) is fulfilled. Otherwise, Option C is correct.
- Q. No. 23 All options are Incorrect. As per section 194I of the Income tax Act, 1961, no TDS is required to be deducted where the amount of rent does not exceeding Rs. 240000. Since the payment of Rent made is Rs. 200000 only, therefore no TDS is required to be deducted. Accordingly, will not result in disallowance of rental expenditure.
- Q. No. 24 A & D Both options are correct. Option A is correct in case assessee is an Individual and HUF. Option D is correct is case assessee is any other person other than Individual and HUF.
- Q. No. 27 All options are Incorrect. Correct Answer is Rs. 3,94,000 (480000 - 70000*129/105).
- Q. No. 31 Options B, C & D are correct. Carried forward of normal business loss can be set-off against any PGBP Income.
- Q. No. 40 Correct option is C i.e. 40000 (50000 -10000). However, while calculating deduction proportinate expendiutre is deducted, thus, no options are correct.
- Q. No. 51 All options are Incorrect. Correct Answer is .05 % for every month or part of the month.
- Q .No. 80 Section 22 of the CGST Act, 2017, relating to composition levy specifies Special Category of states which are falling in North-Eastern Area. However, section states "Special Category State". The question requires to give answer in respect of that Special Category State which have been specified in section 22 of the CGST Act, 2017 and accordingly Option - A is the correct Option. However, the wordings "North Eastern and Special Category States" given in the question were in the Excise Law which was subsumed in GST.
- Q .No. 81 Question is incomplete as it does not tell about whether services completed before change or after change. In case services stands completed before change in rate of tax then in that case Option B is correct and whereas the service stands completed after the date of change in rate of tax then option A will be correct.
- Q. No. 89 As per Notification 12/2017-CT(Rate), the fee charged for yoga camp conducted by a charitable trust is exempt but the fee charged for services provided by commentator to a recognized sports body and amount charged for service provided by way of vehicle parking to general public in shopping mall are taxable. The amount of Rs. 1,00,000 recieved by Commentator and Rs. 60,000 amount charged for vehicle parking are taxable and total value thus arrives at Rs. 1,60,000. Hence Option - B, Rs. 1,60,000 is correct.

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