PAPER – 5 : ADVANCED MANAGEMENT ACCOUNTING

QUESTIONS

Break-even Point (Batches)

1. DRB Ltd. is a leading Home Appliances manufacturer. The company uses just-in- time manufacturing process, thereby having no inventory. Manufacturing is done in batch size of 100 units which cannot be altered without significant cost implications. Although the products are manufactured in batches of 100 units, they are sold as single units at the market price. Due to fierce competition in the market, the company is forced to follow market price of each product. The following table provides the financial results of its four unique products:

	D_1	**D_2**	**D_3**	**D_4**	**Total**
Sales (units)	2,00,000	2,60,000	1,60,000	3,00,000	
	(₹)	(₹)	(₹)	(₹)	(₹)
Revenue	26,00,000	45,20,000	42,40,000	32,00,000	145,60,000
Less: Material Cost	6,00,000	18,20,000	18,80,000	10,00,000	53,00,000
Less: Labour Cost	8,00,000	20,80,000	12,80,000	12,00,000	53,60,000
Less: Overheads	8,00,000	7,80,000	3,20,000	12,00,000	31,00,000
Profit / (Loss)	4,00,000	(1,60,000)	7,60,000	(2,00,000)	8,00,000

Since, company is concerned about loss in manufacturing and selling of two products so, it has approached you to clear picture on its products and costs. You have conducted a detailed investigation whose findings are below:

The overhead absorption rate of ₹2 per machine hour has been used to allocate overheads into the above product costs. Further analysis of the overhead cost shows that some of it is caused by the number of machine hours used, some is caused by the number of batches produced and some are product specific fixed overheads that would be avoided if the product were discontinued. Other general fixed overhead costs would be avoided only by the closure of the factory. Numeric details are summarized below:

	₹	₹
Machine hour related		6,20,000
Batch related		4,60,000
Product specific fixed overhead:		
D_1	10,00,000	
D_2	1,00,000	
D_3	2,00,000	
D_4	1,00,000	14,00,000
General fixed overheads		6,20,000
		31,00,000

The other information is as follows:-

	D_1	D_2	D_3	D_4	Total
Machine Hours	4,00,000	3,90,000	1,60,000	6,00,000	15,50,000
Labour Hours	1,00,000	2,60,000	1,60,000	1,50,000	6,70,000

Required

(i) Prepare a profitability statement that is more useful for decision making than the profit statement prepared by DRB Ltd.

(ii) Calculate the break-even volume in batches and also in approximate units for Product 'D_1'.

Pareto Analysis

2. The following information is given about the type of defects during a production period and the frequencies of their occurrence in a spectacle manufacturing company:

Defect	No. of items
End Frame not equidistant from the centre	10
Non-uniform grinding of lenses	60
Power mismatches	20
Scratches on the surface	110
Spots / Stains on lenses	5
Rough edges of lenses	70
Frame colours-shade differences	25

Required

Construct a frequency table so that a Pareto Chart can be constructed for the defect type. Which areas should the company focus on?

Flexible Budget

3. XEH Ltd. Had prepared fixed and flexible budget for the financial year 2019-20 as under:

	Fixed Budget *for full capacity* (₹)	**Flexible Budget *for 75% level*** (₹)
Sales	13,50,000	10,12,500
Direct Material	4,25,000	3,18,750
Direct Labour	1,85,000	1,38,750
Variable Overheads	2,15,000	1,61,250
Semi-Variable Overheads	3,65,000	3,23,750
Profit	1,60,000	70,000

After the closing of the financial year 2019-20, total actual sales stood at ₹11,07,000 and there was a favourable sales price variance of ₹17,000 (F).

Required

Prepare a flexible budget for the actual level of sales.

Decision Making

4. A company manufactures three components, A, B and C. these components pass through machines P and Q. The machine hour capacity of Q is limited to 7,800 hours a month. The company is interested in fulfilling the market demand to retain its market share. The following information is given:

		A	B	C
Demand (units/ month)		1,200	1,200	1,500
Variable cost (₹ / unit)		187	215	111
Fixed cost (₹/ unit) (at normal capacity utilization)		115	115	55
Hours per unit	P	2	2	1½
	Q	3	3	1

Component B has to be made by the company. There is a supplier available for components A and C at ₹ 280 and ₹ 161 per unit respectively.

Required

(i) Which component(s) and in what quantities should be purchased to minimize costs?

(ii) From a financial perspective, what do you need to ensure in order to justify your answer in (i) above?

Standard Costing

5. Sapporo Manufacturing Co. (SMC) is a leading consumer goods company. The budgeted and actual data of SMC for the year 2019-20 are as follows:-

Particulars	**Budget**	**Actual**	**Variance**
Sales / Production (units)	2,00,000	1,65,000	(35,000)
Sales (₹)	21,00,000	16,92,900	(4,07,100)
Less: Variable Costs (₹)	12,66,000	10,74,150	1,91,850
Less: Fixed Costs (₹)	3,15,000	3,30,000	(15,000)
Profit	5,19,000	2,88,750	(2,30,250)

The budgeted data shown in the table is based on the assumption that total market size would be 4,00,000 units but it turned out to be 3,75,000 units.

Required

Prepare a statement showing reconciliation of budget profit to actual profit through marginal costing approach for the year 2019-20 in as much detail as possible.

Cost Plus Pricing

6. The budgeted cost data of a product manufactured by XYZ Co. Ltd. is furnished as below:

Budgeted units to be produced	2,00,000
Variable cost (₹)	32 per unit
Fixed cost (₹)	16 lacs

It is proposed to adopt cost plus pricing approach with a mark-up of 25% on full budgeted cost basis.

However, research by the marketing department indicates that demand of the product in the market is price sensitive. The likely market responses are as follows:

Selling price (₹ per unit)	44	48	50	56	60
Annual Demand (units)	1,68,000	1,52,000	1,40,000	1,28,000	1,08,000

Required

Analyse the above situation and determine the best course of action.

Linear Programming

7. The manufacturing company has 100 kg of A, 180 kg of B and 120 kg of C ingredients available per month. Company can use these materials to make three basic products namely 5-10-5, 5-5-10 and 20-5-10, where the numbers in each case represent the percentage of weight of A, B and C respectively in each of products. The cost of these raw materials are as follows:

Ingredient	Cost per Kg. (₹)
A	64
B	16
C	40
Inert Ingredients	16

Selling price of these products are ₹32.60, ₹34.80, and ₹36.00 per Kg, respectively. There is capacity restriction of the company product 5-10-5, so that company cannot produce more than 30 Kg per month.

Required

Formulate this problem as an LP model to determine the productions (in Kg.) of each product which will maximise its monthly profit.

Note: Formulate Only

Transportation Problem

8. Coupers Partners a leading CA firm has three managers. Each manager can work up to 176 hours during the next month, during which time three assignments must be completed. Tax Accounting (TA) Assignment will take 143 hours, Tax Performance Advisory (TPA) will take 154 hours, and Global Compliance & Reporting (GCR) will take 176 hours. The amount per hour that can be billed for assigning each manager to each assignment is given below:

Manager	Assignment		
	TA (₹)	TPA (₹)	GCR (₹)
C_1	1,800	2,250	2,850
C_2	2,100	1,950	1,800
C_3	2,400	2,100	2,250

Required

Formulate this as a transportation problem and find the optimal solution. Also find out the maximum total billings during the next month.

Note: A manager may be involved in more than one assignment.

Transfer Pricing

9. AWB Ltd. has two divisions Division W and Division B. Division W produces product Z, which it sells to external market and also to Division B. Divisions in the AWB Ltd. are treated as profit centres and divisions are given autonomy to set transfer prices and to choose their supplier. Performance of each division measured on the basis of target profit given for each period.

Division W can produce 1,00,000 units of product Z at full capacity. Demand for product Z in the external market is for 70,000 units only at selling price of ₹2,500 per unit. To produce product Z Division W incurs ₹1,600 as variable cost per unit and total fixed overhead of ₹4,00,00,000. Division W has employed ₹12,00,00,000 as working capital, working capital is financed by cash credit facility provided by its lender bank @ 11.50% p.a. Division W has been given a profit target of ₹2,50,00,000 for the year.

Division B has found two other suppliers C Ltd and H Ltd. who are agreed to supply product Z.

Division B has requested a quotation for 40,000 units of product Z from Division W.

Required

(i) Calculate the transfer price per unit of product Z that Division W should quote in order to meet target profit for the year.

(ii) Calculate the two prices Division W would have to quote to Division B, if it became AWB Ltd. policy to quote transfer prices based on opportunity costs.

Simulation

10. Finance Controller of Dunk Limited has drawn the following projections with probability distribution:

Raw Material		Wages & Other Variable Overheads		Sales	
₹ in 000	**Probability**	**₹ in 000**	**Probability**	**₹ in 000**	**Probability**
08 – 10	0.2	11 – 13	0.3	34 – 38	0.1
10 – 12	0.3	13 – 15	0.5	38 – 42	0.3
12 – 14	0.3	15 – 17	0.2	42 – 46	0.4
14 – 16	0.2			46 – 50	0.2

Opening cash balance is ₹40,000 and fixed cost is estimated at ₹15,000 per month.

Required

Simulate cash flow projection and expected cash balance at the end of the sixth month. Use the following single digit random numbers.

Raw Material	4 3 1 0 4 6
Wages & Other Variable Overheads	2 7 9 1 8 9
Sales	0 6 6 0 2 8

Balanced Scorecard

11. "Hard Rock Coconut" is an exclusive resort located in a famous Island of Pacific Ocean that vows to isolate its guests from the hustle and bustle of everyday life. Its leading principle is "all contemporary amenity wrapped in old-world charisma". Each of the resort's 18 villas has a separate theme like Castle, Majestic, Ambassador, Royal Chateau, Coconut, Lemon, Balinese etc and guests often ask for a specific villa when they make reservations. Villas are Ideal for families or friends travelling together and these villas feature luxurious accommodation spanning two floors. Since it is located within a 300-acre estate on white sand beach, the resort offers its guests a wide variety of outdoor activities such as horseback riding, hiking, diving, snorkeling, sailing, golf and so on. Guests could also while away the day relaxing in the pool and availing themselves of the resort's world-famous spa "Hard Coco Spa". The dining room, which only has three tables for the public, is acceptable proud of its 4-star rating.

Required

Develop a Balanced Scorecard for "Hard Rock Coconut". It is sufficient to give two measures in each of the four perspectives.

Learning Curve

12. Marketing manager of AV Ltd. has conducted a market research on the price-demand relationship for its consumer durable product 'K-2'. K-2 is a recently launched product. The price-demand pattern will be as follows:

Price per unit (₹)	Demand (units)
11,100	1,000
10,700	2,000
9,600	3,000
8,700	4,000

K-2 is produced in batches of 1,000 units. Production manager of AV Ltd. has also researched and studied the production pattern and has believe that 50% of the variable manufacturing cost would have learning and experience curve effect. This learning & experience curve effect will be continued upto 4,000 units of production at a constant rate. But after 4,000 units of production, unit variable manufacturing cost would be equal to the unit cost at the 4th batch. The manufacturing unit cost of the first batch will be ₹4,400 of which only 50% is subjected to learning and experience curve effect. The average unit variable cost of all 4 batches will be ₹4,120.

Required

(i) Calculate the rate of learning that has been expected by the Production manager.

(ii) Calculate the price at which AV Ltd. should sell the K-2 in order to maximise its contribution.

Note

log0.93 = -0.0315, log2 = 0.3010, $2^{-0.1047}$ = 0.9299, $3^{-0.1047}$ = 0.8913, $4^{-0.1047}$ = 0.8649

Target Costing

13. A toy company 'T' expects to successfully launch Toy Z based on a film character. T must pay 15% royalty on the selling price to the film company. 'T' targets a selling price of ₹ 100 per toy and profit of 25% selling price.

The following are the cost data forecast:

	₹/toy
Component A	8.50
Component B	7.00
Labour: 0.4 hr. @ ₹ 60 per hr	24.00
Product specific overheads	13.50

In addition, each toy requires 0.6 kg of other materials, which are supplied at a cost of ₹ 16 per kg with a normal 4% substandard quality which is not usable in the manufacture.

Required

Determine if the above cost structure is within the target cost. If not, what should be the extent of cost reduction?

Cost Classification

14. ANZB Financial Services Limited is an Indian banking and financial services company headquartered in Chennai, Tamil Nadu. Apart from lending to individuals, the company grants loans to micro, small and medium business enterprises. Listed below are several costs incurred in the loan division of ANZB Financial Services Limited.

    (i) Remuneration of the loan division manager.

    (ii) Cost of Printer Paper, File Folders, View Binders, Ink, Toner & Ribbons used in the loan division.

    (iii) Cost of the division's MacBook Pro purchased by the loan division manager last year.

    (iv) Cost of advertising in business newspaper by the bank, which is allocated to the loan division.

    Cost Classification

Controllable by the loan division manager	Direct cost of the loan division	Sunk Cost
Uncontrollable by the loan division manager	Indirect Cost of the loan division	Out of Pocket Cost

Required

For each Cost, indicate which of the above mentioned Cost Classification best describe the cost.

Note- More than one classification may apply to the same cost item.

SUGGESTED ANSWERS

1. (i) Statement of Profitability of DRB Ltd

	Products (Amount in ₹)				
	D_1	**D_2**	**D_3**	**D_4**	**Total**
Sales	26,00,000	45,20,000	42,40,000	32,00,000	1,45,60,000
Direct Materials	6,00,000	18,20,000	18,80,000	10,00,000	53,00,000
Direct Wages	8,00,000	20,80,000	12,80,000	12,00,000	53,60,000
Overheads (W.N.2):					
Machine Related	1,60,000	1,56,000	64,000	2,40,000	6,20,000
Batch Related	1,00,000	1,30,000	80,000	1,50,000	4,60,000
Contribution	9,40,000	3,34,000	9,36,000	6,10,000	28,20,000
Product Specific Fixed Overheads	10,00,000	1,00,000	2,00,000	1,00,000	14,00,000
Gross Profit	(60,000)	2,34,000	7,36,000	5,10,000	14,20,000
General Fixed Overheads					6,20,000
Profit					8,00,000

(ii) Break-even Point

Total Sale Value of Product 'D_1' = ₹26,00,000

Total Contribution of Product 'D_1' = ₹9,40,000

Specific Fixed Overheads (Product D_1) = ₹10,00,000

Break-even Sales (₹) $= \frac{\text{Specific Fixed Cost}}{\text{Total Contribution}} \text{x Total Sales Value}$

$= \frac{₹10,00,000}{₹9,40,000} \text{x} ₹26,00,000$

$=$ ₹27,65,957.45

Break-even Sales (units) $= \frac{₹27,65,957.45}{₹13.00} = 2,12,766$ units

However, production must be done in batches of 100 units. Therefore, **2,128 batches** are required for break even. Due to the production in batches, 34 units (2,128 batches × 100 units – 2,12,766 units) would be produced extra. These 34 units would add extra cost ₹282.20 (34 units × ₹8.3*). Accordingly, break-even units as calculated above will increase by 22 units $\left(\frac{₹282.20}{₹13.00}\right)$.

(*) $\left(\dfrac{₹6,00,000 + ₹8,00,000 + ₹1,60,000 + ₹1,00,000}{2,00,000 \text{ units}}\right)$

Break-even units of product ‘D_1’ is 2,12,788 units (2,12,766 units + 22 units).

Workings

W.N.-1

Calculation Showing Overhead Rates

Overhead’s Related Factors	Overhead Cost (₹) [a]	Total No. of Units of Factors [b]	Overhead Rate (₹) [a] / [b]
Machining Hours	6,20,000	15,50,000 hrs.	0.40
Batch Production	4,60,000	9,200 batches	50.00

W.N.-2

Statement Showing - Overhead Costs Related to Product

Particulars	D_1	D_2	D_3	D_4
Machining hrs. related overheads	₹ 1,60,000 (4,00,000 hrs × ₹0.40)	₹ 1,56,000 (3,90,000 hrs × ₹0.40)	₹ 64,000 (1,60,000 hrs × ₹0.40)	₹ 2,40,000 (6,00,000 hrs × ₹0.40)
Batch related overheads	₹1,00,000 (2,000 batches × ₹50)	₹1,30,000 (2,600 batches × ₹50)	₹80,000 (1,600 batches × ₹50)	₹1,50,000 (3,000 batches × ₹50)

2. Statement Showing “Pareto Analysis of Defects”

Defect Type	No. of Items	% of Total Items	Cumulative Total
Scratches on the surface	110	36.67%	36.67%
Rough edges of lenses	70	23.33%	60.00%
Non-uniform grinding of lenses	60	20.00%	80.00%
Frame colours-shade differences	25	8.33%	88.33%
Power mismatches	20	6.67%	95.00%
End frame not equidistant from the centre	10	3.33%	98.33%
Spots/ Strain on lenses	5	1.67%	100.00%
	300	100.00%	

The company should focus on eliminating *scratches on the surface*, *rough edges of lenses* and *grinding of lenses* related defects which constitute 80% portion, according to Pareto Theory.

3. Working Notes

(1) Calculation of Actual Sales at Budgeted Prices

	(₹)
Actual Sales at Actual Price	11,07,000
Less: Sales Price Variance (F)	17,000
Actual Sales at Budgeted Prices	10,90,000

$$\text{Activity Level} = \frac{\text{Actual Sales at Budgeted Prices}}{\text{Budgeted Sales at Full Capacity}} \times 100$$

$$= \frac{₹10,90,000}{₹13,50,000} \times 100$$

$$= 80.74...\%$$

(2) Segregation of Fixed & Variable Cost Element from Semi-Variable Overheads

$$\text{Variable Overhead} = \frac{\text{Overhead at Full Capacity - Overhead at 75\% Capacity}}{\text{Difference in Activity Level}}$$

$$= \frac{₹3,65,000 - ₹3,23,750}{25}$$

$$= ₹1,650$$

Fixed Overhead = Total SV Overheads at 100% Level – Variable Overheads at 100% level

= ₹3,65,000 – (₹1,650 × 100)

= ₹2,00,000

Flexible Budget at 80.74% Activity Level

	(Amount in ₹)
Sales	10,90,000
Less:	
Direct Material (₹4,25,000 × 80.74..%)	3,43,148
Direct Labour (₹1,85,000 × 80.74..%)	1,49,370
Variable Overheads (₹2,15,000 × 80.74..%)	1,73,593
Semi-Variable Overheads	

Variable Cost (₹1,650 × 80.74..) [W.N.-2]	1,33,222
Fixed Cost [W.N.-2]	2,00,000
Profit	90,667

4. (i) Statement Showing "Ranking for Manufacturing"

	A (₹)	B (₹)	C (₹)
Demand	1,200	1,200	1,500
Buy Price	280	×××	161
Less: Variable Cost	187	215	111
Saving in Cost *per unit*	93	×××	50
Hrs. Required -"Q"	3	3	1
Saving in Cost *per machine hour*	31	×××	50
Ranking	III	I	II

Statement Showing "Optimum Production Plan"

Product	Units	Machine Hrs./ Unit	Machine Hrs. Required	Balance Hrs.
B	1,200	3	3,600	4,200
C	1,500	1	1,500	2,700
A (Balance)	900*	3	2,700	---

* $\left(\frac{2{,}700 \text{ hrs.}}{3 \text{hrs.}}\right)$

Balance quantity of A, 300 units to be purchased from outside.

(ii) Statement Showing "Conditions for Justification (i)"

	Product A	Product C
Buy Price	< 337 *Or*	> 142
Variable Cost	> 130 *Or*	< 130

5. Statement of Reconciliation - Budgeted Vs Actual Profit

Particulars	**₹**
Budgeted Profit	5,19,000
Less: Sales Volume Contribution Planning Variance (Adverse)	52,125
Less: Sales Volume Contribution Operational Variance (Adverse)	93,825
Less: Sales Price Variance (Adverse)	39,600

Less: Variable Cost Variance (Adverse)	29,700
Less: Fixed Cost Variance (Adverse)	15,000
Actual Profit	2,88,750

Workings

Basic Workings

Budgeted Market Share (in %) $= \dfrac{2,00,000\text{units}}{4,00,000\text{units}}$

$= 50\%$

Actual Market Share (in %) $= \dfrac{1,65,000\text{units}}{3,75,000\text{units}}$

$= 44\%$

Budgeted Contribution = ₹21,00,000 – ₹12,66,000

= ₹8,34,000

Average Budgeted Contribution (*per unit)* $= \dfrac{₹8,34,000}{₹2,00,000}$

= ₹4.17

Budgeted Sales Price *per unit* $= \dfrac{₹21,00,000}{₹2,00,000}$

= ₹10.50

Actual Sales Price *per unit* $= \dfrac{₹16,92,900}{₹1,65,000}$

= ₹10.26

Standard Variable Cost *per unit* $= \dfrac{₹12,66,000}{₹2,00,000}$

= ₹6.33

Actual Variable Cost *per unit* $= \dfrac{₹10,74,150}{₹1,65,000}$

= ₹6.51

Calculation of Variances

Sales Variances:

Volume Contribution Planning*	=	Budgeted Market Share % × (Actual Industry Sales Quantity *in units* – Budgeted Industry Sales Quantity *in units*) × (Average Budgeted Contribution *per unit*)
	=	50% × (3,75,000 units – 4,00,000 units) × ₹4.17
	=	52,125 (A)
(*) *Market Size Variance*		
Volume Contribution Operational**	=	(Actual Market Share % – Budgeted Market Share %) × (Actual Industry Sales Quantity *in units*) × (Average Budgeted Contribution *per unit*)
	=	(44% – 50 %) × 3,75,000 units × ₹4.17
	=	93,825 (A)
(**) *Market Share Variance*		
Price	=	Actual Sales – Standard Sales
	=	Actual Sales Quantity × (Actual Price – Budgeted Price)
	=	1,65,000 units × (₹10.26 – ₹10.50) = 39,600 (A)

Variable Cost Variances:

Cost	=	Standard Cost for Production – Actual Cost
	=	Actual Production × (Standard Cost *per unit* – Actual Cost *per unit*)
	=	1,65,000 units × (₹6.33 – ₹6.51)
	=	₹29,700(A)

Fixed Cost Variances:

Expenditure	=	Budgeted Fixed Cost – Actual Fixed Cost
	=	₹3,15,000 – ₹3,30,000
	=	₹15,000 (A)

Fixed Overhead Volume Variance does not arise in a Marginal Costing system

6. Analysis of Cost *plus* Pricing Approach

The company has a plan to produce 2,00,000 units and it proposed to adopt Cost *plus* Pricing approach with a markup of 25% on full budgeted cost. To achieve this pricing policy, the company has to sell its product at the price calculated below:

Qty.	2,00,000 units
Variable Cost (2,00,000 units × ₹ 32)	64,00,000
Add: Fixed Cost	16,00,000
Total Budgeted Cost	80,00,000
Add: Profit (25% of ₹ 80,00,000)	20,00,000
Revenue (need to earn)	1,00,00,000
Selling Price *per unit* $\left(\frac{₹\ 1,00,00,000}{2,00,000\ \text{units}}\right)$	50 p.u.

However, at selling price ₹ 50 per unit, the company can sell 1,40,000 units only, which is 60,000 units less than the budgeted production units.

After analyzing the price-demand pattern in the market (which is price sensitive), to sell all the budgeted units market price needs to be further lowered, which might be lower than the total cost of production.

Statement Showing "Profit at Different Demand & Price Levels"

	I	II	III	IV	Budgeted
Qty. (units)	1,68,000	1,52,000	1,40,000	1,28,000	1,08,000
	₹	₹	₹	₹	₹
Sales	73,92,000	72,96,000	70,00,000	71,68,000	64,80,000
Less: Variable Cost	53,76,000	48,64,000	44,80,000	40,96,000	34,56,000
Total Contribution	20,16,000	24,32,000	25,20,000	30,72,000	30,24,000
Less: Fixed Cost	16,00,000	16,00,000	16,00,000	16,00,000	16,00,000
Profit (₹)	4,16,000	8,32,000	9,20,000	14,72,000	14,24,000
Profit (% on total cost)	5.96	12.87	15.13	25.84%	28.16%

Determination of the Best Course of Action

(i) Taking the above calculation and analysis into account, the company should produce and sell 1,28,000 units at ₹ 56. At this price company will not only be able to achieve its desired mark up of 25% on the total cost but can earn maximum contribution as compared to other even higher selling price.

(ii) If the company wants to uphold its proposed pricing approach with the budgeted quantity, it should try to reduce its variable cost per unit for example by asking its supplier to provide a quantity discount on the materials purchased.

7. Let the P_1, P_2 and P_3 be the three products to be manufactured. Then the data are as follows:

Products	Product ingredients			
	A	**B**	**C**	**Inert Ingredients**
P_1	5 %	10%	5%	80%
P_2	5%	5%	10%	80%
P_3	20%	5%	10%	65%
Cost per kg (₹)	64	16	40	16

Cost of Product P_1

= 5% × ₹64 + 10% × ₹16 + 5% × ₹40 + 80% × ₹16

= ₹19.60 per kg

Cost of Product P2

= 5% × ₹64 + 5% × ₹16 + 10% × ₹40 + 80% × ₹16

= ₹20.80 per kg.

Cost of Product P3

= 20% × ₹64 + 5% × ₹16 + 10% × ₹40 + 65% × ₹16

= ₹28.00 per kg.

Let x_1, x_2, and x_3 be the quantity (in kg) of P_1, P_2, and P3 respectively to be manufactured. The LP problem can be formulated:

Objective function:

Maximise Z = (Selling Price - Cost Price) × Quantity of Product

= (₹32.60 − ₹19.60) x_1 + (₹34.80 − ₹20.80) x_2 + (₹36.00 − ₹28) x_3

= $13x_1 + 14x_2 + 8x_3$

Subject to Constraints:

$1/20\, x_1 + 1/20\, x_2 + 1/5\, x_3 \leq 100$

Or $x_1 + x_2 + 4x_3 \leq 2{,}000$

$1/10\, x_1 + 1/20\, x_2 + 1/20\, x_3 \leq 180$

Or $2x_1 + x_2 + x_3 \leq 3{,}600$

$1/20\, x_1 + 1/10\, x_2 + 1/10\, x_3 \leq 120$

Or $x_1 + 2x_2 + 2x_3 \leq 2{,}400$

$x_1 \leq 30$

and $x_1, x_2, x_3 \geq 0$

8. The given information can be tabulated in following transportation problem-

Manager	Assignment			Time Available (Hours)
	TA (₹)	TPA (₹)	GCR (₹)	
C_1	1,800	2,250	2,850	176
C_2	2,100	1,950	1,800	176
C_3	2,400	2,100	2,250	176
Time Required (Hours)	143	154	176	

The given problem is an unbalanced transportation problem. Introducing a dummy assignment to balance it, we get-

Manager	Assignment				Time Available (Hours)
	TA (₹)	TPA (₹)	GCR (₹)	Dummy (₹)	
C_1	1,800	2,250	2,850	0	176
C_2	2,100	1,950	1,800	0	176
C_3	2,400	2,100	2,250	0	176
Time Required (Hours)	143	154	176	55	528

The objective here is to maximize total billing amount of the auditors. For achieving this objective, let us convert this maximization problem into a minimization problem by subtracting all the elements of the above payoff matrix from the highest payoff i.e. ₹2,850.

Manager	Assignment				Time Available (Hours)
	TA (₹)	TPA (₹)	GCR (₹)	Dummy (₹)	
C_1	1,050	600	0	2,850	176
C_2	750	900	1,050	2,850	176
C_3	450	750	600	2,850	176
Time Required (Hours)	143	154	176	55	528

Now, let us apply VAM method to the above matrix for finding the initial feasible solution.

Manager	Assignment				Time Avail. (Hours)	Difference
	TA (₹)	TPA (₹)	GCR (₹)	Dummy (₹)		
C1	1,050	600	0 [176]	2,850	176/0	600 - -
C2	750	900 [121]	1,050	2,850 [55]	176/55/0	150, 150 1,950
C3	450 [143]	750 [33]	600	2,850	176/33/0	150, 300, 2,100
Time Required	143/0	154/121/0	176/0	55/0	528	
Difference	300	150	600	0		
	300	150	--	0		
	-	150	-	0		

The initial solution is given below. It can be seen that it is a degenerate solution since the number of allocation is 5. In order to apply optimality test, the total number of allocations should be 6 (m + n -1). To make the initial solution a non-degenerate, we introduce a very small quantity in the least cost independent cell which is cell of C_3, GCR.

Manager	Assignment			
	TA (₹)	TPA (₹)	GCR (₹)	Dummy (₹)
C1	1,050	600	0 [176]	2,850
C2	750	900 [121]	1,050	2,850 [55]
C3	450 [143]	750 [33]	600 [e]	2,850

Let us test the above solution for optimality-

(u_i + v_j) Matrix for Allocated / Unallocated Cells

				u_i
-150	150	0	2,100	-600

	600	900	750	2,850	150
	450	750	600	2,700	0
v_j	450	750	600	2,700	

Now we calculate $\Delta_{ij} = C_{ij} – (u_i + v_j)$ for non basic cells which are given in the table below-

Δ_{ij} Matrix

1,200	450		750
150		300	
			150

Since, all allocations in $\Delta_{ij} = C_{ij} –(u_i+v_j)$are non negative, the allocation is optimal. The allocation of assignments to managers and their billing amount is given below:

Manager	Assignment	Billing Amount
C_1	Global Compliance & Reporting (GCR)	₹5,01,600 (176 hrs. × ₹2,850)
C_2	Tax Performance Advisory (TPA)	₹2,35,950 (121 hrs. × ₹1,950)
C_3	Tax Accounting (TA)	₹3,43,200 (143 hrs. × ₹2,400)
C_3	Tax Performance Advisory (TPA)	₹69,300 (33 hrs. × ₹2,100)
	Total Billing	₹11,50,050

9. (i) Transfer Price *per unit* of Product Z that Division W Should Quote *in order to meet* Target Profit

Quotation for the 40,000 units of product Z should be such that meet Division W's target profit and interest cost on working capital. Therefore the minimum quote for product Z will be calculated as follows:

Particulars	Amount (₹)
Target Profit (given for the year)	2,50,00,000
Add: Interest Cost on Working Capital (₹12,00,00,000 @11.5%)	1,38,00,000
Required Profit	3,88,00,000
Add: Fixed Overhead	4,00,00,000

Target Contribution	7,88,00,000
Less: Contribution Earned --- External Sales {60,000 units × (₹2,500 – ₹1,600)}	5,40,00,000
Contribution Required – Internal Sales	2,48,00,000
Contribution *per unit* of Product Z (₹2,48,00,000 ÷ 40,000 units)	620
Transfer Price of Product Z to Division B (Variable Cost *per unit* + Contribution *per unit*)	2,220

(ii) The Two Transfer Prices Based on Opportunity Costs

For the 30,000 units (i.e. maximum capacity – maximum external market demand) at variable cost of production i.e. ₹1,600 per unit.

For the next 10,000 units (i.e. external market demand – maximum possible sale) at market selling price i.e. ₹2,500 per unit.

10. Allocation of Random Numbers

Raw Material			Wages & Other Variable Overheads			Sales		
Mid Point	**Cum. Prob.**	**Random Nos.**	**Mid Point**	**Cum. Prob.**	**Random Nos.**	**Mid Point**	**Cum. Prob.**	**Random Nos.**
9	0.2	0 – 1	12	0.3	0 – 2	36	0.1	0
11	0.5	2 – 4	14	0.8	3 – 7	40	0.4	1 – 3
13	0.8	5 – 7	16	1.0	8 – 9	44	0.8	4 – 7
15	1.0	8 – 9				48	1.0	8 – 9

Simulation Table

(₹ in 000)

Month	Raw Material	Wages & Other V.O	Sales	Fixed Cost	Net Cash Flow	Cash Balancing (Opening ₹40 thousand)
1	11	12	36	15	-2	38
2	11	14	44	15	+ 4	42
3	9	16	44	15	+4	46
4	9	12	36	15	0	46
5	11	16	40	15	-2	44
6	13	16	48	15	+4	**48**

11. The following is a possible **Balanced Scorecard** for **"Hard Rock Coconut"**

Financial Perspective	Economic Value Added
	Revenue *per villa*
Customer Perspective	% repeat customers
	Number of customer complaints
Internal Business	Service rating of spa
	Staff hours *per guest*
	% cost spent for maintenance
	Travel guide rank for restaurant
Innovation and Learning	Employee retention
	Number of new services offered

12. (i) Variable cost per unit that will be effected by learning and experience curve is ₹2,200 (₹4,400 – 50% of ₹ 4,400).

Let, 'r' be the learning curve rate.

No. of Batch (x)	Cumulative Average Cost *per unit* (y)
1	2,200
2	2,200 r
4	2,200 r^2

If 2,200 r^2 = ₹1,920 (₹4,120 – 50% of ₹ 4,400)

r^2 = 0.8727

r = 0.934

Therefore, Learning Curve Effect = 93% (rounded off)

(ii) Calculation of Optimum Price

Price *per unit* (₹)	Demand (units)	Variable Cost *per unit* * [W.N.] (₹)	Variable Cost *per unit*** (₹)	Total Variable Cost *per unit* (₹)	Contribution *per unit* (₹)	Total Contribution (₹)
11,100.00	1,000	2,200.00	2,200.00	4,400.00	6,700.00	67,00,000
10,700.00	2,000	2,046.00	2,200.00	4,246.00	6,454.00	1,29,08,000
9,600.00	3,000	1960.86	2,200.00	4,160.86	5,439.14	1,63,17,420
8,700.00	4,000	1,902.78	2,200.00	4,102.78	4,597.22	1,83,88,880

(*) This represents variable cost part which is affected by the learning and experience curve effect.

(**) This represents variable cost part which is not affected by the learning and experience curve effect.

Working Note [W.N.]

Variable Cost *per unit*

Output in Batches (x)	Average Cost of the First Unit (a)	$x^{-0.1047}$	Cumulative Average Cost *per unit* (y)
1	2,200	1.0000	2,200.00
2	2,200	0.9299	2,046.00
3	2,200	0.8913	1,960.86
4	2,200	0.8649	1,902.78

y = ax^b

Where,

y = Cumulative average unit costs

a = Average cost of the first unit

x = Cumulative number of batches

b = Log of learning ratio ÷ Log of 2

= log 0.93 ÷ log 2

= −0.0315 ÷ 0.3010

= −0.1047

13. **Statement Showing Target Cost "Z"**

	₹ / Toy
Target Selling Price	100.00
Less: Royalty @15%	15.00
Less: Profit @ 25%	25.00
Target Cost	60.00

Statement Showing Cost Structure "Z"

	₹ / Toy
Component A	8.50
Component B	7.00
Labour (0.40 hr. × ₹ 60 per hr.)	24.00
Product Specific Overheads	13.50
Other Material (0.6 kg / 96% × ₹16)	10.00
Total Cost of Manufacturing	63.00

Total Cost of Manufacturing is ₹ 63 while Target Cost is ₹ 60. Company "T" should make efforts to **reduce its manufacturing cost by ₹ 3** to achieve Target Selling Price of ₹100.

14. Cost Incurred – Cost Classification

S. No.	Cost Incurred	Classification 1	Classification 2	Classification 3
(i)	Remuneration of the loan division manager.	Uncontrollable by the loan division manager.	Direct cost of the loan division.	Out of Pocket Cost
(ii)	Cost of Printer Paper, File Folders, View Binders, Ink, Toner & Ribbons used in the loan division.	Controllable by the loan division manager.	Direct cost of the loan division.	Out of Pocket Cost
(iii)	Cost of the division's MacBook Pro purchased by the loan division manager last year.	Controllable by the loan division manager.	Direct cost of the loan division.	Sunk Cost
(iv)	Cost of advertising in business newspaper by the bank, which is allocated to the loan division.	Uncontrollable by the loan division manager.	Indirect Cost of the loan division.	Out of Pocket Cost

PAPER 7: DIRECT TAX LAWS

The provisions of direct tax laws, as amended by the Finance Act, 2020, the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 and significant notifications issued upto 31.10.2020, are relevant for May, 2021 examinations. The relevant assessment year for May, 2021 examination is A.Y.2021-22.

QUESTIONS AND ANSWERS

Case Scenario 1

Mr. Rajesh, aged 53 years, and his wife Mrs. Sowmya, aged 50 years, were born in India. They were living in India till the year 2000, when they moved to Country X and settled there permanently. Since the year 2010, they have become citizens of Country X. They have two sons who are twins, Mr. Dinesh and Mr. Karthik, who are also citizens of Country X. They completed their schooling in an Indian school in Country X. Thereafter, in the year 2015, Mr. Dinesh joined mechanical engineering in IIT Delhi. After completing his engineering, he took up employment in ABC Ltd., a multinational company, in Gurgaon at a monthly salary of ₹ 1,50,000 from September, 2019. Dinesh visits his parents in Country X for one month every year. For the rest of the year, he is in India. Mr. Karthik completed architecture in College of Architecture in Country X and took up a job in LMN Inc., San Fransisco, in the year 2019 for a monthly salary of US $ 5,000. Mr. Rajesh has a textile business in Country X. Mrs. Sowmya, a Carnatic musician, gives concerts in Country X in music programs organized by the Indian community in Country X.

Mr. Rajesh visits India for one month every year to be with his parents, who were born in Coimbatore and have always lived in Coimbatore. The details of his income for P.Y.2020-21 are as follows –

Income from textile business in Country X - US $ 80,000 (You may assume that the currency of Country X is US dollars)

Rental income from house property in Coimbatore – ₹ 60,000 p.m.

Interest on fixed deposits with SBI, Coimbatore – ₹ 10 lakh

Country X does not levy tax on income from business of textiles in order to give a fillip to textile industry in that country. Country X also does not levy tax on income earned by a resident of Country X outside India.

In the P.Y.2020-21, Mrs. Sowmya visited India from 3rd October, 2020 to 31st January, 2021. She was in Trichy during the months of October and November to take care of her ailing mother in Trichy. During the months of December and January, she rendered Carnatic music concerts in the Margazhi Maha Utsav organized in the various music academies in Chennai. Every year, she is in Chennai entirely during these two months for this purpose. She also visits Trichy every year for the full month of May to spend time with her mother. She owns a house property in Trichy which she has let out for ₹ 40,000 per month. The municipal taxes of ₹ 6,000 p.a. are paid by her tenant. For the P.Y.2020-21, income from music concerts in Chennai is ₹ 3 lakhs. She also earns interest of ₹ 9 lakhs on fixed deposits with Indian Bank, Trichy Branch.

Mr. Dinesh resigned from his job in ABC Ltd. on 20th September, 2020 and took up an offer for employment in MNC Inc., New York at a salary of US $ 7,000 p.m. He had submitted his resignation to ABC Ltd. on 20th August, 2020, and thereafter, served a notice period of one month as per the condition stipulated in his terms of employment. He left India on 28th September, 2020 and joined MNC Inc. on 1st October, 2020. He earned interest of ₹ 40,000 from fixed deposits with Axis Bank, New Delhi.

Mr. Karthik resigned from LMN Inc. on 30th November, 2020 to join PQR Ltd. in Mumbai. He came to India on 2nd December, 2020 and joined PQR Ltd. on 5th December, 2020. His salary in PQR Ltd. is ₹ 99,200 p.m. He used to visit his maternal and paternal grandparents in India for two months (July and August) during his summer holidays upto the year 2018. In the year 2019, he visited India for one month in July 2019. He earned interest of ₹ 9,500 from savings bank account in SBI, Mumbai.

TT buying rate of US $ on various dates is given below –

Date	TT buying rate of US $	Date	TT buying rate of US $
31.3.2020	₹ 68.00	30.9.2020	₹ 70.00
30.4.2020	₹ 68.60	31.10.2020	₹ 70.40
31.5.2020	₹ 69.10	30.11.2020	₹ 71.00
30.6.2020	₹ 69.50	31.12.2020	₹ 71.30
31.7.2020	₹ 69.70	31.1.2021	₹ 71.90
31.8.2020	₹ 69.90	28.2.2021	₹ 72.00
		31.3.2021	₹ 72.40

On the basis of the facts given above, choose the most appropriate answer to Q.1 to Q.5 below: Your answer should be based on the provisions of the Income-tax Act, 1961. Ignore the provisions of DTAA, if any, between India and Country X.

1. What is the residential status of Mrs. Sowmya for A.Y.2021-22?
   (a) Resident and Ordinarily resident
   (b) Resident but not ordinarily resident
   (c) Non-resident
   (d) Deemed resident

2. What is the residential status of Mr. Dinesh and Mr. Karthik for A.Y.2021-22?

   (a) Both are non-residents

   (b) Resident and ordinarily resident & Resident but not ordinarily resident, respectively.

   (c) Non-resident & Resident but not ordinarily resident, respectively

   (d) Resident and ordinarily resident & non-resident, respectively.

3. What is the total income of Mr. Dinesh chargeable to tax under the regular provisions of the Income-tax Act, 1961 for A.Y.2021-22?

   (a) ₹ 38,93,000

   (b) ₹ 38,26,200

   (c) ₹ 8,90,000

   (d) ₹ 8,40,000.

4. What is the total income of Mr. Karthik chargeable to tax under the regular provisions of the Income-tax Act, 1961 for A.Y.2021-22?

   (a) ₹ 31,10,000

   (b) ₹ 31,34,500

   (c) ₹ 3,34,000

   (d) ₹ 3,93,500

5. What is the residential status of Mr. Rajesh for A.Y.2021-22?

   (a) Resident and ordinarily resident

   (b) Resident but not ordinarily resident

   (c) Deemed resident

   (d) Non-resident

<u>Case Scenario 2</u>

The following details pertain to Mr. Arvind and his three brothers, Mr. Arjun, Mr. Anand and Mr. Aakash. Mr. Arvind, Mr. Arjun and Mr. Anand are engaged in retail trade business. Mr. Aakash is engaged in the profession of interior decoration. All of them maintain books of account under section 44AA. While the brothers engaged in retail trade business follows mercantile system of accounting, Mr. Aakash engaged in interior decoration profession follows cash system of accounting. The details pertaining to their business for the year ending 31.3.2021 are as under –

	Particulars	Mr. Arvind	Mr. Arjun	Mr. Anand
(i)	Turnover of P.Y.2020-21	₹ 95 lakhs	₹ 1.80 crore	₹ 5.00 crore
(ii)	Amount received in cash [out of (i) above]	₹ 5 lakh	₹ 8 lakh	₹ 4 lakh
(iii)	Amount received through NEFT/RTGS on or before 31.7.2021 [out of (i) above]	₹ 85 lakh	₹ 1.65 crore	₹ 4.80 crore
(iv)	Total receipts in the P.Y.2020-21	₹ 1.07 crore	₹ 2.00 crore	₹ 5.50 crore
(v)	Cash receipts [out of (iv) above]	₹ 7 lakh	₹ 10 lakhs	₹ 27 lakhs
(vi)	Total payments in the P.Y. 2020-21	₹ 80 lakhs	₹ 1.60 crore	₹ 4.50 crore
(vii)	Cash payments [out of (vi) above]	₹ 5 lakhs	₹ 8.10 lakhs	₹ 22 lakhs
(viii)	Profits and gains as per books of account u/s 44AA	₹ 5.90 lakhs	₹ 10.50 lakhs	₹ 30 lakhs

Mr. Aakash's gross receipts for P.Y.2020-21 are ₹ 48 lakhs, out of which ₹ 3 lakhs has been received in cash and the remaining ₹ 45 lakhs through NEFT/RTGS. His profits as per books of account u/s 44AA for P.Y.2020-21 are ₹ 24.75 lakhs.

From the details given above, choose the most appropriate answer to Q. 6 to Q.10 given below–

6. Which of the following individuals are eligible to declare income on presumptive basis under the provisions of the Income-tax Act, 1961 for A.Y.2021-22?

   (a) Mr. Arvind and Mr. Aakash

   (b) Mr. Arvind, Mr. Arjun, Mr. Anand and Mr. Aakash

   (c) Mr. Arvind, Mr. Arjun and Mr. Aakash

   (d) Mr. Arvind and Mr. Arjun

7. Which of the following individuals have to mandatorily get their books of account audited under section 44AB for A.Y.2021-22?

   (a) Mr. Arjun and Mr. Anand

   (b) Mr. Arjun and Mr. Arvind

   (c) Only Mr. Anand

   (d) None of them.

8. What is the amount of profits and gains of business chargeable to tax in the hands of Mr. Arvind, Mr. Arjun and Mr. Anand, assuming that they wish to make maximum tax savings without getting their books of account audited?

   (a) ₹ 5.50 lakhs, ₹ 10.54 lakhs and ₹ 29.12 lakhs, respectively

   (b) ₹ 5.90 lakhs, ₹ 11.10 lakhs and ₹ 30.40 lakhs, respectively

   (c) ₹ 5.90 lakhs, ₹ 11.10 lakhs and ₹ 30 lakhs, respectively

   (d) ₹ 5.50 lakhs, ₹ 10.50 lakhs and ₹ 30 lakhs, respectively.

9. Would your answer to MCQ 8 (i.e., the profits and gains of business chargeable to tax in the hands of Mr. Arvind, Mr. Arjun and Mr. Anand) undergo a change, if they decide to get their books of account audited?

   (a) The profits and gains of business chargeable to tax in the hands of Mr. Arjun and Mr. Anand would undergo a change; however, there would be no change in the case of Mr. Arvind.

   (b) The profits and gains of business chargeable to tax in the hands of Mr. Anand would undergo a change; however, there would be no change in the hands of Mr. Arvind and Mr. Arjun.

   (c) The profits and gains of business chargeable to tax in the hands of Mr. Arjun would undergo a change; however, there would be no change in the hands of Mr. Arvind and Mr. Anand.

   (d) The profits and gains of business chargeable to tax in the hands of Mr. Arvind and Mr. Arjun would undergo a change; however, there would be no change in the hands of Mr. Anand.

10. What is the due date of filing of return of income of Mr. Arvind, Mr. Arjun, Mr. Anand and Mr. Aakash for A.Y.2021-22, if they wish to make maximum tax savings?

   (a) 31^{st} July, 2021 for all of them.

   (b) 31^{st} July, 2021 for Mr. Arvind and Mr. Aakash; and 31^{st} October, 2021 for Mr. Arjun and Mr. Anand

   (c) 31^{st} July, 2021 for Mr. Arvind, Mr. Aakash and Mr. Arjun; and 31^{st} October, 2021 for Mr. Anand

   (d) 31^{st} July, 2021 for Mr. Arvind, Mr. Aakash and Mr. Anand; and 31^{st} October, 2021 for Mr. Arjun

11. ABC & Co. and PQR & Co. are two non-resident entities based in Country A and Country P, respectively. Both the entities own and operate an electronic facility through which they effect online sale of organic products manufactured by them. The details of their receipts from such sale during the P.Y.2020-21 are –

	Particulars	ABC & Co., Country A	PQR & Co., Country P
(a)	Receipts from sale of organic products to persons resident in India	₹ 138 lakhs	₹ 126 lakhs
(b)	Receipts from sale of organic products to persons resident in other parts of the world	₹ 285 lakhs	₹ 377 lakhs
	Out of the sum mentioned in (b), the receipts from persons using internet protocol address located in India	₹ 63 lakhs	₹ 73 lakhs

Is equalisation levy attracted in the hands of ABC & Co. and PQR & Co., assuming that both the entities do not have a permanent establishment in India?

(a) Equalisation levy is attracted in the hands of both ABC & Co. and PQR & Co.

(b) No equalisation levy is attracted in the hands of either ABC & Co. and PQR & Co.

(c) Equalisation levy is attracted in the hands of ABC & Co. but not PQR & Co.

(d) Equalisation levy is attracted in the hands of PQR & Co. but not ABC & Co.

12. ABC Inc., a Country A company whose place of effective management is outside India, receives royalty from A Ltd., an Indian company, in pursuance of an agreement made which is approved by the Central Government. XYZ Inc., a Country B company whose place of effective management is outside India, receives fees for technical services (FTS) from A Ltd. in pursuance of an agreement made which is approved by the Central Government. The DTAA between India and Country A provides that royalty will be subject to tax in the Source State at 9% and the DTAA between India and Country B provides that FTS will be subject to tax in the Source State at 12%. Both ABC Inc. and XYZ Inc. do not have a permanent establishment in India. ABC Inc. and XYZ Inc. have also invested in shares of Indian companies in respect of which they receive dividend. The treaty states that the dividend will be taxed at the rates provided under the domestic laws of the source country. Are ABC Inc. and XYZ Inc. required to file their return of income for A.Y.2021-22, assuming that the tax deductible at source has been fully deducted?

(a) Both ABC Inc. and XYZ Inc. have to file their return of income u/s 139 for A.Y.2021-22

(b) Both ABC Inc. and XYZ Inc. need not file their return of income u/s 139 for

A.Y.2021-22

(c) ABC Inc. has to file its return of income u/s 139 for A.Y.2021-22, but XYZ Inc. need not file its return of income

(d) XYZ Inc. has to file its return of income u/s 139 for A.Y.2021-22, but ABC Inc. need not file its return of income.

13. Mr. Harsh has to pay ₹ 3 lakhs on 3.3.2021 to "Plan your trip", a travel agency, for a holiday package in Singapore and Malaysia for himself and his wife. He obtained a loan of ₹ 10 lakhs for higher education of his son studying in Columbia University, New York, on 20.3.2021 from SBI, and remitted the said sum through the same bank, which is also an authorised dealer. Is tax required to be collected at source from Mr. Harsh by travel agency and the bank? If so, how much?

(a) No tax is required to be collected by the travel agency since the payment for overseas tour programme package is less than ₹ 7 lakhs; tax has to be collected by SBI@5% of ₹ 3 lakhs, being the amount in excess of ₹ 7 lakhs.

(b) No tax is required to be collected by the travel agency since the payment for overseas tour programme package is less than ₹ 7 lakhs; tax has to be collected by SBI@0.5% of ₹ 3 lakhs, being the amount in excess of ₹ 7 lakhs.

(c) Tax has to be collected by the travel agency@5% on ₹ 3 lakhs; and by SBI@5% of ₹ 3 lakhs, being the amount in excess of ₹ 7 lakhs.

(d) Tax has to be collected by the travel agency@5% on ₹ 3 lakhs; and by SBI@0.5% of ₹ 3 lakhs, being the amount in excess of ₹ 7 lakhs.

14. Mr. Pranav, a resident aged 48 years, and his brother Mr. Vaibhav, a non-resident aged 45 years, received dividend of ₹ 7 lakhs and ₹ 5 lakhs, respectively, from A Ltd., an Indian company in January, 2021. The interest expenditure incurred by them in the P.Y. 2020-21 on loan taken for investing in shares of A Ltd. is ₹ 1.50 lakh and ₹ 80,000, respectively. What is the tax payable by them on such income, assuming it is the only source of income of Mr. Pranav and Mr. Vaibhav and they wish to make maximum tax savings?

(a) ₹ 25,480 and ₹ 8,840, respectively

(b) ₹ 23,400 and ₹ 7,800, respectively

(c) ₹ 19,240 and ₹ 8,840, respectively

(d) ₹ 19,240 and ₹ 1,04,000, respectively

15. ABC Ltd., an Indian company, receives dividend of ₹ 10 lakhs from its subsidiary company XYZ Ltd., also an Indian company in January, 2021. It also receives dividend of ₹ 8 lakhs in February, 2021 from MNC Inc., a foreign company, in which it holds 25% shareholding. ABC Ltd. declares dividend of ₹ 20 lakhs in April, 2021 for the F.Y.2020-21. What is the deduction available to ABC Ltd. under section 80M for

A.Y. 2021-22?

(a) ₹ 8 lakhs

(b) ₹ 10 lakhs

(c) ₹ 18 lakhs

(d) ₹ 20 lakhs

16. Lords Inc., a British company, received, in the P.Y.2020-21, income by way of fees for technical services of ₹ 3.20 crore from Yamuna Ltd., an Indian company, in pursuance of an agreement between Yamuna Ltd. and Lords Inc. entered into in the year 2012, which is approved by the Central Government. Expenses incurred for earning such income is ₹ 28 lakhs.

(i) Examine the taxability of the above sum in the hands of Lords Inc as per the provisions of the Income-tax Act, 1961 and the requirement, if any, to file return of income, assuming that Lords Inc does not have a permanent establishment in India.

(ii) If Lords Inc. has a permanent establishment in India and the contract/agreement with Yamuna Ltd. for rendering technical services is effectively connected with such PE in India, examine the taxability based on the following details provided relating to P.Y.2020-21 –

	Particulars	Amount
(1)	Fees for technical services received from Yamuna Ltd.	₹ 3.20 crore
(2)	Expenses incurred for earning such income	₹ 28 lakhs
(3)	Fees for technical services received from other Indian companies in pursuance of approved agreement entered into between the years 2006 to 2010	₹ 2 crore
(4)	Expenses incurred for earning such income	₹ 21 lakhs
(5)	Expenditure not wholly and exclusively incurred for the business of such PE [not included in (2) & (4) above]	₹ 8 lakhs
(6)	Amounts paid by the PE to HO (not being in the nature of reimbursement of actual expenses)	₹ 14 lakhs

What are the other requirements, if any, under the Income-tax Act, 1961 in this case?

17. M/s. ABC LLP filed its return of income for A.Y.2021-22, declaring total income of ₹ 18 lakhs, on 2nd October, 2021. On processing of return, the total income determined under section 143(1)(a) was ₹ 22 lakhs, after disallowing claim for deduction under section 10AA on account of late furnishing of return of income. Thereafter, on scrutiny, the Assessing Officer made some additions under section 40(a)(ia) and section 43B and

passed an assessment order under section 143(3) assessing total income of ₹ 35 lakhs. Later on, the Assessing Officer noticed that certain income had escaped assessment and issued notice for reassessment under section 148. The total income reassessed under section 147 was ₹ 42 lakhs.

Considering that none of the additions or disallowances made in the assessment or re-assessment as above qualifies under section 270A(6), compute the amount of penalty to be levied under section 270A of the Income-tax Act, 1961 at the time of assessment under section 143(3) and at the time of reassessment under section 147 (Assume under-reporting of income is not on account of misreporting).

18. Ganga Ltd., an Indian company, earned a profit of ₹ 52 lakhs after debit/credit of the following items to its Statement of Profit and Loss for the year ended on 31.3.2021 -

(i) Items debited to Statement of Profit and Loss:

No.	Particulars	₹
1.	Provision for the loss of subsidiary	84,000
2.	Provision for doubtful debts	93,000
3.	Provision for income-tax	1,46,000
4.	Provision for gratuity based on actuarial valuation	4,17,000
5.	Depreciation	3,08,000
6.	Interest to financial institution (unpaid before filing of return)	72,000
7.	Penalty for infraction of law	14,000

(ii) Items credited to Statement of Profit and Loss:

No.	Particulars	₹
1.	Profit from unit established in special economic zone.	15,20,000
2.	Share in income of an AOP as a member	1,95,000
3.	Long term capital gains	3,20,000

Other Information:

(i) Depreciation includes ₹ 80,000 on account of revaluation of fixed assets.

(ii) Depreciation as per Income-tax Rules, 1962 is ₹ 4,12,000.

(iii) Balance of Statement of Profit and Loss shown in Balance Sheet at the asset side as at 31.3.2020 was ₹ 32 lakhs which includes unabsorbed depreciation of ₹ 18 lakhs.

(iv) The AOP, of which the company is a member, has paid tax at maximum marginal rate.

(v) Provision for income-tax includes ₹ 65,000 of interest payable on income-tax.

Based on the above information, you are required to –

(i) Compute minimum alternate tax under section 115JB of the Income-tax Act, 1961, for A.Y. 2021-22;

(ii) What would be your answer to Q.(i), if Ganga Ltd. is a unit located in an IFSC and derives its income solely in convertible foreign exchange?

(iii) If Ganga Ltd. is a unit of an IFSC and derives its income solely in convertible foreign exchange, what would be the tax consequence of dividend distributed by it in the hands of Ganga Ltd. and its shareholders?

19. EduAid is a charitable trust set up on 1.4.2011 with the object of providing relief of the poor. Later on, in April, 2013, it changed its object to "providing education to the under privileged". It applied for registration for the first time on the basis of its new object, i.e., "education to the under privileged", on 12.8.2013 and was granted registration on 15.3.2014.

On 1.4.2020, EduAid got merged with M/s. Educare (P) Ltd, a company not entitled for registration under section 12AA. All the assets and liabilities of the erstwhile trust became the assets and liabilities of M/s. Educare (P) Ltd. The trust appointed a registered valuer for the valuation of its assets and liabilities. From the following particulars (including the valuation report), calculate the tax liability in the hands of the trust arising as a result of such merger:

(i) Land

Location	Date of purchase	Stamp duty value on 1.4.2020	Value which the land would fetch, if sold in the open market on 1.4.2020	Book Value on 1.4.2020
		₹	₹	₹
Surat	1.10.2011	42 lakhs	46 lakhs	40 lakhs
Baroda	21.11.2014	90 lakhs	105 lakhs	100 lakhs

(ii) Shares

Type of shares	Date of purchase	Face value of each share	Purchase price of each share	Price at which each share is quoted on NSE as on 1.4.2020		Open market value as on 1.4.2020#
				Highest price	Lowest price	
		₹	₹	₹	₹	₹
3000 Quoted equity shares of PQR Ltd.	4.4.2015	100	130	280	250	

1800 Preference shares of LMN Ltd.	21.8.2016	100	100	-	-	210

on the basis of report of Merchant Banker

(iii) Liabilities

Book value of liabilities on 1.4.2020 = ₹ 112 lakhs. This includes –

(a) Corpus fund ₹ 14 lakhs.

(b) Provision for taxation ₹ 10 lakhs; and

(c) Reserves and Surplus ₹ 21 lakhs

20. Mr. Shyam, aged 47 years, is a resident individual having income from the following sources:

(i) Income from a sole-proprietary business in Noida = ₹ 50 lakhs.

(ii) Share of profit from a partnership firm in Gurgaon = ₹ 30 lakhs.

(iii) Agricultural Income (gross) from coffee estates in Country A, a foreign country with which India has no DTAA, CAD 32000. Tax deducted on the above income CAD 8,000

(iv) Brought forward business loss of F.Y.2019-20 in Country A was CAD 4,000 which is not permitted to be set off against other income as per the laws of that country.

(v) Mr. Shyam has deposited ₹ 1,50,000 in public provident fund and paid medical insurance premium of ₹ 30,000 by account payee cheque to insure his health. He has also paid ₹ 55,000 as insurance premium to insure the health of his mother and father, who are resident Indians aged 70 years and 75 years, respectively. He also incurred ₹ 50,000 on the medical treatment of his dependent sister, who is a person with disability. His sister does not claim deduction under section 80U.

Compute total income and tax liability of Mr. Shyam for the A.Y. 2021-22, assuming that 1 CAD = ₹ 60.

SUGGESTED ANSWERS

MCQ No.	Most Appropriate Answer
1.	b
2.	d
3.	b
4.	c
5.	d
6.	c
7.	d
8.	c
9.	c
10.	d

MCQ No.	Most Appropriate Answer
11.	c
12.	c
13.	d
14.	d
15.	c

16. (i) **Where Lords Inc., a British company, does not have a PE in India**

In this case, Lords Inc. would be eligible for a concessional rate of tax@10% (plus surcharge@2% and HEC@4%) of ₹ 3.20 crore under section 115A on the fees for technical services received from Yamuna Ltd., an Indian company, since the same is in pursuance of an agreement entered into after 31.3.1976, which has been approved by the Central Government. No deduction, however, would be allowed in respect of expenditure of ₹ 28 lakhs incurred to earn such income.

If tax deductible at source@10.608% has been fully deducted, Lords Inc. need not file its return of income in India under section 139 for A.Y.2021-22.

(ii) **Where Lords Inc., a British company, has a PE in India and rendering technical services is effectively connected with the PE in India**.

Since Lords Inc. carries on business through a PE in India, in pursuance of an agreement with Yamuna Ltd. or other Indian companies entered into after 31.3.2003, and the income by way of fees for technical services is effectively connected with the PE in India as per section 44DA, such income shall be computed under the head "Profits and gains of business or profession" in accordance with the provisions of the Income-tax Act, 1961.

Accordingly, expenses of ₹ 49 lakhs (₹ 28 lakhs + ₹ 21 lakhs) incurred for earning fees for technical services of ₹ 5.20 crore (₹ 3.20 crore + ₹ 2 crore) is allowable as deduction therefrom. However, expenditure of ₹ 8 lakhs which is not incurred wholly and exclusively for the business of the PE and the amount of ₹ 14 lakhs paid by the PE to the HO is **not** allowable as deduction.

Lords Inc. is required to maintain books of account under section 44AA and get the same audited under section 44AB and furnish report before the specified date i.e., the date one month prior to the due date of filing return u/s 139(1) for A.Y.2021-22.

17. M/s. ABC LLP is deemed to have under-reported its income since:

(1) its income assessed under 143(3) exceeds its income determined in a return processed under section 143(1)(a); and

(2) the income reassessed under section 147 exceeds the income assessed under section 143(3).

Therefore, penalty is leviable under section 270A for under-reporting of income.

Computation of penalty leviable under section 270A

Particulars	₹	₹
Assessment under section 143(3)		
Under-reported income:		
Total income assessed under section 143(3)	35,00,000	
(-) Total income determined u/s 143(1)(a)	22,00,000	
	13,00,000	
Tax payable on under-reported income:		
Tax on under-reported income of ₹ 13 lakhs *plus* total income of ₹ 22 lakhs determined u/s 143(1)(a) *[30% of ₹ 35 lakh + HEC@4%]*	10,92,000	
Less: Tax on total income determined u/s 143(1)(a) *[30% of ₹ 22 lakh +HEC@4%]*	6,86,400	
	4,05,600	
Penalty leviable@50% of tax payable		2,02,800
Reassessment under section 147		
Under-reported income:		
Total income reassessed under section 147	42,00,000	
(-) Total income assessed under section 143(3)	35,00,000	
	7,00,000	
Tax payable on under-reported income:		
Tax on under-reported income of ₹ 7 lakhs *plus* total income of ₹ 35 lakhs assessed u/s 143(3) *[30% of ₹ 42*	13,10,400	

lakh + HEC@4%]		
Less: Tax on total income assessed u/s 143(3) *[30% of ₹ 35 lakh + HEC@4%]*	10,92,000	
	2,18,400	
Penalty leviable@50% of tax payable		1,09,200

18. (i) Computation of "Book Profit" for levy of MAT under section 115JB for A.Y. 2021-22

Particulars	₹	₹
Net Profit as per Statement of Profit and Loss		52,00,000
Add: Net profit to be increased by the following amounts as per *Explanation 1* to section 115JB:		
- Provision for the loss of subsidiary	84,000	
- Provision for doubtful debts, being the amount set aside as provision for diminution in the value of any asset	93,000	
- Provision for income-tax [As per *Explanation 2* to section 115JB, income-tax shall include, *inter alia*, any interest charged under the Act, therefore, whole of the amount of provision for income-tax including ₹ 65,000 towards interest payable has to be added]	1,46,000	
- Depreciation as per books of account	3,08,000	6,31,000
		58,31,000
Less: Net profit to be decreased by the following amounts as per *Explanation 1* to section 115JB:		
- Share in income of an AOP as a member *[In a case where AOP has paid tax on its total income at maximum marginal rate, no income-tax is payable by the company, being a member of AOP, in accordance with the provisions of section 86. Therefore, share in income of an AOP on which no income-tax is payable in accordance with the provisions of section 86, would be reduced while computing book profit, since the same has been credited to statement of profit and loss]*	1,95,000	

- Depreciation other than depreciation on revaluation of assets (₹ 3,08,000 – ₹ 80,000)	2,28,000	
- Unabsorbed depreciation or brought forward business loss, whichever is less, as per the books of account.	14,00,000	
[Lower of unabsorbed depreciation ₹ 18,00,000 and brought forward business loss ₹ 14,00,000 as per books of accounts has to be reduced while computing the book profit]		18,23,000
Book Profit		**40,08,000**

Computation of MAT liability under section 115JB

Particulars	₹
15% of book profit of ₹ 40,08,000	**6,01,200**
Add: Health & Education Cess@4%	24,048
Minimum Alternate Tax liability	**6,25,248**
MAT liability (rounded off)	6,25,250

Notes:

(1) It is only the specific items mentioned under *Explanation 1* to section 115JB, which can be adjusted from the net profit as per the Statement of Profit and Loss prepared as per the Companies Act for computing book profit for levy of MAT. Since the following items are not specified thereunder, the same cannot be adjusted for computing book profit:

Interest to financial institution (unpaid before filing of return) and

Penalty for infraction of law

(2) Provision for gratuity based on actuarial valuation is an ascertained liability *[CIT v. Echjay Forgings (P) Ltd. (2001) 251 ITR 15 (Bom.)]*. Hence, the same should not be added back to compute book profit.

(3) As per proviso to section 115JB(6), the profits from unit established in special economic zone cannot be excluded while computing the book profit, and hence, such income would be liable for MAT.

(ii) Computation of MAT liability u/s 115JB where Ganga Ltd. is a unit located in an IFSC and derives its income solely in convertible foreign exchange

Particulars	₹
9% of book profit of ₹ 40,08,000	3,60,720
Add: Health & Education Cess@4%	14,429

Minimum Alternate Tax liability	**3,75,149**
MAT liability (rounded off)	3,75,150

(iii) As per section 115-O(8), no tax on distributed profits is chargeable in respect of the total income of a company, being a unit of an IFSC deriving income solely in convertible foreign exchange, on any amount of declared, distributed or paid by the company by way of dividends, either in the hands of the company or the person receiving such dividend.

Thus, neither the company nor the shareholders have to pay any tax on dividend distributed by Ganga Ltd.

19. As per section 115TD, the accreted income of "EduAid", a charitable trust, registered under section 12AA which is merged with M/s Educare (P) Ltd., an entity not entitled for registration under section 12AA, would be chargeable to tax at the rate of 34.944% [30% plus surcharge @12% plus cess@4%].

Computation of accreted income and tax liability in the hands of the EduAid trust arising as a result of merger with M/s. Educare (P) Ltd.

Particulars	Amount (₹)
Aggregate FMV of total assets as on 1.4.2020, being the specified date (date of merger) **[See Working Note 1]**	1,16,73,000
Less: Total liability computed in accordance with the prescribed method of valuation **[See Working Note 2]**	67,00,000
Accreted Income	**49,73,000**
Tax Liability @ 34.944% of ₹ 49,73,000 (rounded off)	**17,37,765**
Working Notes:	
(1) Aggregate fair market value of total assets on the date of merger	
- **Land at Surat, being immovable property, purchased on 1.10.2011** Since the trust was registered only on 15.3.2014 and benefit of section 11 and 12 was available to the trust only from A.Y.2014-15, relevant to P.Y.2013-14, being the previous year in which the application for registration is made, the value of land purchased in P.Y.2011-12, in respect of which benefit under sections 11 and 12 was not availed, has to be ignored for computing accreted income.	-

	- **Land at Baroda, being an immovable property, purchased on 21.11.2014** [The fair market value of land would be higher of ₹ 105 lakhs i.e., price that the land would ordinarily fetch if sold in the open market and ₹ 90 lakhs, being stamp duty value as on the specified date, i.e., 1.4.2020]	1,05,00,000
	- **Quoted equity shares of PQR Ltd. [3,000 x ₹ 265 per share]** [₹ 265 per share, being the average of the lowest (₹ 250) and highest price (₹ 280) of such shares on the specified date]	7,95,000
	- **Preference shares of LMN Ltd. [1,800 x ₹ 210 per share]** [The fair market value which it would fetch if sold in the open market on the specified date i.e. FMV on 1.4.2020]	3,78,000
		1,16,73,000
(2)	**Total liability**	
	- Reserves and Surplus ₹ 21 lakhs [not includible]	-
	- Corpus Fund of ₹ 14 lakhs [not includible]	-
	- Provision for taxation ₹ 10 lakhs [not includible]	-
	- Other Liabilities [₹ 112 lakhs - ₹ 21 lakhs - ₹ 14 lakhs - ₹ 10 lakhs]	67,00,000
		67,00,000

20. Computation of total income and tax liability of Mr. Shyam for A.Y. 2021-22

Particulars	₹	₹
Profits and gains from business and profession		
Income from sole proprietary concern in India	50,00,000	
Share of profit from a partnership firm in India of ₹ 30 lakhs, is exempt	Nil	
Business profit	50,00,000	
Less: Business Loss[1] in Country A (CAD 4000 x ₹ 60/CAD)	2,40,000	47,60,000

[1] Since the eight year has not expired from the assessment year in which such business loss was incurred, such business loss can be set-off against current year business income.

Income from Other Sources		
Agricultural income from coffee estates in Country A, is taxable in India (CAD 32000 x ₹ 60/CAD)		19,20,000
Gross Total Income		**66,80,000**
Less: **Deductions under Chapter VI-A**		
Under section 80C [deposit in PPF]	1,50,000	
Under section 80D	75,000	
[Medical insurance premium paid ₹ 30,000 for self, restricted to ₹ 25,000; ₹ 55,000 for senior citizen parents, restricted to ₹ 50,000]		
Under section 80DD		
[Flat deduction of ₹ 75,000 irrespective of the expenditure incurred on dependent sister, being a person with disability]	75,000	
		3,00,000
Total Income		**63,80,000**
Tax on total income		
Tax on ₹ 63,80,000 [(30% x ₹ 53,80,000) *plus* ₹ 1,12,500]		17,26,500
Add: Surcharge@10%, since total income exceeds ₹ 50 lakh		1,72,650
		18,99,150
Add: HEC@4%		75,966
		19,75,116
Average rate of tax in India [i.e., ₹ 19,75,116/₹ 63,80,000 x 100]	30.96%	
Average rate of tax in Country A [i.e., CAD 8000/CAD 32000]	25%	
Doubly taxed income [₹ 19,20,000 – ₹ 2,40,000]	16,80,000	
Rebate under section 91 on ₹ 16,80,000@25% (lower of average Indian tax rate and rate of tax in Country A)		4,20,000
Tax payable in India [₹ 19,75,116 – ₹ 4,20,000]		**15,55,116**
Tax payable in India (rounded off)		**15,55,120**

Note:

(1) *Since Mr. Shyam is resident in India for the P.Y.2020-21, his global income would be subject to tax in India. He is eligible for deduction under section 91 since the following conditions are fulfilled:-*

(a) *He is a resident in India during the relevant previous year.*

(b) *Agricultural income accrues or arises to him outside India during that previous year.*

(c) *Such agricultural income is not deemed to accrue or arise in India during the previous year.*

(d) *The income in question i.e., agricultural income, has been subjected to income-tax in Country A in his hands and he has paid tax on such income in Country A.*

(e) *There is no agreement under section 90 for the relief or avoidance of double taxation between India and Country A, where the income has accrued or arisen.*

(2) *If Mr. Shyam opts for section 115BAC, he would not be able to claim deduction of ₹ 3,00,000 under Chapter VI-A. His total income would be ₹ 66,80,000. His tax liability would be ₹ 19,92,276 (working shown below), which is higher than the tax liability of ₹ 19,75,116 computed as per the regular provisions of the Act. Hence, he would not opt for section 115BAC.*

Particulars	***₹***
Upto ₹ 2,50,000	*Nil*
₹ 2,50,001 – ₹ 5,00,000 [₹ 2,50,000 @ 5%]	*12,500*
₹ 5,00,001 – ₹ 7,50,000 [₹ 2,50,000 @ 10%]	*25,000*
₹ 7,50,001 – ₹ 10,00,000 [₹ 2,50,000 @ 15%]	*37,500*
₹ 10,00,001 – ₹ 12,50,000 [₹ 2,50,000 @ 20%]	*50,000*
₹ 12,50,001 – ₹ 15,00,000 [₹ 2,50,000 @ 25%]	*62,500*
₹ 15,00,001 – ₹ 66,80,000 [₹ 51,80,000 @ 30%]	*15,54,000*
	17,41,500
Add: Surcharge @ 10%	*1,74,150*
	19,15,650
Add: HEC @ 4%	*76,626*
Total tax liability	***19,92,276***
Total tax liability (rounded off)	***19,92,280***

PAPER-8: INDIRECT TAX LAWS

QUESTIONS

> **(1) All questions should be answered on the basis of position of (i) GST law as amended by the provisions of the Finance Act, 2020 and the Finance (No. 2) Act, 2019, which have become effective up to 31st October, 2020, including significant notifications and circulars issued and other legislative amendments made, up to 31st October, 2020 and (ii) customs law as amended by the Finance Act, 2020, including significant notifications and circulars issued and other legislative amendments made, up to 31st October, 2020.**
>
> **(2) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. The rates of customs duty are also hypothetical and may not necessarily be the actual rates. Further, GST compensation cess should be ignored in all the questions, wherever applicable.**

Disha Enterprise Pvt Ltd. is a financial service company having its offices in Kolkata, West Bengal and Mumbai, Maharashtra. The company is registered under GST in both the States. The company operates through two segments (a) banking & insurance services and (b) advisory & consulting services. The aggregate turnover of the company during the previous year was (i) ₹ 80 lakh in West Bengal & (ii) ₹ 60 lakh in Maharashtra.

The bouquet of services provided under each of the two segments are as follows:

Banking & insurance services	Advisory & consulting services
Insurance agent services	Company/LLP/Society formation
Recovery agent services	Return filing
Direct Selling Agent (DSA) services (sale of banking products)	Detailed Project Report (DPR) preparation
	Business promotion/ product marketing/ exhibition etc.

The company has carried out following transactions during the month of September:

(Amount in ₹ excluding GST)

Particulars	Kolkata office	Mumbai office
Sale and purchase of foreign currency	Refer Note 3	Refer Note 3
Commission received from Nautiyal Insurance Company/ ADFC Life Insurance Company	90,000	70,000
Commission received as DSA from ICIDI Bank for opening bank account/credit card & loan products	48,000	50,000

Commission received from private banks for acting as recovery agent	1,20,000	1,50,000
Professional fee received for the formation of a company/LLP/society	80,000 [Refer Note 2]	40,000
Professional fee received for GST/ TDS return filing	65,000	75,000
Participation fee received from customers for the business exhibition organised by the company	50,00,000 (held in Russia) [Refer Note 1]	4,00,000 (held at Chennai) [Refer Note 1]
Legal fee paid to Mr. Sundaram - an advocate	10,000	15,000
Payment made for security services (by way of supply of security personnel) received	25,000 (Globe Security Pvt Ltd.)	25,000 (M/s X & Co, a partnership firm, registered under GST)

Notes:

1. The participation fee of ₹ 50,00,000 received by the company is in respect of a business exhibition organized at St. Petersburg, Russia under the theme "Indian Traditional Fair" in which 10 Indian companies (all registered under GST) had participated. A participation fee of ₹ 5 lakh from each Indian company was collected for providing them a stall, furniture & other amenities at St. Petersburg, Russia.

   The participation fee of ₹ 4,00,000 is in respect of a business exhibition organized by the company at Chennai, in which 100 Indian companies had participated.

2. Out of the professional fee of ₹ 80,000 received by Kolkata office for the formation of a company/LLP/society, ₹ 15,000 was towards reimbursement claimed from client. It was separately mentioned in the invoice indicating that it was deposited with registrar of companies (ROC).

3. Following purchase & sale of foreign currency was made by the company during the month of September:

   (a) Kolkata office had purchased USD 10,000 from M/s Moneywise (a FOREX dealer) @ ₹ 74 per USD on 10th September. The RBI reference rate on that day was ₹ 73 per USD.

   (b) Mumbai office had sold USD 5,000 to M/s Money Matters (a FOREX dealer) on 15th September @ ₹ 73.20 per USD. RBI reference rate for USD on that day is not available.

4. In an order dated 14th September issued to Disha Enterprise Pvt Ltd., the Joint Commissioner of CGST, Mumbai has raised a demand of ₹ 600 crore on Mumbai office in

respect of an inter-State transaction. The company is disputing the entire demand & wants to file an appeal before the Appellate Authority against the order of Joint Commissioner.

5. The Kolkata office of the company had received ₹ 1 lakh on 22nd April as an advance from Ganesh Flour Mill Pvt Ltd., a client, for preparation of DPR. However, tax collected on the same from the client has not yet been deposited with the Central Government.

All the amounts given above are exclusive of GST wherever applicable (unless otherwise specified). There is no other outward or inward supply transaction apart from the aforesaid transactions in the relevant period.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1. to 5. below:-

1. Determine the value of taxable supply in respect of sale and purchase of foreign currency by Kolkata office and Mumbai office of the company as per rule 32(2)(a) of the CGST Rules, 2017.

   (a) Kolkata office ₹ 7200, Mumbai office ₹ 3,660

   (b) Kolkata office ₹ 10,000, Mumbai office ₹ 3,660

   (c) Kolkata office ₹ 7,20,000, Mumbai office ₹ 3,66,000

   (d) Kolkata office ₹ 7,30,000, Mumbai office ₹ 3,66,000

2. The value of taxable supply received by Mumbai office in the month of September on which tax is payable under reverse charge is _____________.

   (a) ₹ 15,000

   (b) ₹ 25,000

   (c) ₹ 40,000

   (d) ₹ 2,70,000

3. The value of taxable outward supply made by Kolkata office in the month of September on which Disha Enterprise Pvt Ltd. is liable to pay tax under forward charge is ________________.

   (a) ₹1,78,000

   (b) ₹ 2,78,000

   (c) ₹ 2,65,000

   (d) ₹ 1,13,000

4. The maximum amount of pre-deposit that Disha Enterprise Pvt. Ltd. can be asked to deposit under the IGST Act, 2017 for filing of an appeal before the Appellate Authority is _____________.

(a) ₹ 30 crores

(b) ₹ 60 crores

(c) ₹ 25 crores

(d) ₹ 50 crores

5. The maximum penalty prescribed under section 122 of the CGST Act, 2017 for failure of Kolkata Office to deposit the tax collected on the advance received from Ganesh Flour Mill Pvt Ltd. is ____________.

(a) ₹ 18,000

(b) ₹ 25,000

(c) ₹ 10,000

(d) ₹ 10,000 or tax evaded, whichever is higher.

ABC Ltd. is a Public Sector Undertaking (PSU) engaged in the business of generation of electricity from conventional & non-conventional sources. The Government of India holds 75% equity in the said company & balance equity is held by institutional and domestic investors. The company has taken separate registration under GST in each State where it has business operations. The company has its head office (HO) in Delhi & its power plants are located in the States of Bihar, Odisha & Chhattisgarh.

Following transactions were carried out by the company during the month of February:

(Amount in ₹)

Particulars	Delhi H.O	Bihar plant	Odisha plant	Chhattisgarh plant
Sale of electrical energy to DISCOM	---	2,50,00,000	3,50,00,000	4,50,00,000
Bank interest received on saving bank account & fixed deposit	18,00,000	3,00,000	5,00,000	8,00,000
House rent recovered from the employees for residential accommodation provided to them	55,000	30,000	25,000	40,000
Rent collected from bank, ATM, post office & shops located in office premises	48,000	15,000	12,000	16,000
Sale of iron/ metal scrap (excluding TCS @ 1% as per the Income-tax Act, 1961	-	85,000	45,000	65,000
Other Income	2,50,000	-	-	45,000

Note:

(a) Other income of Delhi H.O. amounting to ₹ 2,50,000 is in respect of bond money recovered from an ex-employee who had resigned from the service of ABC Ltd. prior to completion of the period specified in the bond, viz., 2 years.

(b) Other income of ₹ 45,000 of Chhattisgarh plant is in respect of penalty recovered from a contractor for delay in supply of material.

In addition to above information, following transactions were also carried out during the month of February:

(1) A supply order for stationery items was awarded by Delhi H.O. to M/s Stationery Mart, New Delhi for ₹ 3,36,000 (including GST @ 12%) in January.

The vendor supplied stationery items worth ₹ 44,800 (including GST@ 12%) & issued the tax invoice in February. Delhi H.O. had made the payment of the said bill in February. The remaining amount was paid in April on supply of balance items.

(2) Odisha plant purchased office furniture for ₹ 2,80,000 during February from an unregistered dealer. Rate of GST on said furniture item is 18%.

(3) A Board meeting for raising term loan for project expansion was held in February. The Delhi H.O. paid ₹ 20,000 each as sitting fee to 4 independent directors who attended the meeting.

(4) For safety & security of its H.O. & power plants, the company has engaged private security as well as CISF. Following payments were made in February, in respect of bills issued in the month of January:

Particulars	Delhi H.O.	Bihar plant	Odisha plant	Chhattisgarh plant
CISF	---	10,00,000 (paid on 07th February)	8,00,000 (paid on 15th February)	14,00,000 (paid on 05th February)
ABS Security Services Pvt Ltd.	5,00,000 (paid on 11th February)	-	-	-

(5) The Bihar plant purchased a machinery in February from M/s Sahoo Enterprises, Patna (not registered under GST) for ₹ 86,000. Full payment was made in February. Rate of GST on the said machinery is 18%.

All the amounts mentioned above are excluding GST, wherever applicable (unless otherwise specified).

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 6. to 10. below:

6. The value of taxable supply on which GST is payable by Delhi H.O. under forward charge, for the month of February is ___________.

   (a) ₹ 21,78,000

   (b) ₹ 2,98,000

   (c) ₹ 22,33,000

   (d) ₹ 3,78,000

7. The value of taxable inward supply on which GST shall be payable under reverse charge by Bihar power plant is __________.

   (a) ₹ 11,80,000

   (b) ₹ 10,00,000

   (c) ₹ 10,86,000

   (d) ₹ 10,30,000

8. The value of supply on which TDS under section 51 of the CGST Act, 2017 shall be deducted by Delhi H.O. while making payment to M/s Stationery Mart in February is ___________.

   (a) ₹ 40,000

   (b) ₹ 44,800

   (c) ₹ 3,00,000

   (d) TDS is not applicable since payment made in February is less than ₹ 2,50,000.

9. Which of the following statements is true with regard to the penalty of ₹ 45,000 recovered by Chhattisgarh plant from the contractor for delay in supply of material?

   (a) Fine/ penalty levied by a PSU is an exempt supply under section 11 of the CGST Act, 2017.

   (b) It is a supply of services as stipulated in Schedule II of the CGST Act, 2017.

   (c) It is neither a supply of service nor supply of goods as it is covered under Schedule III of the CGST Act, 2017.

   (d) It is not a supply at all under section 7 of the CGST Act, 2017.

10. What is the value of supply on which GST is payable by Odisha plant on sale of scrap?

   (a) ₹ 45,000

   (b) ₹ 45,450

(c) Sale of scrap is an exempt supply under GST. It is subject to TCS under the Income-tax Act, 1961.

(d) Sale of scrap is neither a supply of service nor supply of goods as it is covered under Schedule III of the CGST Act, 2017.

11. The Resident Welfare Association (RWA) of Kutumb Housing Society is registered under GST in the State of Mahrashtra. There are 100 three BHK flats and 100 four BHK flats in the society. It received/paid the following amounts (excluding GST, wherever applicable) in the months of January and February:

Particulars	January (₹)	February (₹)
Maintenance charges per flat received from all 3 BHK flat owners	7,000	7,000
Maintenance charges per flat received from all 4 BHK flat owners	10,000	10,000
Interest received on the fixed deposit with Dhansukh Bank	5,00,000	5,00,000
Generator purchased for the power back-up of 4 BHK flats		1,00,000
Taps, pipes, other sanitary fittings purchased for 3 BHK flats	50,000	

Determine the net GST liability to be paid for the months of January and February, assuming that the GST rate is 18% on all inward and outward supplies.

(a) January - ₹ 1,71,000; February - ₹ 1,62,000

(b) January - ₹ 1,80,000; February - ₹ 1,62,000

(b) January - ₹ 1,80,000; February - ₹ 1,80,000

(d) January - ₹ 1,71,000; February - ₹ 1,80,000

12. Suhasini Oberoi, an Indian resident who was on a visit to USA, returned after 6 months for contesting in assembly elections of her State. She was carrying with her the following items:

(i)	Personal effects	₹ 59,000
(ii)	Laptop computer	₹ 37,000
(iii)	Jewellery - 25 grams (purchased in USA)	₹ 67,000
(iv)	Music system	₹ 58,000

Compute the customs duty payable by Suhasini Oberoi with reference to the Baggage Rules, 2016.

(a) ₹ 28,875

(b) ₹ 62,370

(c) ₹ 85,085

(d) ₹ 48,125

13. M/s Sohan Enterprises Ltd. had imported goods after paying the customs duty of ₹ 25,00,000 at the time of import. These goods were used and later re-exported after 19 months of import. The amount of duty drawback that M/s Sohan Enterprises Ltd. is eligible to claim on such re-export made is ___________.

(a) nil

(b) 23,75,000

(c) 20,00,000

(d) 24,00,000

14. Sunshine Pvt. Ltd. manufactures taxable goods. The company is registered under GST in the State of West Bengal. The company has provided following information in relation to inward supplies received by it in the month of October:

S. No.	Invoices received for inward supplies	IGST (₹)
1.	Raw material - X	2,00,000
2.	Rent of the factory building	1,50,000
3.	Raw material - Y	1,30,000
4.	Car purchased for the use of the director	1,20,000
5.	Consumables	80,000
6.	Machinery for being used in the manufacturing process	1,50,000
7.	Raw material - Z	1,10,000
8.	Technical consultancy for improvement in the manufacturing process	60,000
9.	Raw material – W (imported from China)	50,000
Total		10,50,000

S. No.	Particulars	IGST (₹)
(i)	Balance in Form GSTR-2A on 28th October	4,80,000

	(Invoices at S. Nos. 1, 2 and 3 uploaded by the respective suppliers in their Form GSTR-1s)	
(ii)	Balance in Form GSTR-2A on 11th November (Invoices at S. Nos. 1, 2, 3 and 4 uploaded by the respective suppliers in their Form GSTR-1s)	6,00,000
(iii)	Balance in Form GSTR-2A on 20th November (Invoices at S. Nos. 1, 2, 3, 4 and 5 uploaded by the respective suppliers in their Form GSTR-1s)	6,80,000

Compute the ITC that can be claimed by Sunshine Pvt. Ltd. in its Form GSTR-3B for the month of October to be filed by 20th November.

Note: The due date of filing of Form GSTR-1 and Form GSTR-3B for the month of October are 11th November and 20th November respectively. Subject to the information given above, all the other conditions for availing ITC have been complied with.

15. Parikshit Ltd., engaged in providing a bouquet of services, is registered under GST law. It furnishes the following information for the month of March in relation to various services provided by it:

Particulars	₹
Fees from prospective employers for campus interview in its college	5,20,000
Five buses each with seating capacity of 40 passengers given on hire to State Transport Undertaking	6,50,000
Receipts of 'Shiny', a commercial coaching institute providing coaching in the field of commerce (a certificate was awarded to each trainee after completion of the training)	1,82,000
Interest received on fixed deposits of the company with Dhanvarsha Bank	6,50,000
Receipts from running a Boarding School (including receipts for providing residential dwelling service of ₹ 18,20,000)	39,00,000
Receipts of 'Sikshit Samudai' - an Industrial Training Institute (ITI) affiliated to the National Council for Vocational Training (NCVT). Courses run by said ITI are in designated trades	2,60,000
Receipts of 'Pratibha Institute', an institute registered with Directorate General of Employment and Training (DGET), Union Ministry of Labour and Employment, running a Modular Employable Skill Course (MESC) approved by the National Council for Vocational Training (NCVT)	1,30,000
Professional services provided to foreign diplomatic mission located in India	1,04,000

Compute the GST payable by Parikshit Ltd. assuming that all the above receipts are exclusive of GST wherever applicable and the rate of GST applicable on all the supplies is 18%.

16. Briefly examine whether the appeal/review application filed in the following independent cases is within the time limit prescribed under the GST law:-

    (i) The adjudicating authority issued the adjudication order on 23rd April and the same is communicated to the taxpayer - Mr. X - on 28th April. Mr. X, aggrieved by the order of the adjudicating authority filed an appeal to the Appellate Authority on 26th July.

    (ii) The adjudicating authority passed the order on 3rd March (communicated same day to the Commissioner). The Commissioner directs his subordinate officer to file a review application with the Appellate Authority. The subordinate officer filed the review application on 23rd September.

17. Determine the place of supply in the following independent cases:-

    (i) Mr. Sahukaar (New Delhi) boards the New Delhi-Kota train at New Delhi. Mr. Sahukaar sells the goods taken on board by him (at New Delhi), in the train, at Jaipur during the journey.

    (ii) Vidhyut Pvt. Ltd. imports electric food processors from China for its Kitchen Store in Noida, Uttar Pradesh. Vidhyut Pvt. Ltd. is registered in Uttar Pradesh.

    (iii) Mr. Aatmaram, a manager in a Bank, is transferred from Bareilly, Uttar Pradesh to Bhopal, Madhya Pradesh. Mr. Aatmaram's family is stationed in Kanpur, Uttar Pradesh. He hires Gokul Carriers of Lucknow, Uttar Pradesh (registered in Uttar Pradesh), to transport his household goods from Kanpur to Bhopal.

    (iv) Bholunath, a resident of New Delhi, opens his saving account in New Delhi branch of Best Bank after undergoing the KYC process. He goes to Amritsar for some official work and withdraws money from Best Bank's ATM in Amritsar thereby crossing his limit of free ATM withdrawals.

    (v) Mr. Chakmak, an architect (New Delhi), enters into a contract with Mr. Zeeshaan of New York to provide professional services in respect of immovable properties of Mr. Zeeshaan located in Pune and New York.

18. Paridhi Ltd. is a registered manufacturer engaged in taxable supply of goods. Paridhi Ltd. purchased the following goods during the month of January and provided the following information:

S. No.	Particulars	GST paid (₹)
1.	Capital goods purchased on which depreciation has been taken on full value including input tax thereon	15,000
2.	Goods purchased from Rupesh Enterprises (Rupesh Enterprises sent the invoice in the month of January, but goods were received in month of April)	20,000
3.	Car purchased for making further supply of such car. Such car is destroyed in accident while being used for test drive by potential customers	30,000
4.	Goods used for setting up telecommunication towers being immovable property	50,000
5.	Goods purchased from Sumo Ltd. (Full payment has been made by Paridhi Ltd. to Sumo Ltd. against such supply, but tax has been deposited by Sumo Ltd. in April)	10,000
6.	Truck purchased for delivery of output goods	80,000

Determine the amount of input tax credit (ITC) available to Paridhi Ltd. while filing GSTR-3B for the month of January by giving necessary explanations for treatment of various items as per the provisions of the CGST Act, 2017. You may assume that all the necessary conditions for availing the ITC have been complied with by Paridhi Ltd.

19. SGNA Industries Ltd. of Surat imported one machine through vessel from Japan, in the month of September and has furnished the following details:-

S. No.	Particulars	Amount in Japanese Yen (¥)
(i)	Cost upto port of exportation incurred by exporter	5,00,000
(ii)	Loading charges at port of exportation	1,25,000
(iii)	Freight charges from port of export to port of import in India.	50,000

Following additional amounts paid by SGNA Industries Ltd.:-

(i)	Designing charges, necessary for such machine, paid to consultancy firm in Mumbai	₹ 9,50,000
(ii)	Commission paid (not the buying commission) to local agent of exporter	₹ 50,000
(iii)	Actual landing charges paid at the place of importation	₹ 20,000

(iv) Actual insurance charges paid to the place of importation are not ascertainable.

(v) Lighterage charges paid at the port of importation ₹ 30,000

The rate of basic customs duty is 10% and rate of social welfare surcharge is 10%. Integrated tax leviable under section 3(7) of Customs Tariff Act, 1975 is 12%. The rate of exchange to be taken is 1 Japanese Yen (¥) = ₹ 0.68. Ignore GST compensation cess.

You are required to compute the total customs duty, including integrated tax payable under section 3(7) of the Customs Tariff Act, 1975 with appropriate working notes.

20. KTU Limited has imported certain goods for sale in India from Country Z, which are liable for anti-dumping duty. Country Z sell the like goods in its domestic market in the ordinary course of trade at USD 300 per piece. The imported goods are sold in domestic Indian industry @ USD 275 per piece. KTU Limited has imported the goods at USD 180 per piece. Landed value of the imported goods is USD 190 per piece.

Compute the anti-dumping duty payable by KTU Limited for 800 pieces of these goods it has imported during the year assuming conversion rate @ ₹ 72 per USD.

SUGGESTED ANSWERS

1. (b)

2. (c)

3. (a)

4. (d)

5. (d)

6. (b)

7. (b)

8. (a)

9. (b)

10. (a)

11. (b)

12. (a)

13. (a)

14. ITC to be claimed by Sunshine Pvt. Ltd. in its GSTR-3B for the month of October to be filed by 20th November will be computed as under-

Invoices	**Amount of input tax involved in the invoices (₹)**	**Amount of ITC that can be availed (₹)**
Balance in GSTR-2A on 11th November [Note 1] (Invoices at S. Nos. 1, 2, 3 and 4 uploaded by the respective suppliers in their GSTR-1s)	6,00,000	4,80,000 [Note 2]
Invoices at S. Nos. 5, 6 7 and 8 not uploaded in GSTR-1	4,00,000	48,000 [Note 3]
Invoice at S. No. 9	50,000	50,000 [Note 4]
Total	10,50,000	5,78,000

Notes:

(1) ITC in respect of the invoices whose details have not been uploaded by the suppliers shall not exceed 10% of the eligible input tax credit available to the recipient in respect of invoices or debit notes the details of which have been uploaded by the suppliers under section 37(1) of the CGST Act, 2017 as on the due date of filing of the returns in Form GSTR-1 of the suppliers for the said tax period. The taxpayer can ascertain the same from his auto populated Form GSTR 2A as available on the due date of filing of Form GSTR-1 under section 37(1) [Rule 36(4) of the CGST Rules, 2017 read with *Circular No. 123/42/2019 GST dated 11.11.2019*].

(2) 100% ITC can be availed on invoices uploaded by the suppliers in their Form GSTR-1. However, section 17(5) of the CGST Act, 2017 blocks ITC on motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons if they are not used for making the following taxable supplies, namely:—

(A) further supply of such motor vehicles; or

(B) transportation of passengers; or

(C) imparting training on driving such motor vehicles

Since Sunshine Pvt. Ltd. is not using the car for any of the aforesaid mentioned purpose, ITC thereon will not be available.

Thus, 100% ITC will be available in respect of invoices at S.Nos. 1, 2 & 3.

(3) In respect of invoices at S.Nos. 5, 6 7 and 8 not uploaded in Form GSTR-1s, the ITC has been restricted to 10% of eligible ITC in respect of invoices uploaded in Form GSTR-1s, i.e. 10% of ₹ 4,80,000 in terms of rule 36(4) of the CGST Rules, 2017.

(4) The restriction of availment of ITC is imposed only in respect of those invoices, details of which are required to be uploaded by the suppliers under section 37(1) of the CGST Act, 2017 and which have not been uploaded. Therefore, full ITC can be availed in respect of IGST paid on imports which are outside the ambit of section 37(1) *[Circular No. 123/42/2019 GST dated 11.11.2019].*

15. Computation of GST payable by Parikshit Ltd. for the month of March

Particulars	**Value (₹)**	**GST @ 18% (₹)**
Fees from prospective employers for campus interview in its college [Taxable since such services are not specifically exempt]	5,20,000	93,600
Five buses each with seating capacity of 40 passengers given on hire to State Transport Undertaking [Services by way of giving on hire to a State transport undertaking (STU), a motor vehicle meant to carry more than 12 passengers, are exempt vide *Notification No. 12/2017 CT(R) dated 28.06.2017* (hereinafter referred to as exemption notification).]	Nil	Nil
Receipts of Shiny– a coaching institute [Services provided by an educational institution to its students, faculty and staff are exempt vide exemption notification. However, coaching institute is not an educational institution.]	1,82,000	32,760
Interest received on fixed deposits of the company with Dhanvarsha Bank [Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services) are exempt vide exemption notification.]	Nil	Nil
Receipts from Boarding School including receipts for residential dwelling service [Services provided by an educational institution to its students, faculty and staff are exempt vide exemption	Nil	Nil

notification. Boarding School providing education up to higher secondary school or equivalent is an educational institution since it provides composite supply of education service coupled with other services like providing dwelling units for residence and food wherein the principal supply is supply of education service.]		
Receipts of Sikshit Samudai [Services provided by an educational institution to its students, faculty and staff are exempt vide exemption notification. Sikshit Samudai is an educational institution running approved vocational education course.]	Nil	Nil
Receipts of 'Pratibha Institute' running Modular Employable Skill Course [Services provided by an educational institution to its students, faculty and staff are exempt vide exemption notification. Pratibha Institute is an educational institution running approved vocational education course.]	Nil	Nil
Professional services provided to foreign diplomatic mission located in India [While services provided by a foreign diplomatic mission located in India are exempt from GST vide exemption notification, no such exemption is available to the services provided to such mission.]	1,04,000	18,720
GST payable	8,06,000	1,45,080

16. **(i)** A person aggrieved by any decision/order of an adjudicating authority can file an appeal to the Appellate Authority within 3 months from the date of communication of such decision/order. The Appellate Authority can condone the delay in filing of appeal by 1 month if it is satisfied that there was a sufficient cause for such delay [Section 107 of the CGST Act, 2017].

In view of the aforesaid provisions, in the given case, the relevant date for computing the period of 3 months (for filing the appeal to Appellate Authority) is 28th April (date of communication of order) and not 23rd April. Accordingly, an appeal can be filed by Mr. X to Appellate Authority within 3 months from the date of communication of order (28th April), i.e. 28th July.

Thus, Mr. X has filed the appeal within the time limit prescribed under the GST law.

(ii) The Commissioner may, by order, direct any officer subordinate to him to apply to the Appellate Authority within 6 months from the date of communication of the decision/

order for the determination of such points arising out of the said decision/ order as may be specified by him.

The Appellate Authority can condone the delay in filing of appeal by 1 month if it is satisfied that there was sufficient cause for such delay [Section 107 of the CGST Act, 2017].

In the present case, the Commissioner directs his subordinate officer to file a review application with the Appellate Authority. The subordinate officer should have filed the said application till 3rd September (i.e. within 6 months from the date of communication of order). However, the subordinate officer filed the application on 23rd September, i.e. after the expiry of period of 6 months from the date of communication of order. Thus, in the given case, appeal has not been filed within the time limit prescribed under the GST law.

However, Appellate Authority can condone delay in filing of appeal upto 3rd October (up to 1 month) if it is satisfied that there was sufficient cause for such delay.

17. (i) Section 10(1)(e) of the IGST Act, 2017 lays down that place of supply of goods supplied on board a conveyance like aircraft, train, vessel, or a motor vehicle, is the location where such goods have been taken on board. Thus, in the given case, the place of supply of the goods sold by Mr. Sahukaar is the location at which the goods are taken on board, i.e. New Delhi and not Jaipur where they have been sold.

(ii) As per section 11(a) of the IGST Act 2017, if the goods have been imported in India, the place of supply of goods is the place where the importer is located. Thus, in the present case, the pla ce of supply of the goods imported by Vidhyut Pvt. Ltd. is Noida, Uttar Pradesh.

(iii) As per section 12(8) of the IGST Act, 2017, the place of supply of services by way of transportation of goods, including by mail or courier provided to an unregistered person, is the location at which such goods are handed over for their transportation.

Since in the given case, the recipient – Aatmaram – is an unregistered person, the place of supply is the location where goods are handed to Gokul Carriers over for their transportation, i.e. Kanpur.

(iv) As per section 12(12) of the IGST Act, 2017, the place of supply of banking and other financial services, including stock broking services to any person is the location of the recipient of services in the records of the supplier of services. Thus, in the given case, the place of supply is the location of the recipient of services in the records of the supplier bank, i.e. New Delhi.

(v) As per section 13(4) read with section 13(6) of the IGST Act, 2017, where services supplied directly in relation to an immovable property are supplied at more than one location, including a location in the taxable territory, the place of supply is the location in the taxable territory. Since in the given case, the immovable pro perties are located in more than one location including a location in the taxable territory, the place of supply of architect service is the location in the taxable territory, i.e. Pune.

18. Computation of ITC available with Paridhi Ltd. in January

S. No.	Particulars	Amount (₹)
1.	Capital goods [Since depreciation has been claimed on the tax component of the value of the capital goods, ITC of such tax cannot be availed in terms of section 16 of the CGST Act, 2017.]	Nil
2.	Goods purchased from Rupesh Enterprises [ITC in respect of goods not received cannot be availed (Section 16 of the CGST Act, 2017). Since the goods have been received in the month of April, ITC thereon can be availed in April and not January even though the invoice for the same has been received in January.]	Nil
3.	Cars purchased for making further supply [Though ITC on motor vehicles used for further supply of such vehicles is not blocked, ITC on goods destroyed for whichever reason is blocked (Section 17(5) of the CGST Act, 2017).]	Nil
4.	Goods used for setting telecommunication towers [ITC on goods used by a taxable person for construction of immovable property on his own account is blocked even when such goods are used in the course or furtherance of business (Section 17 of the CGST Act, 2017).]	Nil
5.	Goods purchased from Sumo Ltd. [ITC can be claimed provisionally in January since all the conditions necessary for availing the same have been complied with (Section 16 of the CGST Act, 2017). However, the claim will get confirmed only when the tax charged in respect of such supply has been actually paid to the Government.]	10,000
6.	Trucks purchased for delivery of output goods [ITC on motor vehicles used for transportation of goods is not blocked (Section 17(5) of the CGST Act, 2017).]	80,000
	Total ITC available with Paridhi Ltd.	90,000

19. Computation of assessable value of the imported goods

	Japanese Yen
Cost upto port of exportation	5,00,000
Add: Loading charges at the port of exportation [Note-1]	1,25,000
Total in Japanese Yen	6,25,000
	₹
Total in Indian rupees @ ₹ 0.68 per Japanese Yen	4,25,000.00
Add: Commission paid to local agent of exporter [Note-3]	50,000.00
FOB value as per customs	4,75,000.00
Add: Freight charges from port of export to port of import in India [Note-1] [50,000 Japanese Yen × 0.68 = ₹ 34,000]	34,000.00
Add: Lighterage charges paid by the importer at port of importation [Note-1]	30,000.00
Add: Insurance charges @ 1.125% of FOB [₹ 4,75,000 × 1.125%] [Note-4]	5,343.75
CIF value	5,44,343.75
Assessable Value (rounded off)	5,44,344
Add: Basic customs duty @ 10% of ₹ 5,44,344 (rounded off) (A)	54,434
Add: Social welfare surcharge @ 10% of ₹ 54,434 (rounded off) (B)	5,443
Total	6,04,221
Add: Integrated tax @ 12% of ₹ 6,04,221 (rounded off) (C)	72,507
Total custom duty and integrated tax payable [(A) +(B) + (C)] (rounded off)	1,32,384

Notes:

(1) The cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation are includible in the assessable value [Rule 10(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 (hereinafter referred to as CVR)]. Further, explanation to rule 10(2), *inter alia*, clarifies that cost of transport of the imported goods includes lighterage charges.

(2) Design and engineering work is includible in the assessable value only when the same is undertaken elsewhere than in India and necessary for the production of the imported goods [Rule 10(1) of the CVR].

(3) Buying commission is not included in the assessable value [Rule 10(1) of the CVR]. Commission paid to local agent of exporter is includible in the assessable value since it is not buying commission.

(4) Since the insurance cost is not ascertainable, the same shall be added @ 1.125% of FOB value of the goods [Rule 10(2) of the CVR].

20. The quantum of anti-dumping duty is:

(i) margin of dumping

or

(ii) injury margin

whichever is lower.

Margin of dumping is the difference between export price and normal value of the imported article.

Injury margin is the difference between the fair selling price [non-injurious price (NIP)] due to the domestic industry and the landed value of the dumped imports.

Export price in relation to an article, means the price of an article exported from the exporting country or territory. KTU Limited has imported the goods at USD 180 per piece. Thus, export price is USD 180 per piece.

Normal value in relation to an article, means comparable price, in the ordinary course of trade, for the like article when destined for consumption in the exporting country or territory as determined in accordance with the rules. Since Country Z sell the like goods in its domestic market in the ordinary course of trade at USD 300 per piece, thus normal value in the given case is USD 300 per piece.

Fair Selling Price (FSP) [Non-Injurious Price] is that level of price, which the industry is, expected to have charged under normal circumstances in the Indian market during the period defined. Since the imported goods are sold in domestic Indian Industry @ USD 275 per piece, thus Fair selling price in the present case is USD 275 per piece.

Landed Value is taken as the assessable value under the Customs Act and the applicable basic customs duties except CVD, SAD and special duties. Landed value in the given case is USD 190 per piece.

In the given case, anti-dumping duty per piece is:

(i) Margin of dumping is USD 120 [USD 300- USD 180]

or

(ii) Injury margin is USD 85 [USD 275 – USD 190]

whichever is lower i.e. USD 85

Anti-dumping duty for 800 pieces (in rupees) = USD 85 × 800 pieces × ₹ 72

= ₹ 48,96,000.