

FINAL COURSE
GROUP – II

REVISION TEST PAPERS

MAY, 2025



BOARD OF STUDIES (ACADEMIC)
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)
New Delhi

© The Institute of Chartered Accountants of India

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form, or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior permission, in writing, from the publisher.

Edition	:	March, 2025
Website	:	www.icaai.org
Department/Committee	:	Board of Studies (Academic)
E-mail	:	bosnoida@icaai.in
Price	:	
ISBN No.	:	
Published by	:	The Publication & CDS Directorate on behalf of The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi- 110 002, India
		Typeset and designed at Board of Studies.
Printed by	:	

Contents

	<i>Page Nos.</i>
Objective & Approach	<i>i – viii</i>
<i>Objective of Revision Test Paper</i>	<i>i</i>
<i>Planning & Preparing for Examination</i>	<i>ii</i>
<i>Subject-wise Applicability</i>	<i>iii</i>
Paper-wise RTPs	
Paper 4: Direct Tax Laws & International Taxation	1 – 36
Paper 5: Indirect Tax Laws.....	37 – 65
Paper 6: Integrated Business Solutions	66 – 109
Applicability of Standards/Guidance Notes/Legislative Amendments etc. for May, 2025 Final Examination	110 - 113

REVISION TEST PAPER, MAY, 2025 – OBJECTIVE & APPROACH

(Students are advised to go through the following paragraphs carefully to derive maximum benefit out of this RTP)

I. Objective of Revision Test Paper

Revision Test Papers are one among the many educational inputs provided by the Board of Studies (Academic) to its students. Popularly referred to as RTP by the students, it is one of the very old publications of the BOS whose significance and relevance from the examination perspective has stood the test of time.

The primary objectives of the RTP are:

- To help students get an insight of their preparedness for the forthcoming examination;
- To update them on the latest developments relevant for the forthcoming examination in select subjects;
- To enhance the confidence level of the students adequately.

Students must bear in mind that the RTP contains a variety of questions based on different topics of the syllabi and thus a comprehensive study of the entire syllabus is a pre-requisite before answering the questions of the RTP. In other words, in order to derive maximum benefit out of the RTPs, it is advised that before proceeding to solve the questions given in the RTP, students ought to have thoroughly read the Study Materials and Statutory Update/Judicial Update, wherever applicable.

The topics on which the questions are set herein have been carefully selected and meticulous attention has been paid in framing different types of questions. Detailed answers are provided to enable the students to do a self-assessment and have a focused approach for effective preparation.

Live Learning Classes by renowned subject experts conducted free of charge in virtual mode for the students of Foundation, Intermediate and Final levels provide the students much required support in preparing for their exams conveniently at home as these classes can be accessed live or viewed later as recorded lectures through hand-held devices such as smart phones, laptops, I-pads, tablets, etc. anytime anywhere. Further,

students are advised to attempt the Multiple-Choice Questions (MCQs) at MCQ Paper Practice Portal which is a holistic platform for self-assessment within the stipulated timeframe.

Students are welcome to send their suggestions for fine tuning the RTP to the Joint Director, Board of Studies, The Institute of Chartered Accountants of India, A-29, Sector-62, Noida 201309 (Uttar Pradesh). RTP is also available on BOS Knowledge Portal at <https://boslive.icai.org> for downloading.

II. Planning and preparing for examination

Ideally, when the RTP reaches your hand, you must have finished reading the relevant Study Materials of all the subjects (along with the Statutory Update in case of Paper 4 and Paper 5 and Judicial Update in Paper 4) available at the BoS Knowledge Portal. Get a good grasp of the concepts/ provisions/ amendments/ cases discussed therein.

After reading the Study Materials alongwith Statutory Update and Judicial Update thoroughly, then, proceed to solve the questions given in the RTP on your own. RTP is an effective tool to revise and refresh the concepts and provisions discussed in the Study Material. RTPs are provided to you to help you assess your level of preparation. Hence you must solve the questions given therein on your own and thereafter compare your answers with the answers given therein.

Examination tips

How well a student fares in the examination depends upon the level and depth of his preparation. However, there are certain important points which can help a student better his performance in the examination. These useful tips are given below:

- Reach the examination hall well in time.
- As soon as you get the question paper, read it carefully and thoroughly. You are given separate 15 minutes for reading the question paper.
- Plan your time so that appropriate time is awarded for each question.

- First impression is the last impression. The question which you can answer in the best manner should be attempted first.
- Always attempt to do all questions. Therefore, it is important that you must finish each question within allocated time. Keep sometime for checking the answers as well.
- Read the question carefully more than once before starting the answer to understand very clearly as to what is required.
- Answer all parts of a question one after the other; do not answer different parts of the same question at different places.
- Write in a neat and legible hand-writing.
- Always be concise and write to the point and do not try to fill pages unnecessarily.
- There must be logical expression of the answer.
- In case a question is not clear, you may state your assumptions and then answer the question.
- Check your answers carefully and underline important points before leaving the examination hall.
- In case of case scenario based MCQs, read the facts given in the case attentively. Also, read each MCQ based thereon and all the options carefully, before choosing the correct answer.

III. Subject-wise Applicability

PAPER - 4: DIRECT TAX LAWS & INTERNATIONAL TAXATION

The provisions of direct tax laws, as amended by the Finance (No. 2) Act, 2024 and significant notifications, circulars issued and other legislative amendments made upto 31.10.2024, are relevant for May, 2025 examination. The relevant assessment year for May, 2025 examination is A.Y.2025-26.

The November 2024 edition of the Study Material, comprising of four modules (Modules 1 to 4), is applicable for May, 2025 Examination.

The above referred study material has to be read along with Statutory Update given in the RTP for May, 2025 Examination, which contains the significant

notifications/circulars issued upto 31.10.2024 but not covered in the November, 2024 edition of the Study Material, which are also relevant for May, 2025 Examination. The Judicial Update for May, 2025 examination available at <https://resource.cdn.icai.org/84599bos68185.pdf> is also relevant and important for May, 2025 examination.

You have to read the November, 2024 edition of the Study Material along with the Statutory Update and Judicial Update for May, 2025 examination thoroughly to attain conceptual clarity and understand the impact of amendments and interpretation of court rulings. Tables, diagrams and flow charts have been extensively used to facilitate easy understanding of concepts. The amendments made by the Finance (No. 2) Act, 2024 and latest notifications and circulars have been given in *italics/bold italics*. Examples and Illustrations given in the Study Material would help you understand the application of concepts. Work out the exercise questions at the end of each chapter and then, compare your answers with the answers given to test your level of understanding.

Finally, solve the questions given in this RTP independently and compare the same with the answers given to assess your level of preparedness for the examination.

PAPER – 5: INDIRECT TAX LAWS

The subject of Indirect Tax Laws at the Final level is divided into two parts, namely, Part I: Goods and Services Tax for 80 marks and Part II: Customs & Foreign Trade Policy (FTP) for 20 marks. For this paper, the following are applicable for May 2025 examination:

- (i) The provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024.
- (ii) The provisions of the Customs Act, 1962 and the Customs Tariff Act, 1975, as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024.

Note - The amendments made by the Annual Union Finance Acts in the CGST Act, 2017, the IGST Act, 2017, the Customs Act, 1962 and the Customs Tariff Act, 1975 are made effective from a date notified subsequently. Only those amendments made by the relevant Finance Acts which have become effective till 31.10.2024 are applicable for May 2025 examination. Thus, those amendments made by the Finance Act, 2024 and the Finance (No. 2) Act, 2024 which have become effective till 31.10.2024 are applicable for May 2025 examination.

Accordingly, amendments made by the Finance (No. 2) Act, 2024 in sections 16, 109 and 171 of the CGST Act, 2017 which have become effective till 31.10.2024, are applicable for May 2025 examination and remaining amendments made by the Finance Act, 2024 and the Finance (No. 2) Act, 2024 are not applicable for the said examination.

Further, it may be noted that amendments made by the Finance Act, 2023 in sections 9, 9A and 9C of the Customs Tariff Act, 1975 and in section 65 of the Customs Act, 1962 and insertion of new section 65A in the Customs Act, 1962 have not become effective till 31.10.2024 and thus, are not applicable for May 2025 examination. Also, the amendments made by the Finance (No. 2) Act, 2019 in sections 2(4), 95, 102, 103, 104, 105 and 106 of the CGST Act, 2017 and the insertion of new sections 101A, 101B & 101C in the CGST Act, 2017, have not become effective till 31.10.2024 and thus, are not applicable for May 2025 examination.

Further, a list of topic-wise exclusions from the syllabus has been specified by way of "Study Guidelines for May 2025 Examination". The same is given as part of "Applicability of Standards/Guidance Notes/Legislative Amendments etc. for May 2025 Final Examination" appended at the end of this Revision Test Paper.

Students may note that November 2024 edition of the Study Material is applicable for Final Paper 5: Indirect Tax Laws. The Study Material has been divided into four modules for ease of handling by students. The first three modules are on GST and the fourth module is on Customs and FTP.

The subject matter of Part I: Goods and Services Tax of the Study Material on Indirect Tax Laws is based the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance (No. 2) Act,

2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024.

The content discussed in Part II: Customs & FTP is based on the provisions of the Customs Act, 1962 and the Customs Tariff Act, 1975, as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024. Read the case laws given at the end of each chapter under "Significant Select Cases" in module on customs laws.

Solve the questions given in this RTP independently and compare the same with the answers given to assess your level of preparedness for the examination. Detailed answers have been provided for the descriptive questions given in this RTP to facilitate in depth understanding and appreciation of the provisions of the indirect tax laws in problem solving. This will help in enhancing your conceptual clarity and honing your application and analytical skills so that you are able to approach the examination with confidence and a positive attitude.

PAPER – 6: INTEGRATED BUSINESS SOLUTIONS

Integral to the Integrated Business Solutions (IBS) curriculum is the 'Case Study', a vital aspect of the CA Final Level. Here, students must apply their knowledge gathered from the five core subjects at final level and Self-paced Modules Set A & B. In this paper, since students are expected to integrate the knowledge acquired in different subjects in solving case studies.

Applicable Publications

- Study Materials of core papers of Final Papers 1, 2, 3, 4, 5 (November, 2024)
- Study Material of SPOM Set-A (April, 2023) along with amendments available at –
<https://resource.cdn.icai.org/83835bos67607.pdf>
- Study Material of SPOM Set-B (October, 2023)

- IBS Case Study Digest¹ (July 2024 edition)
- Case studies are also available online at –
https://boslive.icai.org/sm_chapter_details.php?p_id=18&m_id=74

Note- The above inputs may be considered along with the Study Guidelines (for May, 2025 Examination), wherever applicable.

Manner of Assessment

The manner of assessment of this paper would be 40% by way of MCQs and 60% in the form of Descriptive Questions in each case study of 25 marks. The examination is open book, thereby eliminating the need for rote learning.

RTP Case Studies

This revision test paper includes two case studies. Here's the data tabulated case study-wise:

Case Study	Industry	Subjects	Topics
1	Agrochemical Industry 	Financial Reporting, Auditing, Corporate and Economic Laws, Strategic Management, Strategic Cost Management	Just in Time, SA 250, Price Sensitivity, Section 235 of the Companies Act, 2013, Competitive Advantage, Section 2(1A) of the Income Tax Act, 1961, IND AS 20, Sales Variances, Financial Performance based on EVA

¹ The Case Study Digest includes 50 case studies, many of which focus on contemporary business models used by reputable companies across various sectors. These sectors include the beverage industry (specifically the tea segment), e-commerce, transportation, telecommunications, the aviation sector, food and hospitality, the construction industry, healthcare, and the fast fashion industry. Each case study provides an in-depth analysis of the innovative strategies and practices driving success in these fields.

2	Diamond and Jewelry industry 	Financial Reporting, Indirect Tax, Auditing, Strategic Management, Corporate and Economic Laws, Strategic Cost Management	Ind AS 24, Rule 28 of CGST Rules, Life Cycle Costing, Decentralized Structure, SA 550, Section 2(76)(viii) of the Companies Act, Regulation 2(1)(zb) of SEBI LODR) Regulations, 2015, International Transfer Pricing
---	---	---	--

A Holistic Approach

Solving multidisciplinary 'Case Study' will enhance analytical skills and decision-making skills of students. This holistic and integrated approach ensures that students emerge well-equipped to tackle the challenges presented in the constantly changing business environment.

In case students face difficulty in any subject, they can refer "Saransh" for different subjects, wherein the concepts and provisions are explained through diagrams, charts and tables to facilitate quick assimilation of the significant concepts and provisions dealt with in each subject.



PAPER – 4: DIRECT TAX LAWS & INTERNATIONAL TAXATION

The provisions of direct tax laws, as amended by the Finance (No. 2) Act, 2024 and the significant notifications and circulars issued upto 31.10.2024, are relevant for May 2025 examination. The relevant assessment year is A.Y.2025-26. The November, 2024 edition of the Study Material contains the provisions of direct tax laws as amended by the Finance (No. 2) Act, 2024 and notifications and circulars issued upto 31.10.2024. The said study material has to be read along with the following Statutory Update containing notifications and circulars issued upto 31.10.2024 but not covered in the study material and Judicial Update for May, 2025 Examination webhosted at <https://resource.cdn.icai.org/84599bos68185.pdf>.

STATUTORY UPDATE

1. Non-applicability of TDS provisions in respect of certain payments made to specified units located in IFSC [Notification No. 28/2024 dated 7.3.2024]

In accordance with the provisions of section 197A(1F) read with section 80LA(1A)/(2) of the Income-tax Act, 1961, the Central Government has, vide this notification notified that no tax is required to be deducted at source in respect of the specified payments made by any 'payer' to a payee, being a Unit of International Financial Services Centre (IFSC), as specified in the following Table:-

Table: List of payments receivable by a Unit of (IFSC)

Sl. No.	IFSC Unit (Payee)	Nature of receipt	Relevant TDS provisions
1.	Banking Unit	Interest income on External Commercial Borrowings/ Loans	Section 195
		Professional fees	Section 194J

		Referral fees	Section 194H
		Brokerage income	Section 194H
		Commission income on factoring and forfaiting services	Section 194H
2.	IFSC Insurance Intermediary office	Insurance commission	Section 194D
3.	Finance Company	Interest income on External Commercial Borrowings /Loans	Section 195/194A
		Dividend income	Section 194
		Commission income on factoring and forfaiting services	Section 194H
4.	Finance Unit	Interest income on External Commercial Borrowings / Loans	Section 195/ 194A
		Dividend income	Section 194
		Commission income on factoring and forfaiting services	Section 194H
5.	Fund Management entity	Professional fee	Section 194J
6.	Broker Dealer	Dividend	Section 194
7.	Investment advisor	Investment advisory fee	Section 194J
8.	Registered Distributor	Distribution fee and Commission fee	Section 194H
9.	Custodian	Professional fee	Section 194J
		Commission fee	Section 194H
10.	Credit rating agency	Credit rating fee	Section 194J
11.	Investment banker	Investment banker fee	Section 194J

12.	Debenture trustee	Trusteeship fee	Section 194J
13.	International Trade Finance Service or "ITFS"	Commission income	Section 194H
14.	FinTech Entity	Technical fee/Professional fee	Section 194J
		Commission income	Section 194H

The following conditions are required to be satisfied for non-applicability of TDS provisions in respect of above specified payments:

The 'payee' has to furnish a statement-cum-declaration to the payer containing the details of the previous years relevant to the ten consecutive assessment years for which the 'payee' opts for claiming deduction under section 80LA(1A)/(2) and

Such statement-cum-declaration has to be furnished and verified for each previous year relevant to the ten consecutive assessment years for which the 'payee' opts for claiming deduction under section 80LA(1A)/(2).

The 'payer' would not deduct tax on such payments made or credited to the 'payee' after the date of receipt of copy of such statement-cum-declaration from the 'payee'; and furnish the particulars of all the payments made to 'payee' on which tax has not been deducted in view of this notification in the statement of deduction of tax at source.

The above relaxation is available to the 'payee' only during the said previous years relevant to the ten consecutive assessment years as declared by the 'payee' for which deduction under section 80LA is being opted. The 'payer' shall be liable to deduct tax on payments as referred above for any other year.

Note – Please refer the above notification for the purpose of definitions of these specified IFSC units.

2. Applicability of section 197A(1D) and section 10(15)(viii) to interest paid by IFSC Banking Units (IBUs) [Circular No. 26/2016 dated 4.7.2016]

Section 197A provides the circumstances in which deduction of tax at source is not required to be made under Chapter XVII of the Act. Section 197A(1D) provides that no tax is required to be deducted by an Offshore Banking Unit from the interest paid

- on deposit made on or after 1.4.2005 by a non-resident or a person not ordinarily resident in India, or
- on borrowing on or after 1.4.2005 from a non-resident or a person not ordinarily resident in India.

Section 10(15)(viii) provides that such interest will not be included in the total income of such non-resident or a person not ordinarily resident in India.

Offshore Banking Unit is defined in section 2(u) of the Special Economic Zones Act, 2005 as a branch of a bank located in a Special Economic Zone, which has obtained permission under section 23(1)(a) of the Banking Regulation Act, 1949.

IFSC Banking Units (IBUs) are branches of Indian Banks or Foreign Banks having presence in India, which are established in accordance with the RBI Scheme dated 1.4.2015, in the IFSC that are set up within the Special Economic Zones, as per section 18 of the Special Economic Zone Act, 2005. Therefore, the IBUs fulfil the necessary criteria for being considered Offshore Banking Units as defined in section 2(u) of the Special Economic Zones Act, 2005.

Accordingly, the CBDT has, vide this circular, clarified that in accordance with the provisions of section 197A(1D), tax is not required to be deducted on interest paid by such IBUs, on deposit made on or after 1.4.2005 by a non-resident or a person who is not ordinarily resident in India, or on borrowings made on or after 1.4.2005 from such persons.

**QUESTIONS****Case Scenario I**

Mr. Devansh is an Indian citizen and person of Indian origin who is living in the UK for the last 15 years. He comes to India every year for one month to visit his parents. For the rest of the year, he stays in UK.

He has invested in shares of Alpha Ltd., Beta Ltd., and Delta Ltd. in convertible foreign exchange. Alpha Ltd. and Beta Ltd. are companies incorporated in GIFT IFSC, Gujarat, carrying on business for which it has been approved for setting up in such a Centre in a special economic zone. Delta Ltd. is a company incorporated in New Delhi. The dividend income of Mr. Devansh from Alpha Ltd., Beta Ltd. and Delta Ltd. during the P.Y. 2024-25 is ₹ 62,500, ₹ 87,300 and ₹ 21,800, respectively. The interest expenditure incurred by him during the P.Y. 2024-25 on money borrowed for investment in these shares is ₹ 12,000, ₹ 20,000 and ₹ 7,000, respectively.

Mr. Devansh has also lent foreign currency equivalent to ₹ 50 lakhs to Gamma Ltd., a company located in GIFT IFSC on 1st April, 2021. The rate of interest is 10% p.a. He has also made a deposit of foreign currency equivalent to ₹ 30 lakhs in IFSC banking unit of SEZ on 1st April, 2022. The rate of interest is 8% p.a. Dividend of ₹ 5,41,200 is due to be received in January, 2025 by Gamma Ltd. from Phi Ltd., which is also a company located in GIFT IFSC. The same was received on 28th January, 2025.

Alpha Ltd. has started availing benefit of deduction u/s 80LA(1A) from A.Y. 2023-24 while Beta Ltd. has not started availing the benefit even though it has commenced operations on 1.4.2021. Alpha Ltd. furnished the declaration to the payers about the claim of deduction under section 80LA(1A)/(2) for the P.Y. 2024-25

From the information given above, choose the most appropriate answer of MCQs 1 to 6:

1. What is the tax liability on dividend income of Mr. Devansh during the P.Y. 2024-25? Ignore surcharge and cess.
(a) ₹ 4,360

- (b) ₹ 15,522
 - (c) ₹ 17,160
 - (d) ₹ 19,340
2. The tax liability on interest income of Mr. Devansh from loan to Gamma Ltd. for the A.Y.2025-26, ignoring surcharge, if any, and cess, is-
- (a) Nil
 - (b) ₹ 25,000
 - (c) ₹ 50,000
 - (d) ₹ 1,00,000
3. The tax liability on interest income of Mr. Devansh on deposit made with an IFSC banking unit in SEZ for the A.Y.2025-26, ignoring surcharge, if any, and cess, is -
- (a) ₹ 12,000
 - (b) ₹ 24,000
 - (c) ₹ 48,000
 - (d) Nil
4. What is the tax liability on dividend income of Gamma Ltd. from Phi Ltd. during the P.Y.2024-25, assuming that both companies are primarily engaged in the business of leasing of an aircraft and have opted for section 115BAA?
- (a) ₹ 61,913
 - (b) ₹ 1,23,827
 - (c) ₹ 1,36,209
 - (d) Nil
5. Assuming that, for the purpose of this MCQ, Alpha Ltd. and Beta Ltd. are banking units located in IFSC and both the companies are due to receive professional fee equivalent to ₹ 20 lakhs each in the P.Y. 2024-25, what is the tax deductible by the payer?

- (a) Nil, Nil
 - (b) Nil, ₹ 2 lakhs
 - (c) ₹ 2 lakhs, Nil
 - (d) ₹ 2 lakhs, ₹ 2 lakhs
6. Assuming that, for the purpose of this MCQ, Alpha Ltd. is a qualifying company engaged in shipping business, by which date can it opt for the tonnage tax scheme, if its date of incorporation is 1.4.2022?
- (a) 30.6.2022
 - (b) 31.3.2032
 - (c) 30.6.2032
 - (d) 30.6.2033

Case Scenario II

On 01.05.2024, ABC Ltd. (a listed co.) offered right shares in the ratio of 1:10 at a value of ₹ 50 per share. One of the shareholders, Mr. Sahil had 50,000 shares of ABC Ltd. on the date of offer of rights issue. He retains 30% of the rights and renounced balance right shares in favour of his friend, Mr. Jay for ₹ 15 per share on 28.05.2024.

Mr. Sahil transferred 10,000 shares out of his original shares on 15.07.2024 for ₹ 65 per share. He had acquired these 10,000 shares at a cost of ₹ 2,38,000 on 21.6.2021. Further, Mr. Jay transferred the shares acquired from Mr. Sahil for ₹ 80 per share on 26.02.2025.

XYZ Pvt. Ltd. bought back 80,000 shares on 14.12.2024 at a value of ₹ 160 per share. Such shares were issued for ₹ 20 per share (₹ 10, being the face value and ₹ 10, being premium) during the F.Y. 2012-13. Such bought back include 6,250 shares of Mr. Sahil (which he acquired on 28.5.2022 for ₹ 36.80 per share) and 250 shares of Mr. Rahul (which was inherited from his father). Rahul's father acquired these shares on 24.5.2020 for ₹ 10 per share. Apart from this transaction, Mr. Rahul has income under head "Salaries" of ₹ 12,42,000 (computed), on which no tax is withheld by the employer. Assume Mr. Sahil does not have any other income for the P.Y. 2024-25.

STT has been paid pertaining to the shares of ABC Ltd.

From the information given above, choose the most appropriate answer of MCQs 7 to 12:

7. Is XYZ Pvt Ltd. required to pay additional income-tax on buy back of shares? If yes, what would be the amount of such additional income-tax?
- (a) No, it is not required to pay additional income-tax on buy back of shares, since it is an unlisted company.
 - (b) Yes, it is required to pay ₹ 26,09,152 as additional income-tax on buy back of shares.
 - (c) No, it is not required to pay additional income tax, since buy back takes place on or after 1.10.2024.
 - (d) Yes, it is required to pay additional income tax of ₹ 23,29,600.
8. Compute the amount of capital gains arising in the hands of Mr. Sahil during the P.Y. 2024-25?
- (a) Long-term capital gains of ₹ 1,82,000 and Short-term capital gains of ₹ 52,500
 - (b) Long-term capital gains of ₹ 4,12,000 and Short-term capital gains of ₹ 52,500
 - (c) Long-term capital gains of ₹ 2,87,000 and Short-term capital gains of ₹ 75,000
 - (d) Long-term capital gains of ₹ 57,000 and Short-term capital gains of ₹ 52,500
9. Compute the amount of tax liability in the hands of Mr. Sahil for the A.Y. 2025-26. Assume Mr. Sahil is paying tax under section 115BAC.
- (a) Nil
 - (b) ₹ 68,720
 - (c) ₹ 14,120
 - (d) ₹ 66,120

10. Compute tax liability of Mr. Jay for the A.Y. 2025-26. Assume he has salary income of ₹ 4,25,000 (computed) and he has opted out of the default tax regime.
- (a) Nil
 - (b) ₹ 7,020
 - (c) ₹ 4,290
 - (d) ₹ 6,750
11. Whether the income arising on buy back of shares taxable in the hands of Mr. Rahul? If yes, what amount, and under which head it would be taxable?
- (a) Income from buy back of shares would be exempt in the hands of Mr. Rahul by virtue of section 10(34A).
 - (b) ₹ 40,000 as deemed dividend under the head "Income from other sources" and long-term capital loss of ₹ 2,500 would arise.
 - (c) ₹ 37,500 as long-term capital gains under the head "Capital Gains".
 - (d) ₹ 37,500 as deemed dividend under the head "Income from other sources"
12. Compute total income and tax payable by Mr. Rahul for the A.Y. 2025-26. Assume he is paying tax as per section 115BAC.
- (a) Total Income – ₹ 12,82,000; Tax Payable – ₹ 96,260
 - (b) Taxable Income – ₹ 12,79,500; Tax Payable – ₹ 99,740
 - (c) Taxable Income – ₹ 12,82,000; Tax Payable – ₹ 1,00,256
 - (d) Taxable Income – ₹ 12,79,500; Tax Payable – ₹ 95,740
13. GlobalTech Inc., a company incorporated in the USA, has global assets worth ₹50 crores and Indian assets worth ₹25 crores. Its turnover during the P.Y. 2024-25 is US \$ equivalent to ₹90 crores. Out of 10 board meetings held during F.Y. 2024-25, only 4 were held in India. However, key management and commercial decisions for the conduct of the company's business as a whole were made in India at these meetings. Innovate Ltd., an Indian company, intends to remit fees for

technical services to GlobalTech Inc. for providing services in relation to a project in India. Assume such fees is not paid under an agreement approved by the Central Government.

Determine the residential status of GlobalTech Inc. for the P.Y. 2024-25. Whether tax is required to be deducted on fees for technical services paid by Innovate Ltd. If yes, at which rate (ignore surcharge and cess)?

- (a) Non-resident; and tax is deductible @20% u/s 195.
 - (b) Non-resident; and tax is deductible @35% u/s 195.
 - (c) Resident; and tax is deductible @35% u/s 195.
 - (d) Resident; and tax is deductible @10% u/s 194J.
14. The Statement of Profit & Loss of Tirupati Private Ltd., a domestic company engaged in manufacturing, shows net profit of ₹ 1,07,00,000 for the financial year ended on 31st March, 2025, after debit/credit of the following items.
- A. Credited to the Statement of Profit and Loss:
 - (i) Rent received from vacant land ₹ 2,55,000
 - (ii) Rent received (gross) from a commercial property owned by the company ₹ 5,30,000 (Tax deducted by tenant @ 10%)
 - (iii) Interest received on income tax refund ₹ 48,000
 - (iv) Profit on sale of plot ₹ 8,00,000.
 - (v) Dividend from ABC Inc., New York, a wholly owned subsidiary in February, 2025 ₹ 6,00,000
 - B. Debited to the Statement of Profit and Loss:
 - (i) Depreciation charged to the Statement of Profit and Loss ₹ 11,86,000.
 - (ii) Donation of ₹ 85,000 paid to Swachh Bharat Kosh.
 - (iii) Actual contribution to the pension scheme of employees: ₹ 1,90,000

- (iv) Payment made to transporter ₹ 68,000 by account payee cheque, but no tax has been deducted at source. (Transporter is having PAN and furnished declaration that he is covered under section 44AE and not having more than 10 goods carriages at any time during the previous year).
- (v) Bonus to employees ₹ 4,48,000. However, payment was made on 18th December, 2025.
- (vi) Provision made for income-tax ₹ 4,20,000 (including interest of ₹ 70,000 thereon)
- (vii) Contribution of ₹ 1,00,000 to a University approved and notified under section 35(1)(ii).
- (viii) Interest of ₹ 1,50,000 on loan borrowed for acquiring shares in ABC Inc., New York

Additional information:

- (1) Depreciation as per the Income-tax Act, 1961 ₹ 18,00,000. However, while calculating such depreciation, rate applicable to computers has been adopted for (i) accessories like printers and scanners, and (ii) EPABX. The written down value of these items as on 01.04.2024 is given below:
 - (a) Printers and Scanners ₹ 3,00,000
 - (b) EPABX ₹ 5,00,000
- (2) Additional depreciation on plant and machinery purchased for ₹ 34,00,000 on 18th November, 2024 has not been considered while calculating depreciation as per Income-tax Act, 1961 as above.
- (3) Provision for audit fee ₹ 1,00,000 was made in the books for the year ended on 31st March, 2024 without deducting tax at source. Such fee was paid to auditors in October 2024 after deducting tax at source under Section 194J and tax so deducted was deposited on 12th December, 2024.

- (4) During the financial year 2023-24, the company made a provision for an outstanding bill of ₹ 90,000 for purchase of raw material. Out of such outstanding amount, the company paid ₹ 45,000 in cash on 20th August, 2024.
- (5) During the year, the company has issued 1,00,000 equity shares of face value of ₹ 10 each at premium of ₹ 90 each. The fair market value is ₹ 60 per share at the time of issue of shares.
- (6) Plot was sold in March, 2025 for ₹ 58,00,000 was acquired by the company in January, 2023 for ₹ 50,00,000.
- (7) The eligible salary and dearness allowance for the pension scheme referred to under section 80CCD is ₹ 10,00,000.
- (8) The company declared interim dividend @10% of share capital being ₹ 5,20,000 in September, 2024.
- (9) Cost Inflation Index – FY 2022-23: 331; FY 2024-25: 363

Compute total income and tax liability of Tirupati Private Limited as per section 115BAA for the Assessment Year 2025-26 stating reasons for treatment of each item.

15. Vatsal, Vihaan & Vayu are equal partners of VSK & Co., which was formed w.e.f. 01.06.2024. The firm is an authorized dealer of shoes manufactured by a reputed company. It reported Net Profit as per profit and loss account of ₹ 4,50,000 after debit / credit of the following items:
 - (i) Depreciation on generator and computers ₹ 1,10,000.
 - (ii) Working partners' salary ₹ 82,000 per month for each partner.
 - (iii) Interest on capital to partners @ 18% per annum. The total interest on capital of the firm debited to profit and loss account being ₹ 3,60,000.
 - (iv) Donation to registered political parties ₹ 80,000 by cash and ₹ 70,000 by electronic transfer.
 - (v) Monthly rent paid to partner Vatsal for use of his premises as godown ₹ 36,000 per month and it is occupied from 01.10.2024.

The market rent for the premises is ascertained at ₹ 15,000 per month. No tax was deducted at source on the rent paid.

- (vi) The firm incurred ₹ 5 lakhs by way of expenditure towards the cost of gold coins awarded to customers on the first day of their showroom inauguration. The cost of each gold coin was less than ₹ 10,000 and one coin was given to each buyer on that day selected through lucky draw. No tax was deducted at source on such gold coins given to the customers.

Additional information:

- (i) Depreciation on tangible assets allowable u/s 32 ₹ 2,43,000.
- (ii) One registered trademark was acquired on 10.07.2024 for ₹ 3,00,000. The firm used the trademark w.e.f. 01.12.2024 since there was some dispute in title of the previous owner and was cleared through court decree only in November 2024.
- (iii) All the partners are working partners, and the salary and interest are authorized by the partnership deed.

You are required to compute the total income of the firm for the A.Y. 2025-26.

16. XYZ Charitable Trust, registered under Section 12AB, derives income from property held under trust of ₹ 500 lakh during the financial year 2024-25. The trust decides to pay an amount ₹ 200 lakh to another trust, ABC Educational Trust, which is also registered under Section 12AB.
 - I. (a) How much the amount paid by XYZ Charitable Trust will be considered as an application of income for charitable purposes, if such contribution is given -
 - (i) with a direction that the same shall be used for general charitable purposes and not as corpus.
 - (ii) with a specific direction that the amount shall form part of its corpus.
 - (b) Would your answer change to the above questions, if such amount is paid out of accumulations of XYZ trust. If yes, what other tax implications arise in its hands.

- II. Also, examine the conditions which ABC Educational trust require to satisfy for not including the amount received from XYZ Charitable trust with specific direction for forming part as corpus in its total income. What other tax implications arise in the hands of ABC Educational trust if such conditions are not satisfied.
17. Mr. Amit, an Indian resident, invested in Virtual Digital Assets (VDAs) such as cryptocurrencies and Non-fungible Tokens (NFTs).
On 15 April, 2024, he purchased 1 Bitcoin (BTC) for ₹ 60 lakhs. His friend, Sushil gifted him NFTs (the transfer of these tokens does not result in transfer of underlying tangible asset) having FMV of ₹ 5 lakhs on his birthday on 16.8.2024. Sushil has bought these NFTs for ₹ 4.5 lakhs. Amit also buys NFTs worth ₹ 10 lakhs on 16.11.2024.
Due to some financial need, on 1.12.2024, he sold 0.5 BTC for ₹ 28 lakhs and NFTs received from friend for ₹ 6.50 lakhs. He incurred expenses of 0.1% on transfer of BTC and NFTs.
He has other income of ₹ 6,50,000 during the P.Y. 2024-25.
Compute the tax payable by Mr. Amit for A.Y. 2025-26 assuming he has exercised the option to shift out of section 115BAC.
18. During the previous year 2024-25, Mr. Vivek, a non-resident became partner in a partnership firm M/s Pal & Co., India and contributed ₹ 50 lakhs towards capital. He was paid interest @10% as interest on capital and his profit share every year by the firm, as per the terms of the partnership deed. In the P.Y. 2024-25, his profit share was ₹ 4 lakhs. During the P.Y. 2024-25, firm paid ₹ 5 lakhs to Mr. Vikas, (a non-resident) friend of Mr. Vivek towards fees for technical services (FTS) for rendering of services for a project in India. Mr. Vivek and Mr. Vikas both are the resident of Country X.
- (i) As a tax consultant for M/s Pal & Co., India, you need to advise the firm regarding tax deduction at source on the payments (i.e., interest on capital and share of profit) made to Mr. Vivek and FTS payment to Mr. Vivek, considering that India has no DTAA with Country 'X'. In case tax is not deductible at source, is there any other related requirement to be complied with by the firm?

- (ii) If India has a DTAA with Country 'X' providing for deduction of tax at 10% in respect of FTS then, what is the remedy available in case M/s Pal & Co., India has deducted tax at the requisite rate provided under the Income-tax Act, 1961?
19. Mr. Bhuvan proposes to purchase for his business, certain raw materials from Mr. Srinivas. In view of the scarcity of the products, Srinivas insists on cash payments for the purchases, to which Bhuvan agrees. On 27-3-2025, the purchases are effected through a cash invoice for ₹ 3,20,000.
- In respect of the above transactions, will there be any detrimental effect in the hands of Bhuvan and Srinivas under the provisions of the Income-tax Act, 1961? Explain briefly.
- Will your answer be different, if the cash purchases are effected by the buyer Bhuvan on two different dates for different raw materials for ₹ 1,80,000 and ₹ 1,40,000 respectively?
20. Mrs. Sudha Sharma, aged 61 years, is married and settled in Calcutta. She is a Hindustani classical singer and composer who performs concerts in India and Country M. She visits Country M every year during the music season in October to participate in the Mega music concert held there. For the rest of the year, she performs concerts in India.
- Income from concerts held –
- In India - ₹ 10 lakhs
- In Country M - CMD 12,245
- Tax deducted in Country M in October, 2024 in respect of income earned by her in that country was 2500 CMD.
- She earns income of CND 10000 by way of royalty in respect of copyright of her musical compositions in Country N. The royalty is paid to her every year on 25th March after deduction of tax@10%.
- In India, she has interest income of ₹ 4 lakhs from bank fixed deposits in her name and ₹ 25,000 from savings bank account. She pays medical insurance premium of ₹ 27,000 to insure her health and ₹ 30,000 to

insure the health of her husband, a resident aged 64 years. She deposits ₹ 1.50 lakhs in public provident fund and ₹ 3 lakhs in five-year fixed deposit in the name of her son, Mr. Sahil.

The conversion rates are as follows –

TT buying rate	30.9.2024	31.10.2024	28.2.2025	31.3.2025
Country M dollar (CMD)	₹ 80	₹ 84	₹ 78	₹ 80
Country N dollar (CND)	₹ 80	₹ 82	₹ 78	₹ 79

India has no double taxation avoidance agreement with Country M but has a DTAA with Country N.

Relevant Extracts of DTAA between “India - Country N”

ARTICLE 12

ROYALTIES AND FEES FOR TECHNICAL SERVICES

1. Royalties and fees for included services arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

Article 23

ELIMINATION OF DOUBLE TAXATION

3. The amount of tax paid, under the laws of Country N and in accordance with the provisions of the Agreement, whether directly or by deduction, by a resident of India, in respect of income from sources within Country N which has been subjected to tax both in India and Country N shall be allowed as a credit against the Indian tax payable in respect of such income but in an amount not exceeding that proportion of Indian tax which such income bears to the entire income chargeable to Indian tax.

Compute the total income and net tax liability (taking into account the foreign tax credit) of Mrs. Sudha Sharma for A.Y. 2025-26, if she has opted out of the default tax regime.

21. Manan who remained in Country X returned to India permanently in 1st February 2024. He has a house property in Country X from which he earned and received rental income of Country X \$ 30,000 and Country X \$ 34,000 for the year ended 31st March, 2024 and 31st March, 2025,

respectively, in bank account maintained in Country X. He is eligible for basic exemption limit of Country X \$ 18,200 and on the balance income, he paid income-tax for both the years @ 20% in Country X. The tax was paid for the let out property on income earned in Country X for both the years on 5th April 2024 and on 10th April 2025, respectively, from his bank account in India. His income from business in India is ₹ 12,50,000 for the year ended 31-03-2025.

He transferred land situated in Indore on 23.12.2024 to Mr. Sarthak for ₹ 80,00,000, which he acquired on 18.5.2022 for ₹ 30 lakhs.

Cost Inflation Index – FY 2022-23: 331 ; FY 2024-25: 363

The exchange rate of 1 Country X Dollar on various dates is given below:

31st March 2024 = ₹ 80; 05th April 2024 = ₹ 80.50; 31st December 2024 = ₹ 81;

31st March 2025 = ₹ 82; 10th April 2025 = ₹ 81.50 and 31st December 2025 = ₹ 83

Compute the tax liability of Manan in India for assessment year 2025-26 under default tax regime.

22. Triveni Cement Ltd. (TCL) is an Indian company, having its head office at Chennai. For the P.Y. 2024-25, it furnished the following information of certain entities and the transactions undertaken with these companies:

- Drift Inc. is a wholly owned foreign subsidiary in Japan of TCL. It is currently paying royalty of USD 3 million per annum to TCL for supply of know-how. For similar supply of know how to Elite LLC., a wholly owned Government Company in Japan, TCL receives annual royalty of USD 4 million. (1 USD = ₹ 82).
- TCL has borrowed a sum of equivalent of ₹ 220 crores from Swift Inc., Dubai on 1.4.2024. On this date, the assets position of TCL was as under:

	(In ₹ Crores)	
Type of assets	Market value	Book value
Tangible fixed assets	350	270
Intangible assets	30	25
Other assets	40	35

Swift Inc., has charged interest at 8% and TCL has paid interest of ₹ 17.6 crores for the year ended 31.3.2025. Though the normal lending rate of Swift Inc. was 7% per annum to other parties, in view of the urgent requirement of funds and pressing financial commitments, TCL decided to borrow this amount then.

- TCL supplies goods to True Words Ltd. (TWL), in Singapore. The paid-up capital of TWL in foreign currency equivalent is ₹ 92 crores. TCL holds shares to the tune of ₹ 22 crores in TWL. The voting power in the company is directly proportional to the number of shares held.

You are required to examine the various transactions entered into by TCL and determine the applicability of transfer pricing provisions for each transaction. Ignore provisions of section 94B, if applicable, in this case.



SUGGESTED ANSWERS

MCQ No.	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(d)	8.	(a)
2.	(a)	9.	(d)
3.	(d)	10.	(b)
4.	(d)	11.	(b)
5.	(b)	12.	(a)
6.	(c)	13.	(c)
7.	(c)		

14. Computation of Total Income and Tax Liability of Tirupati Private Ltd. as per section 115BAA for the A.Y.2025-26

	Particulars	Amount (₹)	
I	Income from house property		
	[Rental income from commercial property]		
	Gross Annual Value ¹ /Net Annual Value	5,30,000	
	Less: Deduction under section 24(a)		
	30% of Net Annual Value	<u>1,59,000</u>	
			3,71,000
II	Profits and gains of business and profession		
	Net profit as per profit and loss account	1,07,00,000	
	Add: Items debited but to be considered separately or to be disallowed		
	B(ii) Donation paid to Swachh Bharat Kosh	85,000	
	[Not an expenditure incurred wholly and exclusively for the manufacturing business. Hence, not allowable under section 37]		
	B(iii) Contribution towards pension scheme of employees	50,000	
	[Contribution towards pension scheme, referred to in section 80CCD, of employees is allowed only to the extent of 14% of salary of the employee in the P.Y. i.e., ₹ 1,40,000 being 14% of ₹ 10,00,000. Therefore, the excess contribution of ₹ 50,000 [i.e., ₹ 1,90,000 – ₹ 1,40,000] is disallowed u/s 36(1)(iva).		
	B(iv) Payment to transport contractor	-	
	[As per section 194C(6), no tax is required to be deducted at source		

¹ Rent received has been taken as the Gross Annual Value (GAV) in the absence of information relating to Municipal Value, Fair Rent and Standard rent.

since the payment is to a transport contractor not having more than 10 goods carriages at any time during the previous year and he has given a declaration to that effect along with his PAN. Hence, disallowance under section 40(a)(ia) for non-deduction of tax at source is not attracted. Also, since payment is made by account payee cheque, no disallowance under section 40A(3) is attracted].			
B(v) Bonus to employees [Since the payment is made after the due date of filing return of income, disallowance under section 43B is attracted]	4,48,000		
B(vi) Provision for income-tax (including interest of ₹ 70,000 thereon) [Not allowable as deduction. Disallowance under section 40(a)(ii) is attracted]	4,20,000		
B(vii) Contribution to a University approved and notified u/s 35(1)(ii) No deduction is allowed u/s 115BAA in respect of contribution to a University approved and notified u/s 35(1)(ii)	1,00,000		
B(viii) Interest on loan borrowed for investing in shares of ABC Inc. [Allowability or otherwise of interest expenditure on earning dividend has to be considered separately under the head "Income from Other Sources"]	1,50,000	<u>12,53,000</u>	
		1,19,53,000	
Add: Cash Payment for purchase of raw material deemed as income		<u>45,000</u>	
AI(4) [Since the provision for			

outstanding bill for purchase of raw material has been allowed as deduction during the P.Y.2023-24, cash payment in excess of ₹ 10,000 against such bill in the P.Y. 2024-25 would be deemed as income of P.Y.2024-25 as per section 40A(3A)]			
Less: Expenditure to be allowed			
B(i) & Al(1) Depreciation [Difference between the normal depreciation of ₹ 16.75 lakhs as per Income-tax Act, 1961 [See Note below] and depreciation charged to the statement of profit and loss of ₹ 11.86 lakhs].	4,89,000	1,19,98,000	
Note – ² Printers and scanners form an integral part of the computer system and they cannot be used without the computer. Thus, they are part of the computer system, they would be eligible for depreciation at the higher rate of 40% applicable to computers including computer software. However, EPABX is not a computer and is, hence, not entitled to higher depreciation @40% ³ Accordingly, depreciation of ₹ 1,25,000 on EPABX computed @ 25% (40% - 15%) is to be reduced from the depreciation given as per the Income-tax Act, 1961 of ₹ 18 lakhs. Thus, depreciation as per Income-tax Act, 1961 allowed as deduction would be ₹ 16.75 lakhs.			
Al(2) Additional depreciation on new plant and machinery [Not	Nil		

² CIT v. BSES Yamuna Powers Ltd (2013) 358 ITR 47 (Delhi)

³ Federal Bank Ltd. v. ACIT (2011) 332 ITR 319 (Kerala)

allowable as deduction under section 115BAA]			
AI(3) Audit Fees relating to P.Y.2023-24	30,000	<u>5,19,000</u>	
[₹ 30,000, being 30% of audit fees of ₹ 1,00,000 provided for in the books of account of F.Y.2023-24 would have been disallowed due to non-deduction of tax at source. Since tax has been deducted in October, 2024 and paid on 12.12.2024, the amount of ₹ 30,000 is deductible while computing business income of P.Y.2024-25].			
		1,14,79,000	
Less: Items credited to statement of profit and loss, but not includible in business income			
A(i) Rent received from vacant land [Chargeable to tax under the head "Income from other sources"]	2,55,000		
A(ii) Rent received from commercial property owned by the company [Chargeable to tax under the head "Income from house property"]	5,30,000		
A(iii) Interest received on income tax refund [Chargeable to tax under the head "Income from other sources"]	48,000		
A(iv) Profit on sale of plot [Chargeable to tax under the head "Capital Gains"]	8,00,000		
A(v) Dividend from ABC Inc. company [Dividend received from foreign company is taxable under the head "Income from Other Sources"]	6,00,000	<u>22,33,000</u>	
		92,46,000	
Profits and gains from the business of manufacturing			92,46,000

III	Capital Gains		
	Capital gain on sale of plot		
	Sale consideration	58,00,000	
	Less: Cost of Acquisition [since land is transferred on or after 23.7.2024, indexation benefit will not be to a person other than an individual or a HUF, resident in India]	<u>50,00,000</u>	
	Long-term capital gain		8,00,000
IV	Income from Other Sources		
	Rent received from vacant land	2,55,000	
	Interest received on income-tax refund	48,000	
	Excess of issue price of shares over the fair market value of shares is not taxable w.e.f. A.Y. 2025-26	-	
	Dividend from ABC Inc., a foreign company	6,00,000	
	Less: Interest expenditure of ₹ 1,50,000 allowed deduction upto 20% of dividend	<u>1,20,000</u>	
		4,80,000	
	Gross Total Income		<u>7,83,000</u>
	Less: Deductions under Chapter VI-A		1,12,00,000
	Deduction under section 80G		
	Not allowable u/s 115BAA	-	
	Deduction under section 80M	4,80,000	
	Deduction in respect of inter-corporate dividend to the extent of ₹ 5,20,000, being dividend distributed by it one month prior to the due date specified u/s 139(1) or ₹ 4,80,000 dividend received to the extent includible in the gross total income, whichever is lower		<u>4,80,000</u>
	Total Income		1,07,20,000
Computation of tax liability			
	Tax on long-term capital gains @ 12.5%		1,00,000
	Tax on other income @22% on ₹ 99,20,000		<u>21,82,400</u>
			22,82,400

Add: Surcharge @10%		2,28,240
		25,10,640
Add: Health and Education Cess @ 4%		1,00,426
Tax Liability (rounded off)		26,11,066
Tax Liability		26,11,070

15. **Computation of total income of the firm, VSK & Co. for the A.Y. 2025-26 applying the regular provisions of the Income-tax Act, 1961**

Particulars	₹	₹
Net profit as per profit & loss account		4,50,000
Add: Expenditure debited to profit & loss account but not allowable as deduction or to be considered separately		
- Depreciation as per books of accounts	1,10,000	
- Salary paid to working partners considered separately [₹ 82,000 x 3 partners x 10 months]	24,60,000	
- Interest on capital paid to partners in excess of 12% disallowed. Accordingly, ₹ 1,20,000 [₹ 3,60,000 – ₹ 2,40,000 (₹ 3,60,000 x 12/18)], is disallowed	1,20,000	
- Donation to registered political party [Donation paid to a political party is not an allowable expenditure under section 37 since it is not laid out wholly or exclusively for the purposes of business or profession]	1,50,000	
- Excess rent paid to a partner would be disallowed under section 40A(2), since partner is a related person of the firm [(₹ 36,000 - ₹ 15,000) x 6] [No disallowance would be attracted for non-deduction of tax at source, since the	1,26,000	

amount of rent does not exceed ₹ 2,40,000]		
- Expenditure on gold coins awarded to customers [Allowed as expenditure u/s 37. TDS u/s 194R is not attracted since the value of gold coin awarded to each customer does not exceed ₹ 20,000, consequently, no disallowance would be attracted for non-deduction of tax at source,]	Nil	<u>29,66,000</u>
		34,16,000
Less: Depreciation as per Income-tax Act, 1961		
- Tangible assets	2,43,000	
- Intangible asset-registered trademark [₹ 3,00,000 x 12.5%] [50% of 25%, being the depreciation allowable as deduction, since the asset is put to use for less than 180 days during the year of acquisition]	<u>37,500</u>	<u>2,80,500</u>
Book Profit		31,35,500
Less: Salary to working partners:		
(i) As per prescribed limits		
On first ₹ 6,00,000 @ 90% or ₹ 3,00,000, whichever is more	5,40,000	
On the balance of ₹ 25,35,500 @ 60%	<u>15,21,300</u>	
	20,61,300	
(ii) Salary actually paid	24,60,000	
Deduction allowed being (i) or (ii) whichever is less		<u>20,61,300</u>
Profits and gains from business or profession		<u>10,74,200</u>

Gross Total Income		10,74,200
Less: Deduction under Chapter VI-A		
Under section 80GGC Donation to registered political party		
• Paid by cash not allowable	Nil	
• ₹ 70,000 paid by electronic transfer would be allowed as deduction, since payment is made in a mode other than cash.	<u>70,000</u>	<u>70,000</u>
Total Income		10,04,200

16. (I) (a) (i) As per *Explanation 4(iii)* to Section 11(1), only 85% of the amount paid to ABC Educational trust (other than for corpus) is considered as an application of income. Accordingly, ₹ 170 lakh will be treated as an application of income for charitable purposes.

(ii) As per *Explanation 2* to Section 11(1), any contribution made by one trust to another trust or institution (even if registered under Section 12AB or Section 10(23C)(iv)/(v)/(vi)/(via)) with a direction that such amount shall form part of corpus is **not** considered as an application of income for charitable purposes.

Therefore, the ₹ 200 lakhs given for corpus will **not** be treated as an application of income for XYZ Charitable Trust.

(b) Where any amount of contribution given to another trust approved under section 12AB or registered under section 10(23C)(iv)/(v)/(vi)/(via) is out of accumulations then such amount would not qualify for application and would be deemed as income by virtue of section 11(3) in both cases. Moreover, such an amount would fall within the definition of specified income u/s 115BBI and would be taxable @30%.

- (II) As per section 11(1)(d), an amount received by a fund/ trust/ institution etc. would not be included in the total income, if such amount is received with a specific direction that it shall form part of the corpus and the said corpus contribution is invested in any of the modes specified under section 11(5).

However, if the same is invested in modes otherwise than specified under section 11(5), then by virtue of section 115BBI the same would be considered as specified income and would be taxable @30%.

17. Tax payable by Mr. Amit for A.Y. 2025-26

Particulars	Amount in ₹	Amount in ₹
On sale of Bitcoin		
Sale consideration	28,00,000	
Less: Cost of acquisition [₹ 60 lakhs/2]	<u>30,00,000</u>	
[Expenses on transfer of VDA is not allowable as deduction]		
Loss from transfer of VDA not allowable to be set off against any other income	(2,00,000)	
On sale of NFTs		
Sale consideration	6,50,000	
Less: Cost of acquisition [FMV of NFTs on 16.8.2024, being the date of receiving the gift]	<u>5,00,000</u>	
[Expenses on transfer of VDA is not allowable as deduction]		
		1,50,000
Gift received from Mr. Sushil		
Taxable [Since the FMV of NFTs on 16.8.2024 exceeds ₹ 50,000]	5,00,000	
Other income	<u>6,50,000</u>	11,50,000
Total Income		13,00,000
Tax on other income of ₹ 11,50,000 [₹ 1,12,500 plus ₹ 45,000 @ 30% of ₹ 1,50,000]		1,57,500

Tax on income from transfer of VDA income of ₹ 1,50,000@30%		<u>45,000</u>
		2,02,500
Add: Health and education cess @ 4%		<u>8,100</u>
		2,10,600
Less: TDS under section 194S [₹ 28 lakhs x 1% + ₹ 6.50 lakhs x 1%]		<u>34,500</u>
Net tax payable		1,76,100

18. (i) Section 194A requiring deduction of tax at source on any income by way of interest, other than interest on securities credited or paid to a resident, excludes from its scope, income credited or paid by a firm to its partner. However, section 195 which requires tax deduction at source on payment to non-residents, does not provide for any exclusion in respect of payment of interest by firm to its non-resident partner. Further, since FTS is deemed to accrue or arise in India on account utilisation of services for a project in India and chargeable to tax in the hands of Mr. Vikas, TDS is also required to be deducted on FTS payment. Accordingly, tax has to be deducted under section 195 @30% plus HEC@4% being the rate in force on both interest on capital and FTS (assuming it is not in pursuance of Central Government agreement).

As per section 10(2A), share of profit received by partner from the total income of firm is exempt from tax. Therefore, the share of profit paid to non-resident Indian is not liable for tax deduction at source.

However, section 195(6) provides that the person responsible for paying any sum, whether or not chargeable to tax, to a non-corporate non-resident or to a foreign company shall be required to furnish the information relating to payment of such sum in the form and manner prescribed under Rule 37BB.

- (ii) As per section 239A, where under a DTAA, the tax deductible on any income, other than interest, under section 195 is to be borne by the person by whom the income is payable, and such person

having paid such tax to the credit of the Central Government, claims that no tax was required to be deducted on such income, such person can file an application before the Assessing Officer for refund of such tax within 30 days from the date of payment of such tax.

In this case, Pal & Co. has to file an application before the Assessing Officer for refund of such tax within 30 days from the date of payment of such tax.

The CBDT has, vide Circular No.11/2007 dated 27.9.2011 modified Circular No.7/2007 dated 23.10.2007, which laid down the procedure for refund of tax deducted at source under section 195 of the Income-tax Act, 1961 to the person deducting tax at source from the payment to a non-resident. The said Circular allowed refund to the person making payment under section 195, *inter alia*, when there occurs payment of tax at a higher rate under the Income-tax Act, 1961 while a lower rate is prescribed in the relevant double taxation avoidance treaty entered into by India.

Hence, M/s Pal & Co., India can claim tax refund of excess tax deducted at source under section 195 where tax has been deducted at source at the rate of 30% provided under the Income-tax Act, 1961 while a lower rate i.e., 10% is prescribed under the DTAA with Country 'X', only if Pal & Co. has borne the tax. Otherwise, refund can be claimed by the non-resident, Mr. Vikas.

19. (1) Where purchases are effected through cash invoice of ₹ 3,20,000

(i) In the hands of Mr. Bhuvan

Since Mr. Bhuvan is making cash payment of ₹ 3,20,000 for purchase of raw materials from Mr. Srinivas for his business, disallowance under section 40A(3) would be attracted, since the payment otherwise than by way of account payee cheque or bank draft or use of ECS through a bank account or through other prescribed electronic

modes to a person in a day exceeds ₹ 10,000. Accordingly, ₹ 3,20,000 would not be allowable as deduction while computing his business income.

(ii) In the hands of Mr. Srinivas

Section 269ST prohibits, *inter alia*, receipt of an amount of ₹ 2 lakh or more in aggregate from a person in a day otherwise than by way of account payee cheque or account payee bank draft or use of ECS through a bank account or through other prescribed electronic modes. If any person receives any sum in contravention of the provisions of section 269ST, he shall be liable to pay penalty under section 271DA of a sum equal to the amount of such receipt.

In this case, since Srinivas has received ₹ 3,20,000 by way of cash from Mr. Bhuvan on 27.3.2025, he has violated the provisions of section 269ST, and hence, is liable to pay penalty of ₹ 3,20,000 under section 271DA.

(2) Where cash purchases of ₹ 1,80,000 and ₹ 1,40,000 are effected in respect of different raw materials on two different dates

(i) In the hands of Mr. Bhuvan

Even if cash payment of ₹ 1,80,000 and ₹ 1,40,000 are made by Mr. Bhuvan on two different dates for different raw materials, disallowance under section 40A(3) would be attracted, since the payment in cash in a day to Mr. Srinivas exceeds ₹ 10,000.

(ii) In the hands of Mr. Srinivas

If Srinivas receives cash of ₹ 1,80,000 and ₹ 1,40,000 on two different dates, for purchase of different raw materials, there would be no violation of section 269ST since receipt on a day is less than ₹ 2 lakh and the receipts are not in respect of the same transaction but for purchase of different raw materials. Hence, provision of section 271DA shall not be attracted.

20. Computation of net tax liability of Mrs. Sudha Sharma for the A.Y. 2025-26

Particulars	₹	₹
Profits and gains of business or profession		
From concerts held in India	10,00,000	
From royalty received from Country N [CND 10000 x 79 (being conversion rate as on 31.3.2025 - Rule 115)]	7,90,000	
From concerts held in Country M [CMD 12,245 x 80 (being conversion rate as on 31.3.2025 – Rule 115)]	<u>9,79,600</u>	
		27,69,600
Income from Other Sources		
Income from bank fixed deposits in her name	4,00,000	
Income from savings bank account	<u>25,000</u>	<u>4,25,000</u>
Gross Total Income		31,94,600
Less: Deduction under section 80C		
- Deposit in PPF	1,50,000	
- Five year fixed deposit in the name of her son (does not qualify for deduction under section 80C)	-	
Under section 80D	50,000	
- Medical insurance premium to insure her health and health of spouse (₹ 57,000, restricted to ₹ 50,000, being the maximum allowable for senior citizens)		

Under section 80TTB		
- Interest on bank FD and savings bank account restricted to	<u>50,000</u>	<u>2,50,000</u>
Total Income		29,44,600
Tax on Total Income		
Income-tax [₹ 1,10,000 (upto ₹ 10,00,000) Plus ₹ 5,83,380 @30% of ₹ 19,44,600]		6,93,380
Add: Health and Education Cess @4%		<u>27,735</u>
		7,21,115
Average rate of tax in India (i.e., ₹ 7,21,115/ ₹ 29,44,600 × 100)	24.489%	
Foreign Tax Credit		
Lower of tax payable under the Income-tax Act, 1961 on income from profession and foreign tax payable on such income		
Tax covered under India-Country N DTAA:	78,000	
[Lower of ₹ 1,93,463 (i.e., 24.489% × ₹ 7,90,000) and ₹ 78,000 (₹ 78, being the conversion rate as on 28.2.2025 as per Rule 128 x CND 1000)]		
Tax paid in Country M:		
Country M [Lower of ₹ 2,39,894 (i.e., 24.489% × ₹ 9,79,600) and ₹ 2,00,000 (₹ 80, being the conversion rate as on 30.9.2024 as per Rule 128 x CMD 2500)]	2,00,000	
		<u>2,78,000</u>
Net tax liability (₹ 7,21,115 – ₹ 2,78,000)		<u>4,43,115</u>
Net tax liability (rounded off)		4,43,120

Note - As per Rule 115, for computing income from profession of Mrs. Sudha Sharma, the TT buying rate as on 31.3.2025 has to be considered. Royalty income from Country N and income from concerts in Country M constitute her income from profession, since she is a singer and a composer.

As per Rule 128, for computing foreign tax credit, TT buying rate as on the last day of the month immediately preceding the month in which tax was deducted or paid in that country has to be considered. Foreign Tax Credit has been computed accordingly.

As per Article 12(1), royalty income arising in a Contracting State (Country N, in this case) and paid to a resident of another Contracting State (Mrs. Sudha Sharma, a resident of India, in this case) **may** be taxed in that other State (India, in this case). Credit for such tax paid by Mrs. Sudha Sharma in Source State, i.e., Country N, in this case, would be available for an amount not exceeding that proportion of Indian tax which such income bears to the entire income chargeable to Indian tax.

21. Manan is a resident but not ordinarily resident for the P.Y.2024-25. He is resident since he has stayed in India for the whole year and hence, he satisfies the condition of stay in India for a period of 182 days or more during the P.Y.2024-25. However, he is not ordinarily resident, since he has stayed in India only for a period of 60 days prior to P.Y.2024-25.

Hence, he satisfies the condition of stay in India for a period of 729 days or less in the seven previous years immediately preceding P.Y.2024-25 stipulated under section 6(6) for being treated as a "not ordinarily resident" in India in the P.Y.2024-25.

Also, he has been non-resident in all the ten previous years immediately preceding P.Y.2024-25. Hence, he also satisfies the condition in section 6(6) of being non-resident in 9 out of 10 previous years immediately preceding P.Y.2024-25. In this case, he has satisfied both the conditions even though satisfaction of any one condition would suffice for being treated as "not-ordinarily resident".

In case of a resident but not ordinarily resident, income which is received or is deemed to be received in India or income accrues or arises or is deemed to accrue or arises in India would be taxable in India. However, income which accrues or arises outside India would be included in total income, only if it is derived from a business controlled from or profession set up in India.

Accordingly, total income and tax liability of Mr. Manan, being resident but not ordinarily resident would be computed in the following manner:

Particulars		₹
Income from property earned and received in Country X would not be taxable in his hands in India.		-
Income from business [deemed to accrue or arise in India and hence taxable in India]		12,50,000
Capital Gains		
Sale consideration	80,00,000	
Less: Cost of Acquisition [since land is transferred on or after 23.7.2024, indexation benefit will be considered while determining the tax liability u/s 112]	<u>30,00,000</u>	
Long-term capital gain		<u>50,00,000</u>
Total Income		62,50,000
Computation of Tax Liability		
Tax on long-term capital gains		6,25,000
Lower of		
- Tax @12.5% without indexation benefit [₹ 50,00,000 x 12.5%]	6,25,000	
- Tax @20% on LTCG of ₹ 47,09,970 with indexation [80,00,000 – 32,90,030 (₹ 30 lakhs x 363/331)]	9,41,994	
Tax on total income of ₹ 12.5 lakh other than LTCG u/s 115BAC		

Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 7,00,000 [i.e., ₹ 4,00,000 x 5%]	20,000	
₹ 7,00,001 – ₹ 10,00,000 [i.e., ₹ 3,00,000 x 10%]	30,000	
₹ 10,00,001 – ₹ 12,00,000 [i.e., ₹ 2,00,000 x 15%]	30,000	
₹ 12,00,001 – ₹ 12,50,000 [i.e., ₹ 50,000 x 20%]	<u>10,000</u>	
		90,000
		7,15,000
Add: Surcharge @10% since total income exceeds ₹ 50 lakhs		<u>71,500</u>
		7,86,500
Add: HEC@4%		<u>31,460</u>
Tax liability		<u>8,17,960</u>

22. Any income arising from an international transaction, between two or more "associated enterprises", shall be computed having regard to arm's length price as per the provisions of Chapter X of the Act. Section 92A defines an "associated enterprise" and sub-section (2) of this section speaks of the situations when the two enterprises shall be deemed to be associated enterprises.

Transaction with Drift Inc.

Drift Inc. is a wholly owned subsidiary of TCL and is a non-resident company. Hence, it is an associated enterprise. Royalty falls within the meaning of international transaction, since it is payment for supply of know-how, being an intangible property. Drift Inc. is currently paying a royalty of USD 3 million per annum to TCL for supply of know-how. For similar supply of know how to Elite LLC., a wholly owned Government Company in Japan, TCL receives annual royalty of USD 4 million.

Under CUP Method, ALP has to be taken as USD 4 million. Understatement of royalty is 1 million USD, i.e., 1 M USD x ₹ 82 = ₹ 820 lakhs.

Transaction with Swift Inc.

As per section 92A(2), if one enterprise advances loan to the other enterprise of an amount of 51% or more of the book value of the total assets of such other enterprise, the two enterprises would be deemed to be associated enterprises.

As on the date of borrowing, the amount advanced is ₹ 220 crores out of ₹ 330 crores, which comes to 66.67%. Hence, Swift Inc., is deemed to be an associated enterprise of TCL. Interest payments are also covered by the term "international transaction".

Swift Inc., has charged interest at 8% and TCL has paid interest of ₹ 17.6 crores for the year ended 31.3.2025. Interest rate charged to other parties is 7%. This has to be taken as the ALP rate.

In the light of this, the interest payment should have been $17.6 \times 7/8$ i.e., ₹ 15.4 crores. There has been an excess payment of ₹ 2.2 crores above the ALP.

Transaction with TWL

In TWL, TCL holds 22/92 i.e., 23.91% of the voting power. Since TCL holds less than 26% of the voting power, TWL is not an associated enterprise. Hence, the transfer pricing provisions would not be applicable on sales made by TCL to TWL.



PAPER – 5: INDIRECT TAX LAWS

- (1) All questions have been answered on the basis of position of (i) GST law as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars and other legislative amendments made, up to 31st October, 2024 and (ii) customs law as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars and other legislative amendments made, up to 31st October, 2024.
- (2) Unless otherwise specified, the section numbers and rules referred in questions and answers relating to GST pertain to the Central Goods and Services Tax Act, 2017 and the Central Goods and Services Tax Rules, 2017 respectively.
- (3) 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.



QUESTIONS

Case scenario - I

Vardhmaan Limited [hereinafter referred to as 'company'], registered in Delhi, has operations in multiple States across India. The company has taken separate GST registration in all the States where it operates. During the month of January, the tax team presented following information in its report to the management:

1. The company sold goods valuing ₹ 5 crore from its warehouse located at Kandla Port, Gujarat to a buyer located in Ahmedabad by way of transfer of title in goods. The responsibility of clearance of goods shall be on the buyer. The goods were imported by the company from Vietnam and were not cleared for home consumption since then.
2. The company got a favourable advance ruling order on a particular issue from the Authority for Advance Ruling, Rajasthan. The application was filed by the company through its registered place of business in Rajasthan.
3. The company received an order from the Adjudicating Authority in Maharashtra, wherein a demand of tax amounting to ₹ 1 crore and penalty amounting to ₹ 10 lakh and interest amounting to ₹ 25 lakh was confirmed by the Adjudicating Authority. The dispute in this case was similar to the issue for which a favourable order from Advance Ruling Authority was received by the company in the State of Rajasthan as discussed in para 2 above. The company feels that it has a strong case in the matter before the Appellate Authority.
4. The company has issued tax invoice in relation to certain supplies wherein the total tax collected from the recipients amounted to ₹ 3 crore. Subsequently, it was noticed that the supplies were not liable to GST and the amount has been wrongly collected by the company from the recipients of supply.
5. A special audit was initiated by the Chartered Accountant nominated by the State Tax authorities of Madhya Pradesh against the company in the State of Madhya Pradesh.

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

1. In relation to the goods sold from its warehouse in Kandla, Gujarat, the company shall_____:
 - (a) be liable to pay customs duty and IGST as applicable.
 - (b) be liable to pay customs duty only.
 - (c) be liable to pay IGST only.
 - (d) not be liable to pay any tax or duty.

2. In relation to the advance ruling order received by the company in Rajasthan,
 - (a) the order is binding on the company only in Rajasthan but on jurisdictional officers across all registrations of the company in India.
 - (b) the order is binding on the company across all States in India.
 - (c) the order is binding on the company and the jurisdictional officer, in Rajasthan.
 - (d) the order is binding on the company and the jurisdictional officers across all registrations of the company in India.
3. In case the company prefers an appeal before the Appellate Authority against the order passed by Adjudicating Authority in Maharashtra, the amount of pre-deposit to be made by the company is _____.
 - (a) ₹ 11 lakh
 - (b) ₹ 13.5 lakh
 - (c) ₹ 10 lakh
 - (d) nil
4. In case where the tax has been wrongly collected by the company from the recipients,
 - (a) the company shall pay such amount to the Government.
 - (b) the company shall refund back the amount to the recipients.
 - (c) the company shall deposit such amount with the consumer welfare fund.
 - (d) the company can retain such amount with itself.
5. In case of special audit being conducted in the State of Madhya Pradesh,
 - (a) the remuneration of Chartered Accountant is payable by company as per agreed terms.
 - (b) the remuneration of Chartered Accountant is payable by the company as directed by the Commissioner of State Tax.
 - (c) the remuneration of the Chartered Accountant is payable by the Commissioner, but the expenses of the examination and audit of records shall be reimbursed by the company.

- (d) expenses of the examination and audit of records, including the remuneration of Chartered Accountant, shall be paid by the Commissioner.

Case scenario II

Vidhyut Corporation 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:

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 metal scrap (covered under Chapter 72) (excluding TCS @ 1% as per the Income-tax Act, 1961)	-	85,000	65,000	45,000

to Birla Scrappers, unregistered under GST				
Other Income	2,50,000	-	-	45,000

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 by crediting the vendor's account for that amount on the same date in its books. 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 (all registered under GST) who attended the meeting. Further, it paid ₹ 80,000 to one of these directors, who had rented the office building to Delhi H.O.
- (4) For safety & security of its H.O. & power plants, the company engaged private security as well as CISF (Central Industrial Security Force). Following payments were made in February, in respect of said services:

Particulars	Delhi H.O. (₹)	Bihar plant (₹)	Odisha plant (₹)	Chhattisgarh plant (₹)
CISF	---	10,00,000 (paid on 7 th February)	8,00,000 (paid on 15 th February)	14,00,000 (paid on 5 th February)
ABS Security Services Pvt. Ltd.	5,00,000 (paid on 11 th 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 11 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) ₹ 18,00,000
 - (b) ₹ 2,98,000
 - (c) ₹ 21,53,000
 - (d) ₹ 48,000
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 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 deductible since payment made in February is less than ₹ 2,50,000.

9. The value of taxable inward supply on which GST shall be payable under reverse charge by Delhi H.O. and Odisha plant is _____ and _____ respectively.
 - (a) ₹ 1,60,000 and ₹ 10,80,000
 - (b) ₹ 80,000 and ₹ 8,00,000
 - (c) ₹ 6,80,000 and ₹ 2,80,000
 - (d) ₹ 5,80,000 and ₹ 2,80,000
10. Which of the following statements is most appropriate with respect to sale of metal scrap by Chhattisgarh plant?
 - (a) GST on value of supply of ₹ 45,000 of metal scrap is payable by Birla Scrappers under reverse charge.
 - (b) GST on value of supply of ₹ 45,000 of metal scrap is payable by Chhattisgarh plant under forward charge.
 - (c) GST on value of supply of ₹ 45,450 of metal scrap is payable by Chhattisgarh plant under forward charge.
 - (d) Sale of metal scrap, on which TCS is being collected under Income-tax Act, 1961, is an exempt supply under GST.
11. Which of the following supplies is/are not taxable under reverse charge mechanism? Choose the most appropriate option.
 - (i) House rent recovered from the employees for residential accommodation provided to them.
 - (ii) Rent collected from bank, ATM, post office & shops located in office premises.
 - (iii) Sale of metal scrap (covered under Chapter 72) to Birla Scrappers.
 - (a) (i) and (ii)
 - (b) (i), (ii) and (iii)
 - (c) (i) and (iii)
 - (d) (ii) and (iii)

12. Lamba Industry, India, has imported an 'Article Gamma' in large quantities from Malaysia, a developing country, to meet the increased domestic demand of its final product. The Central Government, concerned about the increased imports of said product, is considering the imposition of safeguard measures, as after conducting enquiry, it is satisfied that such imports are threatening to cause serious injury to the domestic industry. The share of imports of 'Article Gamma' from Malaysia constitutes 4% of the total imports of that article into India.

Which of the following statements is/are correct in relation to imposition of safeguard measures in the given case? Choose the most appropriate option.

- (i) The Central Government is empowered to impose safeguard measures for a maximum period of 10 years from the date of its imposition.
 - (ii) Safeguard measures can be imposed since share of imports of 'Article Gamma' from Malaysia exceeds 3% of the total imports of that article into India.
 - (iii) The Central Government is empowered to impose safeguard measures for a maximum period of 4 years from the date of its imposition with no further extension permitted.
 - (iv) Safeguard measures cannot be imposed since share of imports of 'Article Gamma' from Malaysia exceeds 3% of the total imports of that article into India.
- (a) (i) and (ii)
 - (b) (iii)
 - (c) (iv)
 - (d) (ii) and (iii)
13. Poorva Impex Ltd., a registered entity under GST in the State of Maharashtra, is engaged in making various supplies. It is not engaged in agricultural operations. Poorva Impex Ltd., India is a subsidiary of Poorva Inc., an entity incorporated in USA, engaged in providing information technology services to customers in India. It provides the following information for the month of April:

S. No.	Particulars	Amount (₹)
	OUTWARD SUPPLY:	
(i)	Undertook the promotion and marketing of information technology services on principal-to-principal basis in India for Poorva Inc.	20,00,000
(ii)	Printed letter cards supplied to Subhashini Enterprises, registered in Maharashtra. A logo depicting the vision of the firm was to be imprinted on each letter card and said logo was provided by the firm. Material cost was ₹ 8,00,000 and printing cost was ₹ 72,000.	8,72,000
(iii)	Supplied raw cotton to Dhruvtara Traders, registered in Maharashtra. The raw cotton was purchased from the local farmers during the previous month.	5,00,000
(iv)	Supplied maintenance services to Municipal Corporation of Greater Mumbai which has awarded a contract of maintenance of street-lights in Greater Mumbai Municipal area. Maintenance work involved the replacement of defunct lights and other spares. [Out of total value of supply of ₹ 1,20,000, value of defunct lights and other spares replaced is ₹ 32,000.]	1,20,000
(v)	Given on hire 10 cars (seating capacity of 5 persons including driver) to Gujarat State Road Transport Corporation (GSRTC)	3,00,000
	INWARD SUPPLY:	
(i)	Purchased processing machines from Bobby & Co., registered under GST, in the State of Gujarat. Machines were bought in "as is where is condition" at Gujarat to produce taxable items.	5,00,000

(ii)	Purchased metal scrap (covered under Chapter 72) from Mansukh Traders of Maharashtra, an unregistered person, to be used in manufacturing process	2,00,000
(iii)	Procured information technology services for its business through electronic mode from Thomas Inc., a company located in Germany	1,50,000
(iv)	A machinery to be used for manufacturing was sent to George Inc., USA for carrying out repair work on the same. The consideration to George Inc. was paid for such repair work. Machine was received after repair, in the month of May.	5,00,000

The company provided the following additional information:

- (i) Poorva Inc., USA provided a corporate guarantee of ₹ 1.5 crore on behalf of Poorva Impex Ltd. to Manimani Bank, Maharashtra, free of cost. The tax invoice for the same has been issued on the value as per rule 28(2).
- (ii) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of services and rates of CGST, SGST and IGST are 6%, 6% and 12% respectively for both inward and outward supply of goods, except in case of supply of raw cotton where the applicable rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% and in case of supply of metal scrap where the applicable rates of CGST, SGST and IGST are 9%, 9% and 18%
- (iii) All the amounts given above are exclusive of taxes, wherever applicable.
- (iv) There was no opening balance of any ITC for the relevant period.
- (v) All exports made by Poorva Impex Ltd. are through furnishing of LUT without payment of IGST.

From the information given above, you are required to compute the minimum net GST liability payable in cash (CGST, SGST or IGST, as the

case may be) for the month of April for the Poorva Impex Ltd., Maharashtra.

14. In an appeal filed with the High Court by Prateek Ltd., on the question whether activity undertaken by Prateek Ltd. amounts to supply, the appeal was decided in favour of Prateek Ltd. The amount of tax, interest and penalty involved were IGST of ₹ 1.2 crore, interest of ₹ 60 lakh and penalty of ₹ 50 lakh.

However, the Department does not agree with the order passed by the High Court and contends that the said activity amounts to supply under GST. The Department wants to file an appeal before the Supreme Court relating to the dispute pertaining to demand of tax, interest and penalty. You are required to examine whether appeal can be filed by the Department in the given case. Will your answer change, in case matter is related to valuation of services instead of determining whether the said activity amounts to supply?

15. Smith Inc., a company located in USA, charges subscription fee from its unregistered customers in India at its online money gaming portal. The Department contends that GST should be charged on the subscription fees which Smith Inc. receives from Indian customers.

Smith Inc. opposes the above view stating that since online money gaming are intangible goods and do not cross customs frontiers physically in this case, GST is not leviable thereon.

Considering the above facts, you are required to answer the following questions:

- (i) What would be the place of supply in this case?
 - (ii) Whether GST is leviable on the subscription fee charged by Smith Inc. from unregistered customers? If yes, who is required to pay said GST?
16. Mr. Divas, a registered person in Agra, Uttar Pradesh purchased a car for ₹ 12,50,000 on 15th October. On 31st October, the car met with an accident resulting in minor damage.

Due to urgency, he got his car repaired in the local garage of a nearby market instead of garage authorized by his general insurance company, i.e. Suraksha Insurance Company, through which his car was insured.

The total cost of repairs was ₹ 54,000 (excluding GST @ 18%). On the instructions of Mr. Divas, the invoice for the entire amount was raised by garage in the name of Suraksha Insurance Company. The insurance company approved the claim amount of only ₹ 40,000 after the survey and reimbursed the same amount alongwith GST @ 18% to Mr. Divas.

In light of the above facts, you are required to answer the following questions:

- (i) Whether Suraksha Insurance Company is eligible to avail ITC on the basis of the invoice raised by garage? If yes, what would the amount of eligible input tax credit?
 - (ii) Would your answer be different, if garage had issued two different invoices, one for ₹ 40,000 + GST @ 18% to Suraksha Insurance Company and another for ₹ 14000 + GST @ 18% to Mr. Divas?
 - (iii) In case, the garage issued the invoice in the name of Mr. Divas, would Suraksha Insurance Company be eligible to avail ITC?
17. List the scenarios where goods or conveyances are liable to confiscation under section 130 of the CGST Act, 2017.
 18. Mr. Manmeet imported certain goods from his son, Mr. Harbhajan residing in US and transaction value has been rejected. Rules 4 and 5 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 are found inapplicable as no similar/ identical goods are imported in India.

Mr. Manmeet furnishes cost-related data of imports and requests customs authorities to determine value accordingly as per rule 8. The relevant data are given below:-

Sr. No.	Particulars	Amount
1.	Cost of materials incurred by Mr. Harbhajan	\$ 2000
2.	Fabrication charges incurred by Mr. Harbhajan	\$ 1000

3.	Other chargeable expenses incurred by Mr. Harbhajan	\$ 400
4.	Other indirect costs incurred by Mr. Harbhajan	\$ 250
5.	Freight from Mr. Harbhajan 's factory to US port	\$ 250
6.	Loading charges at US port	\$ 100
7.	Normal net profit margin of Mr. Harbhajan	20% of FOB
8.	Air freight from US port to Indian port	\$ 1,500
9.	Insurance from US port to Indian port	\$ 50
10.	Exchange rate	₹ 85 per \$

The customs authorities are of the opinion that since value as per rule 7 can be determined at ₹ 5,00,000, there is no need to apply rule 8.

Can the request of Mr. Manmeet be legally acceptable? If so, compute the assessable value under the Customs Act, 1962.

19. Green Peppers Company imported goods valued at ₹ 20,00,000 vide a Bill of Entry presented before the proper officer on 15th July, on which date the rate of customs duty was 10%. Green Peppers Company has produced all the necessary documents and furnished full information. However, the proper officer deemed it necessary to make further enquiry and therefore, the same were provisionally assessed at a value of ₹ 20,00,000 and Green Peppers Company paid provisional duty of ₹ 2,00,000 on the same date.

Determine the amount of interest payable, if any, under section 18 of the Customs Act, 1962 provided that:

- (i) Green Peppers Company voluntarily pays duty of ₹ 50,000 on 20th August.
 - (ii) Final duty is assessed on 31st August at ₹ 3,00,000.
 - (iii) Green Peppers Company pays balance duty on the date of assessment of final duty.
20. Briefly discuss the provisions of section 69 of the Customs Act, 1962 relating to clearance of warehoused goods for export.

**SUGGESTED ANSWERS**

Question No.	Answer	
1.	(d)	not be liable to pay any tax or duty.
2.	(c)	the order is binding on the company and the jurisdictional officer, in Rajasthan.
3.	(c)	₹ 10 lakh
4.	(a)	the company shall pay such amount to the Government.
5.	(d)	expenses of the examination and audit of records, including the remuneration of Chartered Accountant, shall be paid by the Commissioner.
6.	(b)	₹ 2,98,000
7.	(b)	₹ 10,00,000
8.	(a)	₹ 40,000
9.	(b)	₹ 80,000 and ₹ 8,00,000
10.	(b)	GST on value of supply of ₹ 45,000 of metal scrap is payable by Chhattisgarh plant under forward charge.
11.	(b)	(i), (ii) and (iii)
12.	(a)	(i) and (ii)

13. Computation of minimum net GST payable in cash for the month of April

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge				
Promotion and marketing of information technology	20,00,000	-	-	-

services to Poorva Inc. [Since the place of supply of promotion and marketing services is the location of recipient – Poorva Inc., viz, outside India, they qualify as export of services by Poorva Impex Ltd. to Poorva Inc. since all the conditions of section 2(6) of the IGST Act, 2017 are complied with ¹ . Further, all exports made by Poorva Impex Ltd. are through furnishing of LUT without payment of IGST.]				
Supply of printed letter cards [Since letter cards are supplied by the printer using its own physical inputs to print the logo supplied by the recipient, it is a composite supply wherein the predominant/ principal supply is supply of goods. It is an intra-State supply since the place of supply is Maharashtra being the location where movement of goods terminates, in terms of section 10(1)(a).]	8,72,000	52,320 [8,72,000 X 6%]	52,320 [8,72,000 X 6%]	
Intra-State supply of raw cotton [Taxable under forward charge]	5,00,000	12,500 [5,00,000 × 2.5%]	12,500 [5,00,000 × 2.5%]	

¹ Holding company and Subsidiary company are not considered as "merely establishments of a distinct person" for the purpose of complying with the conditions of export of service, in terms of Circular No. 161/17/2021 GST dated 20.09.2021.

in terms of <i>Notification No. 4/2017 CT (R) dated 28.06.2017</i> . Reverse Charge mechanism is not applicable since here, raw cotton is being sold by a person other than agriculturist.]				
Maintenance services provided to Municipal Corporation of Greater Mumbai [Taxable, since the value of supply of goods constitutes more than 25% of the value of composite supply of goods and services provided to the local authority [Notification No. 12/2017 CT (R) dated 28.06.2017]. Further, principal supply is supply of maintenance services. It is an intra-State supply since the place of supply is Maharashtra being location of the recipient, in terms of section 12(2) of the IGST Act, 2017.]	1,20,000	10,800 [1,20,000 × 9%]	10,800 [1,20,000 × 9%]	
Inter-State service of giving motor vehicles on hire [Services by way of giving on hire to a State Transport Undertaking (STU), a motor vehicle are exempt only when such motor vehicle is meant to carry more than 12 passengers. Thus, in the given case, service of giving cars on	3,00,000			54,000 [3,00,000 × 18%]

hire is not exempt [Notification No. 9/2017 IT (R) dated 28.06.2017]. Further, it is an inter-State supply as place of supply being location of recipient is Gujarat, in terms of section 12(2) of the IGST Act, 2017.]				
Total output tax		75,620	75,620	54,000
Less: ITC available for set off [Refer working note] [ITC of IGST is utilized for payment of IGST liability and ITC of CGST and SGST is utilized for payment of CGST and SGST liability respectively.]		(18,000)	(18,000)	(54,000)
Net GST		57,620	57,620	Nil
<u>GST payable under reverse charge</u>				
Metal scrap purchased [Tax on metal scrap purchased by a registered person from an unregistered person is payable under reverse charge in terms of Notification No. 4/2017 CT (R) dated 28.06.2017.]	2,00,000	18,000 [2,00,000 × 9%]	18,000 [2,00,000 × 9%]	
Information technology services procured from Thomas Inc. through electronic mode [Tax on information technology services imported is payable under reverse charge vide Notification No. 10/2017 IT (R) dated 28.06.2017.]	1,50,000			27,000 [1,50,000 × 18%]

Corporate guarantee provided by Poorva Inc. [Where corporate guarantee is provided by the foreign/overseas entity for a related entity located in India, GST would be payable under reverse charge mechanism, by the recipient of service, i.e., the related entity located in India. Further, since supplier - foreign/ overseas entity - is unregistered, self-invoice shall be issued by it in terms of section 31(3)(f). Moreover, if a supplier gives a corporate guarantee on behalf of a related party located in India for securing of credit facilities from a bank/financial institution by such related party, as per rule 28(2), the value of service is 1% of the amount of guarantee offered per annum or actual consideration, whichever is higher, i.e. 1% of ₹ 1.5 crore; invoice is raised at said value. Since Poorva Impex Ltd. is eligible for full ITC, value of supply will be value declared in the invoice [Proviso to rule 28(2)].	1,50,000			27,000 [1,50,000 × 18%]
Total net GST payable in cash		75,620	75,620	54,000

Working Note - Computation of eligible ITC available for set off

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Machines purchased [It is intra-State supply since place of supply in case of goods not involving movement of goods is location of goods at the time of delivery to recipient, viz. Gujarat, in terms of section 10(1)(c) of the IGST Act, 2017. However, ITC of the same will not be available since the recipient of said intra-State supply is located in a different State / UT than that of place of supply ² .]	Nil	-	-	-
Metal scrap purchased [It is intra-State supply since place of supply is Maharashtra being the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, in terms of section 10(1)(a) of the IGST Act, 2017. ITC is available since said goods are being used in course	2,00,000	18,000 [2,00,000 × 9%]	18,000 [2,00,000 × 9%]	

² Circular No. 170/02/2022 GST dated 06.07.2022

or furtherance of business.]				
Information technology services procured from Thomas Inc. [The place of supply is Maharashtra being location of the recipient, in terms of section 13(2) of the IGST Act, 2017. Supply of any services where supplier is outside India and the recipient and place of supply is in India, qualifies as import of services. Further, in case of import of service, tax is payable by the person importing such service vide <i>Notification No. 10/2017 IT (R) dated 28.06.2017</i>. ITC is available since said services are being used in course or furtherance of business.]	1,50,000			27,000 [1,50,000 × 18%]
Machinery sent for carrying out repair work to George Inc. [Since the place of supply of repair services is outside India being the location where the services are actually performed in terms of section 13(3) of the IGST	Nil			

Act, 2017, said services are not amenable to tax.]				
Corporate guarantee provided by Poorva Inc. [ITC is available since said services are being used in course or furtherance of business.]	1,50,000			27,000 [1,50,000 × 18%]
Eligible ITC available for set off [ITC on goods and services issued for making taxable outward supplies including zero-rated supplies (promotion and marketing of information technology services provided to Poorva Inc.) is fully eligible for set-off, in terms of section 17.]		18,000	18,000	54,000

14. Section 120 of the CGST Act, 2017 provides that the Board may, on the recommendations of the Council, from time to time, issue orders or instructions or directions fixing such monetary limits, as it may deem fit, for the purposes of regulating the filing of appeal or application by the officer of the central tax under the provisions of this Chapter. CBIC vide *Circular No. 207/1/2024 GST dated 26.06. 2024* has fixed the following monetary limits for filing appeals/ applications/ Special Leave Petition by the Department before GSTAT, High Courts and Supreme Court subject to specified exclusions:

Appellate forum	Monetary limit (Amount involved in ₹)
GSTAT	20 lakh
High Court	1 crore
Supreme Court	2 crore

Further, where the dispute pertains to demand of tax (with or without penalty and/or interest), the aggregate of the amount of tax in dispute (including CGST, SGST/UTGST, IGST and Compensation Cess) only shall be considered while applying the monetary limit for filing appeal, viz. ₹ 1.2 crore (amount of tax only) in the given case. Thus, appeal cannot be filed by the Department to Supreme Court in the given case as the amount involved as per the circular does not exceed the monetary limit of ₹ 2 crore.

However, the circular further provides that the monetary limits specified above for filing appeal or application by the Department before GSTAT or High Court and for filing Special Leave Petition or appeal before the Supreme Court shall not be applicable in the following circumstances where the decision to file appeal shall be taken on merits irrespective of the said monetary limits:

- i. Where any provision of the CGST Act or SGST/UTGST Act or IGST Act or GST (Compensation to States) Act has been held to be ultra vires to the Constitution of India; or
- ii. Where any rules or regulations made under the CGST Act or SGST/UTGST Act or IGST Act or GST (Compensation to States) Act have been held to be ultra vires the parent Act; or
- iii. Where any order, notification, instruction, or circular issued by the Government or the Board has been held to be ultra vires of the CGST Act or SGST/UTGST Act or IGST Act or GST (Compensation to States) Act or the rules made thereunder; or
- iv. Where the matter is related to -
 - a. valuation of goods or services; or
 - b. classification of goods or services; or
 - c. refunds; or
 - d. place of supply; or
 - e. any other issue,

which is recurring in nature and/or involves interpretation of the provisions of the GST law/ the Rules/ notification/ circular/ order/ instruction etc.; or

- v. Where strictures/adverse comments have been passed and/or cost has been imposed against the Government/Department or their officers; or
- vi. Any other case or class of cases, where in the opinion of the Board, it is necessary to contest in the interest of justice or revenue.

In view of the above, if in the given case the matter is related to valuation of services, appeal can be filed by the Department to the Supreme Court based on the merits irrespective of the monetary limits.

- 15. (i)** As per section 11 of the IGST Act, 2017, the place of supply of goods imported into India is the location of the importer. Online money gaming being specified actionable claim is covered in goods, in terms of section 2(52) read with section 2(102A). Accordingly, in the given case, the place of supply would be location of the recipient of specified actionable claim of online money gaming, i.e., India.
- (ii)** As per proviso to section 5(1) of the IGST Act, 2017, IGST on goods imported into India is levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975 on the value as determined under the said Act at the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962.

However, in case of intangible goods, it is not possible to levy and collect IGST on imports in said manner, as the goods do not cross the customs frontiers physically. Resultantly, the Government has notified certain goods for whom proviso to section 5(1) of the IGST Act, 2017 will not be applicable for levy and collection of IGST; in such cases, IGST shall be levied and collected in the manner specified in section 5(1) only. Supply of online money gaming has been notified for the said purpose.

So, import of specified actionable claim of online money gaming will be taxed under IGST as import of goods.

Accordingly, the contention of department is correct in this case and Smith Inc. is liable to pay IGST on subscription fees that it receives from unregistered customers from India.

As per section 14A of the IGST Act, 2017, a supplier of online money gaming, not located in the taxable territory, shall in respect of the supply of online money gaming by him to a person in the taxable territory, be liable to pay IGST on such supply. Section 24(xia) makes it mandatory for a every person supplying online money gaming from a place outside India to a person in India to obtain registration irrespective of quantum of aggregate turnover. A supplier of online gaming services is required to take a single registration under a Simplified Registration Scheme.

However, if the supplier has a representative in India for any purpose, such person (representative in India) shall get registered and pay IGST on behalf of the supplier.

In case the overseas supplier neither has a physical presence nor has any representative for any purpose in India, he may appoint a person in India for the purpose of paying IGST and such person shall be liable for payment of such tax.

Accordingly, in the given case, since Smith Inc. is required to pay the IGST on the subscription fees that it charges from Indian customers, it is required to pay the IGST in the manner specified above.

- 16. (i)** Section 17(5) provides that ITC in respect of services of repair of motor vehicles shall be available where received by a taxable person engaged in the supply of general insurance services in respect of motor vehicles insured by him. Further, section 2(93) defines recipient of supply of goods or services or both, as the person who is liable to pay the consideration, where such consideration is payable for the said supply of goods or services or both. As per section 2(31), consideration includes any payment

made or to be made in relation to supply of the goods or services or both, whether by the recipient or by any other person.

CBIC vide *Circular No. 217/11/2024 GST dated 26.06.2024* has clarified that in reimbursement mode of claim settlement, the payment is made by the insurance company for the approved cost of repair services through reimbursement to the insured.

Further, irrespective of the fact that the payment of the repair services to the garage is first made by the insured, which is then reimbursed by the insurance company to the insured to the extent of the approved claim cost, the liability to pay for the repair service for the approved claim cost lies with the insurance company, and thus, the insurance company is covered in the definition of recipient in respect of the said supply of services of vehicle repair provided by the garage, in terms of section 2(93), to the extent of approved repair liability.

Moreover, availment of credit in respect of input tax paid on motor vehicle repair services received by the insurance company for outward supply of insurance services for such motor vehicles is not blocked under section 17(5).

Accordingly, it is clarified that ITC is available to insurance companies in respect of motor vehicle repair expenses incurred by them in case of reimbursement mode of claim settlement. It is further clarified that if the invoice for full amount for repair services is issued to the insurance company while the insurance company makes reimbursement to the insured only for the approved claim cost, then the ITC may be available to the insurance company only to the extent of reimbursement of the approved claim cost to the insured, and not on the full invoice value.

In the given case, although the invoice for the full amount of repair services (₹ 54,000 +GST) is raised in the name of Suraksha Insurance Company, it is liable to pay the repair service to the extent of the approved claim cost (₹ 40,000 +GST). Thus, it is covered in the definition of 'recipient' under section 2(93), to the extent of approved claim cost.

Hence, it is eligible to avail the ITC to the extent of the GST paid on the amount of ₹ 40,000 (approved claim cost). Thus, ITC of ₹ 7,200 ($₹ 40,000 \times 18\%$) is available to Suraksha Insurance Company.

- (ii) The circular further clarifies that in cases where the garage issues two separate invoices in respect of the repair services, one to the insurance company in respect of approved claim cost and second to the customer for the amount of repair service in excess of the approved claim cost, ITC may be available to the insurance company on the said invoice issued to the insurance company subject to reimbursement of said amount by insurance company to the customer.

Thus, in the given case, if the garage has issued two different invoices, the answer would remain the same because the approved claim of service cost which was reimbursed by Suraksha Insurance Company to Mr. Diwas was ₹40,000 only. Thus, ITC of ₹ 7,200 ($₹ 40,000 \times 18\%$) is available to Suraksha Insurance Company.

- (iii) The circular also clarifies that where the invoice for the repair of the vehicle is not in name of the insurance company, condition of clauses (a) and (aa) of section 16(2) is not satisfied and accordingly, ITC will not be available to the insurance company in respect of such an invoice. Thus, in the given case, if the invoice has been raised in the name of Mr. Diwas, then Suraksha Insurance Company would not be eligible to avail the ITC.

17. As per section 130, where any person—

- (i) supplies or receives any goods in contravention of any of the provisions of GST law or the rules made thereunder with intent to evade payment of tax;
- (ii) does not account for any goods on which he is liable to pay tax under GST law; or
- (iii) supplies any goods liable to tax under GST law without having applied for registration; or
- (iv) contravenes any of the provisions of GST law or the rules made

thereunder with intent to evade payment of tax; or

- (v) uses any conveyance as a means of transport for carriage of goods in contravention of the provisions of GST law or the rules made thereunder unless the owner of the conveyance proves that it was so used without the knowledge or connivance of the owner himself, his agent, if any, and the person in charge of the conveyance,

then, all such goods or conveyances shall be liable to confiscation and the person shall be liable to penalty under section 122.

- 18.** Rule 2(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 (hereinafter referred to as Import Valuation Rules), *inter alia*, provides that persons shall be deemed to be "related" if they are members of the same family. Thus, since Mr. Manmeet and his son are related, transaction value has been rejected [Rule 3]. Rules 4 and 5 are found inapplicable as no similar/ identical goods are imported in India. Rule 6 provides that if the value of imported goods cannot be determined under the provisions of rules 3, 4 and 5, the value shall be determined under the provisions of rule 7 or, when the value cannot be determined under that rule, under rule 8. Thus, the value of the imported goods is determined under rule 8 if the same cannot be determined under the earlier rules. However, the order of application of rules 7 and 8 can be reversed at the request of the importer and with the approval of the proper officer.

Thus, request of Mr. Manmeet for determination of value under rule 8 is legally acceptable, if the same is also approved by the proper officer.

Assuming that the request of Mr. Manmeet has been approved by the proper officer, the assessable value of the imported goods under rule 8 will be the sum of-

- (a) the cost of materials and fabrication or other processing
- (b) an amount for profit and general expenses
- (c) the cost or value of all other expenses under rule 10(2) of the said rules.

Computation of assessable value

Particulars	Amount (\$)
Cost of materials	2,000
Add: Fabrication charges	1,000
Other chargeable expenses	400
Other indirect costs	<u>250</u>
Cost of the goods at Mr. Harbhajan's factory	3,650
Add: Net profit margin @ 20% of FOB, i.e. 25% of total cost Total cost till US port = Cost of the goods at factory + Freight from factory to US port and loading charges at US port = \$ 4,000 [\$ 3,650 + \$ 250 + \$ 100] FOB value = Total cost till port + profit = \$ 5,000 (\$ 4,000 + \$ 1,000)	1,000
Add: Freight & loading/unloading charges [In case of import by air, the cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation are restricted to 20% of FOB value]	1,000
Insurance charges	<u>50</u>
Assessable value	5,700
Particulars	Amount (₹)
Assessable value in Indian Rupees (Exchange rate - ₹ 85 per \$)	4,84,500

19. Section 18 of the Customs Act, 1962 further stipulates that the importer is liable to pay interest, on any amount payable consequent to the final assessment order @ 15% p.a. from the first day of the month in which the duty is provisionally assessed till the date of payment thereof.

Accordingly, amount of interest payable will be:

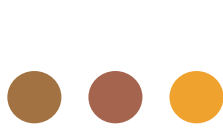
$$\begin{aligned}
 &= [₹ 50,000 \times 15\% \times 51/365] + [₹ 50,000 \times 15\% \times 62/365] \\
 &= ₹ 1,048 + ₹ 1,274 = ₹ 2,322
 \end{aligned}$$

20. Warehoused goods can be exported without payment of import duty in accordance with the provisions of section 69, for instance, ship stores, which are meant to be exported only; goods meant for re-export and goods supplied to duty free shops and the like. Section 69 provides that any warehoused goods may be exported to a place outside India without payment of import duty if:

- (a) a shipping bill or a bill of export or the form as prescribed under section 84 has been presented in respect of such goods;
- (b) the export duty, fine and penalties payable in respect of such goods have been paid; and
- (c) an order for clearance of such goods for export has been made by the proper officer. Order for clearance of warehoused goods for export may also be made electronically through the customs automated system on the basis of risk evaluation through appropriate selection criteria.

In case Government of India is of the opinion that goods of any specified description are likely to be smuggled back into India, it may by notification in the Official Gazette, direct that such goods:

- (i) shall not be exported to any place outside India without payment of duty or
- (ii) be allowed to be so exported subject to such restrictions and conditions as may be specified in the notification.



PAPER – 6: INTEGRATED BUSINESS SOLUTIONS



QUESTIONS

Case Study 1

Secure Agrochemical Limited (SAL)

Secure Agrochemical Limited (SAL) is engaged in the business of producing agrochemical chemicals, specializing in fertilizers. Known as the Crop Nutrition Business (CNB) the company has a portfolio of 20 products offering different grades of fertilizers for different requirements of farmers. Crop nutrition is an important part of any farming activity as it has a direct impact on productivity and sustainability. An active management of micro and macro nutrients is required to ensure that the crop yield is maximized. Maximizing crop yield has become a significant global challenge due to the food requirement demands of a growing population. Hence, companies like SAL need to provide top grade fertilizers in order to ensure that farmers can maximize the crop yield from their farming activity.

Government grants

SAL carries out various projects with government's financial assistance. It received two grants of ₹ 5 crores each in April 2024 for ongoing research and development initiatives. The first unconditional grant pertains to research on "Soil degradation due to misuse of fertilizers", focusing on the long-term effects of excessive fertilizer use, such as soil acidification, hardening, and pollution in a designated agricultural belt in Punjab. However, as of March 31, 2025, no major steps have been taken to commence this research. The second grant supports the commercial development of crop-specific nutrition solutions, designed to provide tailored nutrients based on crop variety and growth stage to enhance yield and meet the country's food requirements. SAL is confident in the technical feasibility and financial viability of this research,

with the product expected to be available for sale by April 2026. Additionally, in September 2024, an earthquake led to a complete production loss at one of SAL's factories, forcing a two-month shutdown. The state government introduced a compensation package for affected manufacturing entities, entitling SAL to claim compensation based on the average sales of the preceding three months. To avail of this relief, SAL must submit an application with the necessary figures by May 30, 2025. However, by the time SAL's financial statements were adopted on May 31, 2025, the claim form had not yet been submitted.

Development of customized micronutrient mixture fertilizers for specific crops

After considerable research, SAL developed customized micronutrient mixture fertilizers that are designed to meet specific needs of certain soil type and crop variety. These are specialized fertilizers made by enriching mixing and blending fertilizers along with the crop or soil specific nutrient requirements. They promote growth of healthy crops and enhance soil nutrition. In recent years, in order to improve crop yield and soil productivity, there has been a lot of research and development done on such specialized fertilizers. They are not covered under any government subsidy scheme. The manufacturer can fix the Maximum Retail Price (MRP) and can also offer discounts as needed.

Recently, SAL has introduced 3 new grades of such fertilizers in the market. All three grades can be primarily used for growing vegetables. SAL has decided to test the market by launching these products in a limited scale.

After the end of the financial year in April 2025, the sales manager Mr. Ray looked up the sales volume report. The SAL had sold 11,000 units of all 3 grades put together during the year, this was more than the budget of 10,000 units for the period. Mr. Ray planned to mention this in his annual performance assessment report in order to get a good bonus for the year. He approaches Mr. Bose, the management account of the company, to help him analyse the sales performance.

The budget for the year 2024-25 projected sales of 2,000 kg for Grade 1, 3,000 kg for Grade 2, and 5,000 kg for Grade 3, totaling 10,000 kg. The average selling price per kg was set at ₹ 500 for Grade 1, ₹ 300 for Grade 2, and ₹ 200 for Grade 3. The direct material cost per kg was budgeted at ₹ 150, ₹ 100, and ₹ 75 for Grades 1, 2, and 3, respectively, while the direct labour cost was projected at

₹ 100, ₹ 60, and ₹ 75 per kg for the three grades. Variable overhead costs were expected to be ₹ 50 per kg for Grade 1, ₹ 40 per kg for Grade 2, and ₹ 10 per kg for Grade 3.

In contrast, actual sales for the year stood at 2,500 kg for Grade 1, 3,100 kg for Grade 2, and 5,400 kg for Grade 3, bringing the total to 11,000 kg. The average selling price per kg realized was ₹ 450 for Grade 1, ₹ 280 for Grade 2, and ₹ 180 for Grade 3. Direct material costs per kg increased to ₹ 170 for Grade 1, ₹ 120 for Grade 2, and ₹ 95 for Grade 3. Meanwhile, direct labour costs remained consistent with the budget at ₹ 100, ₹ 60, and ₹ 75 per kg for Grades 1, 2, and 3, respectively. Similarly, variable overhead costs remained unchanged at ₹ 50, ₹ 40, and ₹ 10 per kg for the respective grades.

The main sales responsibility of Mr. Ray is restricted to these grades of fertilizers. Due to the novelty of these products, the management of SAL decided not to stock up the products as inventory as they want to first test the demand and market conditions. Rather for these products alone, SAL follows Just in Time system for purchasing and production and does not hold any inventory. Mr. Ray co-ordinates as an intermediary with the whole sale dealers in various regions and SAL's production department. Mr. Ray is not in charge of any other function or operation of the manufacturing process.

Sales campaign of customized micronutrient mixture fertilizers for specific crops

The above grades Grade 1, Grade 2 and Grade 3 are of a variety of fertilizers that can substitute one another based on the requirements of the farmer. SAL launched a sales and marketing campaign through social media that helped them reach out to farmers directly all across the country. This campaign was spearheaded by Mr. Ray. This was done to understand how product pricing can impact sales of each of these grades. Since the products are similar, SAL expects the product price to play a primary role in generating sales. As a threshold for analysis, the company considers a product to be price sensitive only if there is an impact of 5% of sales volume due to a change in price.

During the campaign, SAL offered slightly higher discounts on bulk purchases beyond a certain limit. This helped spur the sales volumes. The additional discount policy was not factored in the budgets. The campaign also helped SAL overcome the problem of good sales personnel who have been hard to find in the recent past. There have been times when there is a sudden spike in

demand for a particular grade of fertilizer since the conditions to grow and sell that crop is favourable in that season.

Combined with a successful sales and marketing campaign that spurred sales volume, the procurement department had to procure the raw material from the open market at prevailing prices. Generally, the current prevailing market prices are higher than that agreed with the JIT supplier partners.

Educational and promotional campaign for effective use of fertilizers

Crop yield can be maximized only if the farmers use the fertilizers effectively. There is not much awareness about customized micronutrient mixture fertilizers. The above-mentioned grades of customized micronutrient mixture fertilizers have the potential to improve agricultural productivity of farmers. SAL's management expects the demand for such customized mixture fertilizers to increase in future. Hence it was important to promote the potential such products, educate and spread awareness about them among farmers and agriculturalists.

Sales campaigns such as those above have been helpful in generating preliminary interest in these products. They are more temporary and seasonal in nature. Proper awareness about the application techniques of these fertilizers would generate more regular sales. This requires SAL to be able to connect even better with the farmers by educating them and making them aware about these products. With this in mind, the company bought a plot of agricultural land, which was used exclusively to showcase fertilizer application techniques for farmers. By being able to understand firsthand from the experts at SAL, the farmers can better understand the potential benefits of these fertilizers. These promotional events are held almost all year round, where depending on the season, fertilizers can be customized to suit the crop that requires it. After gaining adequate knowledge, many farmers who attend such events buy such customized fertilizers from the stalls in such events, based on their requirements. No actual agricultural production occurs on this land.

Financial performance

As of 31st March 2025, SAL has a share capital of ₹5 crores; reserves and surplus of ₹4 crores; long term debt of ₹16 crores; trade payables of ₹0.2 crores. SAL has demonstrated strong financial performance by achieving a profit before interest and tax (PBIT) of ₹9 crores; Interest paid for the financial year is ₹1.12 crores. The

corporate tax rate is 30%; the cost of equity is 12.50% and the cost of debt is 4.9%.

To effectively evaluate the company's financial performance and make informed investment decisions, SAL utilizes the weighted average cost of capital (WACC) as a key metric. At all times, the management wishes to keep the average cost of financing the company's operations across all sources of capital (debt and equity) to be below 10%.

Regulatory scrutiny: Refer Annexure 1

Out of the 20 products in its portfolio, SAL sells 3 products that have a red label and 2 products that have a yellow label. Such products generate higher margins and thus far they have contributed around 25% of SAL's annual revenue. Central Insecticide Board (CIB) has periodically raised queries and investigations about these products in the recent years. Due to the increased scrutiny of these harmful products, SAL's management has decided to gradually phase out them from its portfolio. On stopping their production, the revenue is likely to fall by at least 25% in the short term. Meanwhile, SAL plans to invest in R&D to develop more environmentally safe products. PAL which is a competitor of SAL in the same industry also derives around 30% of its annual revenue from sale of red and yellow labelled products. CIB has recently launched an investigation into these highly toxic products that PAL is manufacturing. Yet PAL, on account of them being high margin products, plans to increase its production of these products despite regulatory concerns of imposition of a ban in the near future. PAL expects revenues to grow by at least 10% in the coming year.

Merger with Unlimited Urea Limited (UUL): Refer Annexure 2

SAL (transferee company) decided to acquire UUL (transferor company) by acquiring its shares via a process of takeover under section 235 of the Companies Act, 2013. SAL prepared a scheme by which an offer was made to the shareholders of UUL. The offer was made on 1st August 2024. The offer has remained open for 4 months and was approved by shareholders having 92% value of the shares. Subsequently, SAL gave notice to the remaining dissenting shareholders that it desires to acquire their shares. Such notice was given on 5th January 2025. Certain dissenting shareholders made an application to the Tribunal that acquisition of their shares should not be permitted. However, the application was dismissed by the Tribunal. Hence,

SAL acquired shares of 5% of the dissenting shareholders (out of the balance 8%). The shareholding of the remaining 3% shareholders continued to remain with the dissenting shareholders.

Annexure 1:



State Times

Hidden Dangers of Agrochemicals



Jaipur, 21st February 2025 – A bountiful harvest, at affordable prices is the need of the hour to feed the world's growing population. Enter agrochemicals, in particular chemical fertilizers and pesticides which have ensured higher crop yield. Chemical formulations are precise and deliberate, depending on the intended use, and they are relatively cost effective. This has helped farmers across the globe get better control over their crop production. In the short-term farmers

can produce more and higher quality crops. However, excessive usage of these fertilizers erodes soil health in the long run. They can seep into groundwater and other water sources leading to contamination, which can be toxic in the long run. Greenhouse gases emitted during the production of nitrogen fertilizers have had a profound impact on climate change and caused immense biodiversity losses.

Human health issues also crop up as due to the use of fertilizers, crops are not as nutritious as they should be. It also increases the risk of developing cancer in adults and children. The nervous, endocrine and immune systems are severely affected by their usage, especially with that of pesticides. Many other health issues have been highlighted by medical fraternity over the past few decades.

The recent months have seen a lot of public outcry and debate over the excessive use of fertilizers in India. There has been increasing pressure on the government to force companies to label their products based on their toxicity. Due to the profound, sometimes adverse impact that agrochemicals (including fertilizers) can have on human health and other natural resources, the Central Insecticide Board (CIB) has categorised agrochemical toxicity levels based on a labelling system – using red, yellow, blue and green labels – where red is the most toxic while green is the least toxic. In addition, to prevent counterfeit products companies are adding barcode or other identifying technologies to identify their product packaging.

Red-labelled products have come under a lot of scrutiny in recent years following public outcry about their harmful effects. The regulatory authorities are severely curtailing the use of these products and are also gradually bringing restrictions for the yellow labelled products as well. It is very likely that they will be banned in the near future as per ESG guidelines. All packages carry labels to help users identify their toxicity level. Despite this certain companies are increasing production of such products since they are highly profitable to them.

Annexure 2:



The Chronicle

Secure Agrochemicals Limited to Acquire Unlimited Urea Limited in a ₹ 1,000 Crore Deal



Jaipur, 2nd September 2024 – Unlimited Urea Limited (UUL) to change hands by sale of unit to Secure Agrochemicals Limited (SAL). Unlimited Urea Limited (UUL) based at Gadepan in Kota district of Rajasthan, is set to change hands with the company revealing sale of its entire business to Secure Agrochemical Limited (SAL) for a total consideration of ₹ 1,000 crores.

The company disclosed the information as part of the mandatory disclosure to the stock exchanges, the BSE and the NSE, under Regulation 30 of SEBI (listing obligations and disclosure requirements) Regulations, 2015. The disclosure states that the board of directors at its recent meeting granted in-principal approval for the sale of its business to SAL. The agreed consideration value is expected to be ₹ 1,000 crores. The notice adds that the sale is subject to approval from shareholders, other regulatory and statutory approvals and financial due diligence.

The acquisition is of particular interest since the Government of India had announced New Investment Policy (NIP) to facilitate fresh investment in the urea sector and to make India self-sufficient in the urea sector. SAL is a well-established player in the fertilizer industry, its portfolio includes both chemical and organic fertilizers and crop nutrition solutions. The acquisition of the urea business of UUL will give a fillip to unlocking value within its business. Recent geo-political tensions have led to supply chain disruptions and sent price of raw materials including that of urea skyrocketing. Having a captively owned urea manufacturing unit will help it mitigate risks of supply chain disruptions and price fluctuations.

Multiple Choice Questions

1.1 Which of the following statements are true?

- (i) One of the reasons for actual material procurement to be higher than the budget is on account of SAL following JIT procurement which had to cater to higher than anticipated demand due to a successful marketing campaign by SAL.
- (ii) Mr. Ray is solely responsible for the contribution generated from sale of each grade of fertilizer.
- (iii) JIT production system may not always be suitable since there have been instances of sudden spike seasonal demand for certain products depending on the seasonal conditions for growing crops. Production department may not be able to account for this in their annual planning exercise.
- (iv) JIT procurement of raw materials is suitable since production is also done on a just in time basis.

Options:

- (a) (i) and (iii)
 - (b) (i), (ii) and (iii)
 - (c) (i), (iii) and (iv)
 - (d) (ii), (iii) and (iv)
- 1.2 Referring to sale of highly toxic red and yellow labelled products, which of the following should be the consideration by the auditors of SAL and PAL in the audit of the financial statements?
- (i) Auditors of SAL and PAL need to obtain audit evidence regarding compliance with laws and regulations and audit procedures have to be designed accordingly.
 - (ii) Auditors of SAL and PAL do not need to obtain audit evidence regarding compliance with laws and regulations since these products are not explicitly banned in India.

- (iii) Auditors of PAL need to keep in mind SA 250 where non-compliance with laws and regulations may result in fines and litigations or other consequences that may have a material effect on the financial statements.
- (iv) Auditors of SAL need to be concerned about the phase out of these products that can impact revenue negatively by 25%. In addition, the company plans to invest in R & D to develop environmentally safe products despite losing revenue following this decision.

Options:

- (a) (i) and (iv)
 - (b) (ii) and (iv)
 - (c) (i) and (iii)
 - (d) (ii), (iii) and (iv)
- 1.3 Based on the sales variance analysis, which product(s) should the management prioritize for future discounts to maximize sales volume while ensuring continued profitability?
- (a) Grade 1 and Grade 2 since they both have increased sales volumes as well as positive net contribution
 - (b) Grade 1 and Grade 3 since they both are price sensitive, given the 5% threshold for analysis as considered by the company.
 - (c) Grade 1, Grade 2 and Grade 3 since the volume increased in all the cases for the discount that was given
 - (d) Grade 1 only as that is the only product that is both price sensitive as well as has the capability of yielding positive contribution due to high margins.
- 1.4 Which of the following statements would be true regarding the takeover of UUL by SAL?
- (a) The takeover of UUL by SAL is valid as the Tribunal dismissed the application made by the dissenting shareholders.

- (b) The takeover of UUL by SAL is invalid as even after the Tribunal dismissed the application made by the dissenting shareholders, UUL acquired the shares of only 5% out of the total 8% dissenting shareholders.
 - (c) The takeover of UUL by SAL is valid as shareholders having 92% of shareholding value gave approval to the offer and this was done within 4 months of receiving the offer from SAL.
 - (d) The takeover of UUL by SAL is invalid as shareholders having 8% of the shareholding value have dissented to the takeover and they cannot be legally bound to surrender their ownership to SAL.
- 1.5* Which of the following activities represents a strategic, value-adding initiative that can provide SAL with a long-term competitive advantage in its supply chain?
- (a) Demand forecast errors that result in rush orders or extended lead times for raw material procurement.
 - (b) Storing finished goods in warehouses nationwide prior to shipping them to dealers.
 - (c) Routine inspection of finished goods solely to meet regulatory compliance.
 - (d) Legal fees for filing patents for enhanced formulations designed to improve nutrient efficiency, reduce environmental impact, and promote sustainable agricultural practices.
- 1.6 How should SAL's income from the sale of such customized micronutrient mixture fertilizers at these stalls be classified under the Income Tax Act, 1961?
- (a) The income qualifies as agricultural income because SAL acquired agricultural land to promote awareness of fertilizer usage in farming.
 - (b) The income qualifies as agricultural income only if SAL's fertilizers are applied on the acquired land for agricultural production.

- (c) The income does not qualify as agricultural income and is taxable as business income under "Profits and Gains of Business or Profession," despite acquiring agricultural land.
- (d) The income can be partially considered agricultural if the fertilizers sold by SAL are used by farmers trained on the acquired land.

** Additional Question*

Descriptive Questions

- 1.7 ADVISE the appropriate accounting treatment, if any, for the two grants received and the earthquake-related compensation in the books of accounts of SAL as at March 31, 2025.
- 1.8 PERFORM a detailed variance analysis of the budgeted and actual contributions. Include a comprehensive breakdown of all elements causing the variances, such as volume differences, variations in selling prices, changes in cost structures, and the impact of discounting strategies.
- 1.9 EVALUATE SAL's financial performance based on the given data.

Case Study 2

Diamond Limited

Diamond Limited, a listed company is a leading player in India's organised jewellery retail sector, known for its diversified business in the trade, manufacture, and sale of diamonds, precious stones, diamond-studded jewellery, as well as articles. The Company offers a broad range of jewellery items, with a particular focus on certified diamond jewellery. Their offerings cater to various market segments, including wedding jewellery, party wear, and daily wear, providing a comprehensive selection for customers across different occasions. This focus on certified diamonds is central to the Company's value proposition, ensuring quality and trust for its customers.

Business Structure and Strategy

Diamond Limited, as the holding company, oversees a diverse portfolio of subsidiaries, joint ventures, and associates, leveraging its presence across various regions to gain a competitive edge. The Company follows a decentralized management structure, delegating daily operational and decision-making responsibilities to designated personnel within its divisions

or branches. This approach promotes autonomy and accountability while ensuring that each division's objectives align with the Company's overarching strategic goals. By operating as responsibility centres, managers are held accountable for the performance, results, and profitability of their respective divisions. This structure enables Diamond Limited to manage its diverse operations efficiently while staying aligned with its broader business vision.

As part of its strategic expansion and supply chain optimization, Diamond Limited has undertaken various acquisitions. A few years ago, the company acquired Zircon Limited, a company specialized in the retail segment, through a forward integration strategy. This acquisition allowed Diamond Limited to leverage Zircon Limited's specialized retail expertise, strengthening the brand's presence in the final consumer market. By integrating Zircon's capabilities, Diamond Limited enhanced its ability to effectively market and sell its jewellery products, ensuring a seamless flow from manufacturing to retail.

Global Expansion and Product Alignment

Diamond Limited strengthened its global footprint in 2023 by acquiring Retail Gems S.p.A., a renowned Italy-based company. The Company is currently evaluating whether Retail Gems should procure Gem-Indo, diamond-studded jewellery item manufactured by Diamond Limited's Ahmedabad Division. The Ahmedabad Division has an annual production capacity of 1,20,000 units of Gem-Indo, while Retail Gems, with its smaller manufacturing capacity, can produce a similar item Gem-Milano, up to 50,000 units annually. In the Italian market, the local purchase price for an item similar to Gem-Milano is €1,600 (equivalent to ₹ 1,44,000) per unit. However, Diamond Limited is exploring the feasibility of transferring its item (i.e., product), suitably adapted to meet Italian cultural preferences, from the Ahmedabad Division to Retail Gems. The cost to the Italy division for such a transfer would be €1,700 (equivalent to ₹ 1,53,000) per unit. This price includes all associated costs, such as duties, taxes, and handling charges. For external sales in India, Gem-Indo is priced at ₹ 1,08,000 per unit. When sold to Retail Gems in its suitably modified version, the transaction is carried out at an arm's length price of €1,400 per unit. A total of 50,000 units of Gem-Milano are being transferred to Retail Gems, representing a significant portion of the Ahmedabad Division's annual production capacity. The current sales volume of the Ahmedabad Division is 1,00,000 units. The per-unit variable cost for Gem-Indo in India is ₹ 80,000 for

external sales. However, for the transfer of Gem-Indo to Retail Gems, the variable cost per unit is ₹ 74,000, reflecting potential efficiencies or savings from the internal transfer arrangement. Additionally, an adoption cost of ₹ 24,000 per unit is incurred to modify the item for Italian cultural preferences, primarily due to minor design changes. The tax rates applicable to both entities differ and significantly influence the profitability of the transaction. The Ahmedabad Division is subject to a tax rate of 30%, while Retail Gems in Italy operates under a higher tax rate of 40%. These tax rate differences could impact the financial outcomes for both entities, particularly with respect to profitability and tax liabilities. It is assumed that the exchange rate will remain consistent in the near short term.

Sustainability and Life Cycle Costing

Aligned with its commitment to sustainability, Diamond Limited integrates life cycle costing into its product strategies. This methodology accounts for all costs throughout an item's life cycle, including investment, operation, maintenance, and disposal. For its flagship item "Aurora," the Company employs a comprehensive life cycle costing approach, covering all costs incurred throughout the item's lifecycle. These costs include ₹ 460 lakh for materials, ₹ 100 lakh for research, ₹ 50 lakh for distribution, ₹ 300 lakh for development, ₹ 380 lakh for labour, ₹ 500 lakh for overheads, ₹ 30 lakh for disposal, ₹ 500 lakh for training, ₹ 170 lakh for maintenance, ₹ 85 lakh for warranty claims, ₹ 200 lakh for design and testing, and ₹ 70 lakh for environmental cleanup. This holistic approach underscores the company's commitment to sustainability, innovation, and operational excellence.

Audit and Financial Oversight

Amit and Amod LLP, Chartered Accountants, have been appointed as the statutory auditors of Diamond Limited for the financial year 2024-25. Amit and Amod LLP recognize that related party transactions, common in business operations, pose potential risks of material misstatement or fraud in financial reporting. To address these risks, the auditor sent an email to Ms. Ratna Mullick, the CFO of Diamond Limited, requesting a comprehensive list of related parties and the Company's related party policy.

The following response was received via email:

Ratna Mullick/ Chief Finance Officer / Diamond Limited

From: "Ratna Mullick" <ratna@dltd.com >
Sent: 15th April 2025 10:00
To: "partner-1" <amit@aallp.in >
Cc: "Manik Paul" <paul@dltd.com>
Subject: Related Party Disclosure
Attachments: Group Chart - Ind AS 24.pdf; Related party policy.pdf

CA. Amit Gupta,

Trust you are doing well!

We have received your email relating to related parties and related party transactions of our Company.

Diamond Limited, in ordinary course of business, enters into transactions with a Related Party or parties. These related parties have been identified as per applicable laws/ accounting requirements. Please refer to the attachment for the Group Chart as per the requirements of Ind AS 24.

The Company has also formulated a policy on Related Party Transactions which regulates all transactions between the Company and its Related Parties. Relevant excerpts from the related party policy of the Company are enclosed.

We hope that the above email provides the necessary information. You can also connect with Mr. Manik Paul, Senior Finance Officer if you have any further queries.

Regards,

Ratna Mullick

The following day, the auditors met with Mr. Manik Paul and requested a comprehensive list of related party transactions undertaken during the current and previous financial years. Mr. Paul promptly provided the requested details, which are included in the attached Annexure. Subsequently, the auditors designed and executed procedures to gather sufficient and appropriate audit evidence to verify that the related party relationships and transactions were properly identified, accounted for, and disclosed in the entity's financial statements, in compliance with the requirements of Ind AS 24. Upon completing these procedures, the auditors sent an email to Mr. Manik Paul and Ms. Ratna Mullick.

CA. Amit Gupta/ Partner / Amit and Amod LLP

From: "partner-1" < amit@aallp.in >
Sent: 20th April 2025 10:00
To: "Ratna Mullick" < ratna@dltd.com >
Cc: "Manik Paul" < paul@dltd.com>; "Team 1" < audit_1@aallp.in>
Subject: Preliminary Audit Observations: Related Party
Date: 20th April 2025

Ms. Ratna Mullick and Team,

We appreciate the support provided by your team in our audit of financial statements. During our audit, we have observed the following matters:



Sapphire
Limited not
identified as
a related
party

From the Group Chart shared, we understand that Sapphire Limited is a subsidiary of Coral Limited (i.e. joint venture). Under Ind AS 24 a subsidiary of a joint venture is a related party. Request you to please consider the requirements of Ind AS 24 - especially paragraph 12 of Ind AS 24.



Audit
Committee
approval not
obtained

The above analogy should be extended to Jade Limited – a step-down associate of Emerald Limited (company's associate). The company though its associate (Emerald Limited) would be able to exercise significant influence on the step-down associate - Jade Limited, as well. During the year, the Company has purchased stone items worth ₹ 595 lakhs from Jade Limited. These related party transactions should have been entered into with prior approval of the Audit Committee as provided under Regulation 23 of SEBI Listing Regulations. The approval would be required despite that Jade Limited is not material entity for Emerald Limited.



Non-
monetary
benefit to
KMP

Ms. Ratna Mullick, key managerial personnel, uses company owned car and should be disclosed as a related party transaction in the financial statements. Relevant details are as follows:

- Purchase price of the car - ₹ 380 lakhs
- Value of perquisite under the Income Tax Act, 1961 - ₹ 35 lakhs
- Depreciation recognised in the financial statements i.e. ₹ 76 lakhs

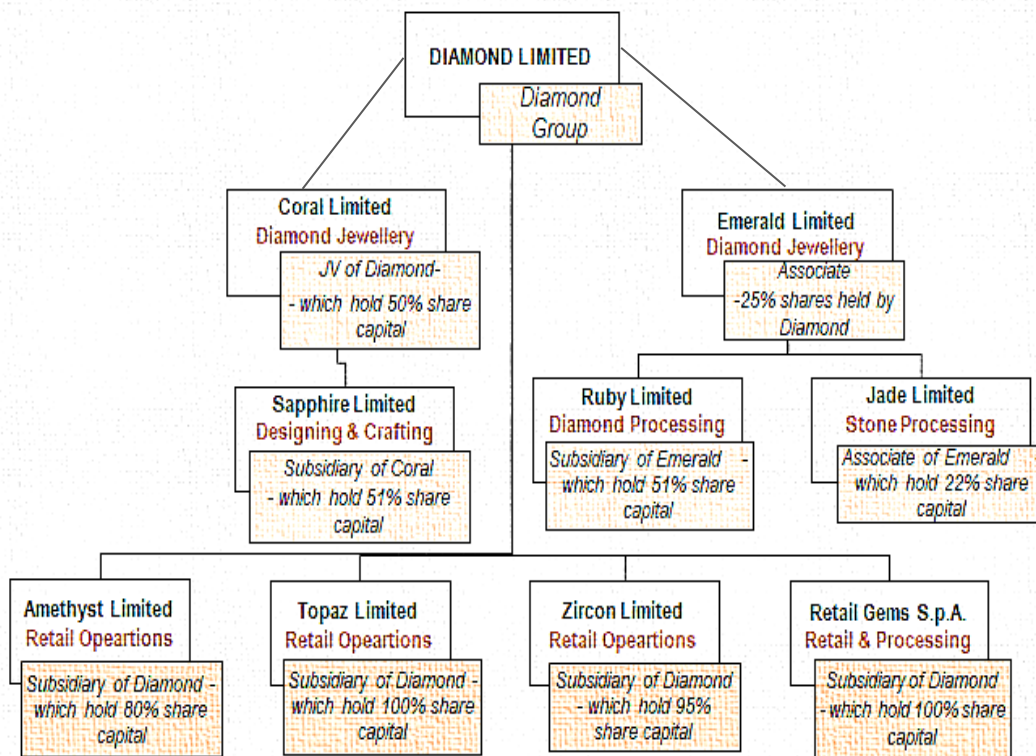


Sales not at
market rate

During the year the company has sold diamond-studded jewellery items amounting to ₹ 20 lakhs to Zircon Limited – a subsidiary. During the year sales of the same quantity of items made to unrelated party amount to ₹ 25 lakhs. It appears that the related party transaction was not at arm's length. Further, it is important to note that Zircon Limited is not eligible for a full input tax credit (ITC).

We solicit your responses to the above at the earliest, so that we can proceed further.
Regards,
Amit Gupta

Group Chart - Ind AS 24.pdf



There has been no change in the shareholding structure during the current and previous financial years.

Related party policy.pdf

 Identification of Related Parties and Related Party Transactions	Every promoter, director and key managerial personnel (KMP) of the Company and its subsidiaries/ associate/ Joint venture shall: • at the time of appointment; • periodically – as required by the company or applicable law • whenever there is any change in the information already submitted, provide requisite information about his / her relatives and all firms, companies, body corporates, or other association of individuals, in which such promoter, director or KMP is interested, whether directly or indirectly, to the company or the subsidiary/ associate/ Joint venture (as the case may be). Every such promoter, director and KMP shall also provide any additional information about the transaction, that the Board/ Audit Committee may reasonably request.
 Review and approval of Related Party Transactions	All the transactions which are identified as Related Party Transactions and subsequent modifications thereof, shall be approved by the Audit Committee in the manner specified under the applicable laws and regulations. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval. Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall recuse himself and abstain from discussion and voting on the approval of the Related Party transaction. A Related Party Transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length basis, would require approval of the Board or of shareholders. In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length basis, the Board will inter alia consider factors such as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction and any other information the Board may deem important/ relevant for taking decision on a proposed transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

If a Related Party Transaction is (i) a material transaction as per the Listing Regulations, or (ii) not in the ordinary course of business, or not at arm's length basis and exceeds certain thresholds prescribed under the Companies Act, then such Related Party Transaction and any subsequent Material modification thereto, shall require shareholders' approval by a resolution. In such case, any member of the Company who is a Related Party, irrespective of being related to the said transaction or not, shall not vote on resolution passed for approving such Related Party Transaction.

Annexure: Details Provided by Mr. Manik Paul

	31 March 2025 (₹ lakhs)	31 March 2024 (₹ lakhs)
Sales of diamond-studded jewellery items to Topaz Limited – Subsidiary	17,076	14,340
Sales of diamond-studded jewellery items to Zircon Limited- Subsidiary	20	25
Sales of diamond-studded jewellery items to Amethyst Limited- Subsidiary	36	15
Purchase of diamond-studded jewellery items from Emerald Limited – Associate	11,990 – including purchase of equipment for ₹6,960	Nil
Purchase of stone items from Jade Limited – Associate of Emerald Limited which is an associate of the company	595	Nil
Purchase of diamond items from Ruby Limited – Subsidiary of Emerald Limited which is an associate of the company	80	75
Purchase of diamond-studded jewellery items from Coral Limited – Joint venture	1,416	Nil
Sale of diamond-studded jewellery items to Sapphire Limited – Subsidiary of the Joint Venture (i.e. Coral Limited)	186	230

Multiple Choice Questions

- 2.1 Is Sapphire Limited a related party of Diamond Limited as per Ind AS 24?
- Yes, under Ind AS 24, a subsidiary (i.e., Sapphire Limited) of a joint venture (i.e., Coral Limited) is a related party of Diamond Limited.
 - Yes, under Ind AS 24, all step-down (second level) entities are related parties.
 - Yes, under Ind AS 24, all step-down (second level) subsidiaries (i.e., Sapphire Limited) are related parties.
 - Yes, under Ind AS 24, Diamond Limited controls the subsidiary (i.e., Sapphire Limited) of a joint venture (i.e., Coral Limited).
- 2.2 At what amount should Diamond Limited disclose the non-monetary benefit (i.e. company owned car) provided to the key managerial personnel in its related party disclosures?
- Purchase price of the car - ₹ 380 lakhs
 - Value of perquisite under the Income Tax Act, 1961 – ₹ 35 lakhs
 - Nil since on the car is used primarily for the performance of official duties
 - Depreciation recognised in the financial statements i.e. ₹ 76 lakhs
- 2.3 Diamond Limited needs to determine the value of supply of diamond-studded jewellery to compute GST on its sale to Zircon Limited for the financial year ending March 31, 2025 based on the given data:
- Invoice Value – ₹ 20 lakhs
 - Value of supply of goods of like kind and quality – ₹ 21 lakhs
 - Open Market Value – ₹ 25 lakhs
 - 90% of the Price Charged for supply of goods of like kind and quality by Zircon Ltd. to its unrelated customers – ₹ 20.7 lakhs
 - 110% of cost of supplies – ₹ 20.9 lakhs
- The value of supply of diamond-studded jewellery is _____, at the option of the supplier - Diamond Limited.
- i or ii
 - ii or iii
 - iii or iv
 - iv or v

- 2.4 The Company is expected to incur certain cost throughout its life cycle. Choose the correct statement?
- (a) Design stage (₹ 600 lakhs); Manufacturing stage (₹ 2,000 lakhs), Operations stage (₹ 100 lakhs) and End of Life stage (₹ 245 lakhs)
 - (b) Design stage (₹ 600 lakhs); Manufacturing stage (₹ 2,010 lakhs), Operations stage (₹ 135 lakhs) and End of Life stage (₹ 100 lakhs)
 - (c) Design stage (₹ 580 lakhs); Manufacturing stage (₹ 1,880 lakhs), Operations stage (₹ 15 lakhs) and End of Life stage (₹ 470 lakhs)
 - (d) Design stage (₹ 80 lakhs); Manufacturing stage (₹ 110 lakhs), Operations stage (₹ 1,500 lakhs) and End of Life stage (₹ 1,255 lakhs)
- 2.5 Which of the following is most likely to be true about Diamond Limited's management structure and strategy?
- (a) Reduces top management's operational burden while aligning divisional goals with strategic objectives.
 - (b) The decentralized management structure promotes autonomy and accountability, enabling divisional managers to align their decisions with the Company's strategic goals.
 - (c) Responsibility centres operate independently of the company's strategic vision, with managers focusing solely on achieving short-term profitability targets.
 - (d) By delegating operational responsibilities, Diamond Limited most likely achieves a balance between regional adaptability and the alignment of divisional objectives with its overarching strategic goals.

Descriptive Questions

- 2.6 PREPARE the disclosure of related party transactions in compliance with the requirements of Ind AS 24.
- 2.7 Provide a brief summary of audit procedures to mitigate the risk of unidentified or undisclosed related parties?
- 2.8 Do transactions with Jade Limited require the approval of the Audit Committee? ANALYSE.
- 2.9 Would Diamond Limited benefit if Italy branch purchases from India branch? COMMENT.



SUGGESTED ANSWERS

Answers to the Multiple Choice Questions

1.1 (a) Statements (i) and (iii) are true.

Reason:

Statement (i) the successful marketing campaign by SAL that reached out directly to customers had resulted in a higher than anticipated sales volume. This would have put pressure on procurement and production systems to cater to this demand immediately. Due to JIT systems, they do not hold any stock to meet sudden spike in demand. Statement (iii) where the production department has to plan the annual production schedule based on demand forecasts. This will allow them to co-ordinate with procurement suppliers who provide raw material in order to operate smoothly. Any unexpected seasonal demand spike due cannot be foreseen, in which case JIT production system may not be suitable.

Statement (ii) is incorrect as Mr. Ray is in charge on only sale of the 3 grades of fertilizers and is not in charge of any other function or operation in the manufacturing process. Hence, he cannot be held accountable for the sudden increase in raw material prices which has led to decrease in actual contribution.

Statement (iv) is incorrect as JIT procurement and production system can function independent of each other. Raw material can be stocked while production can follow JIT system. Similarly, raw material can be procured on a JIT system while production can be made to stock.

1.2 (c) (i) and (iii)

Reason:

Statements (i) and (iii) are considerations that the auditors of SAL and PAL need to consider for their audits of financial statements.

Statements (ii): Incorrect. Even if explicitly banned, the auditor's responsibility for considering compliance remains.

Statement (iv): Incorrect. While evaluating the implications of non-compliance is important, it's not the primary responsibility of the auditor in this specific context.

- 1.3 (d) Grade 1 only as that is the only product that is both price sensitive as well as has the capability of yielding positive contribution due to high margins.**

Reason:

Grade 1 only as the increase in volume was 25% for a 10% discount offered on the price and it contributed positively as the net contribution is ₹ 130. As a high margin product, it could buffer any unexpected cost escalation.

	Grade 1	Grade 2	Grade 3
Reduction in selling price per kg	50	20	20
Reduction in selling price %	10%	7%	10%
Increase in sales (in kgs)	500	100	400
Increase in sales in %	25.00%	3.33%	8.00%
Net contribution per kg (actual)	130	60	-

While Grade 3 can be considered as price sensitive using the 5% threshold limit, the actual net contribution per kg was nil. Hence, it might not be prudent to offer much discount for Grade 3, being a lower margin product. Similarly, Grade 2 is also less price sensitive using the 5% threshold limit. Here a 7% discount in selling price resulted in only a 3.33% increase in sales volume. Hence, Grade 2 sales will not necessarily increase much by price discounts alone.

- 1.4 (b) The takeover of UUL by SAL is invalid as even after the Tribunal dismissed the application made by the dissenting shareholders, UUL acquired the shares of only 5% out of the total 8% dissenting shareholders.**

Reason:

In the given case, since the application made by the dissenting shareholders has been dismissed by the Tribunal, SAL was bound to acquire all the shares of the dissenting shareholders i.e. the entire 8% shareholding. Since SAL acquired only 5% shareholding of the dissenting shareholders, this is in contravention to Section 235 of the Companies Act, 2013. Hence the takeover of UUL by SAL is invalid.

- 1.5 (d) Legal fees for filing patents for enhanced formulations designed to improve nutrient efficiency, reduce environmental impact, and promote sustainable agricultural practices.**

Reason:

Option (d) represents a strategic investment in intellectual property protection and innovation. By filing patents for enhanced formulations, SAL can secure exclusive rights to advanced technologies that not only improve product performance and sustainability but also strengthen its market position over the long term. In contrast, the other options describe activities that either indicate inefficiencies or focus solely on routine operational tasks without delivering significant strategic value.

- 1.6 (c) The income does not qualify as agricultural income and is taxable as business income under "Profits and Gains of Business or Profession," despite acquiring agricultural land.**

Reason:

Under Section 2(1A) of the Income Tax Act, 1961, Agricultural income in India primarily encompasses earnings derived from activities related to farming. This includes income generated from renting out agricultural land, cultivating and selling crops, processing agricultural produce for market (such as drying,

cleaning, or simple processing), and income earned from farm buildings essential for agricultural operations.

Merely acquiring land to promote awareness or conduct demonstrations does not convert income from fertilizer sales into agricultural income. Land acquired by SAL is being used to promote awareness and conduct demonstrations about their applications of customized micronutrient mixture fertilizer. Farmers attending such promotional events purchase fertilizers that are customized for the crop that it is required for. Sale of such fertilizers is not derived directly from any agricultural activities on the land. Further, the case clearly mentions that no actual agricultural production occurs on this land. Therefore, SAL's sales from such fertilizers are taxable as business income under "Profits and Gains of Business or Profession".

Answers to the Descriptive Questions

1.7 Accounting treatment as per IND AS 20, Accounting for Government Grants and Disclosure of Government Assistance:

1. First Grant of ₹ 5 crore – research on "Soil degradation due to misuse of fertilizers"

The first grant for "Soil degradation due to misuse of fertilizers" involving research into effects of excessive use of fertilizers on soil quality (acidification, hardening and pollution) based on a specific area from a predominantly agricultural belt in Punjab. Since, the grant is unconditional and no details regarding its refund have been mentioned. Even though research has not started, nor major steps have been completed by SAL to commence the research, yet the grant will be immediately recognized in the profit and loss for the year ended March 31, 2025.

2. Second Grant of ₹ 5 crore - relates to the commercial development of crop-specific nutrition solution that will provide each crop variety with specific nutrients that it will need to grow. As per the information given in the case study, these solutions will be available in the market by April 2026. Hence, by that time, grant relates to the development of new technological solution (which is an asset) and should be initially recognized as deferred income. The deferred income should be recognized as income on a systematic and rational basis over the useful life of this new technology.

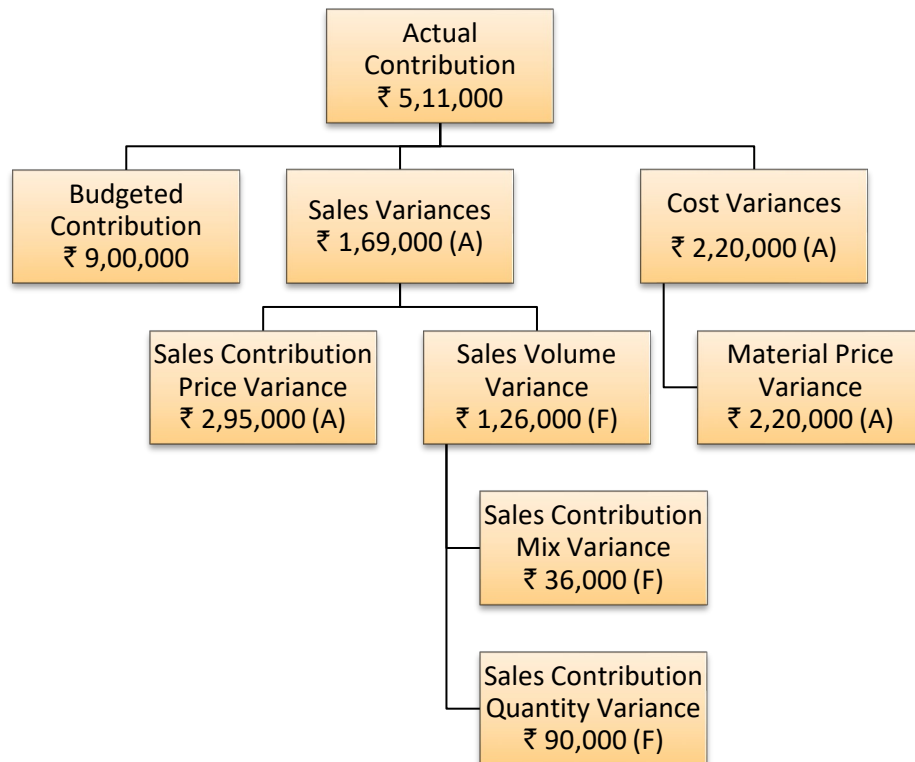
For the grant received of ₹ 5 crores, SAL should recognize a liability in the balance sheet as of March 31, 2025, and March 31, 2026. Once the technology is used in the commercial development of crop-specific nutrition, the deferred grant income of ₹ 5 crores should be recognized over the useful life of this new technology to compensate for depreciation costs.

Alternatively, as per Ind AS 20 SAL would be permitted to offset the deferred income of ₹ 5 crores against the cost of development of this technology as at April 1, 2026.

3. Earthquake related compensation – SAL will be able to submit an application form only after May 31, 2025 i.e. in the F.Y. 2025-26. Although the earthquake happened in September 2024 relating to the financial year 2024-25, SAL should recognize the income from the government grant in the year the application is submitted and approved by the government for compensation.

Since in the F.Y. 2024-25, the application form could not be submitted due to adoption of financials with respect to sales figure before earthquake occurred, SAL should not recognize the grant income as it has not become receivable as at March 31, 2025.

1.8 Reconciliation



Budgeted vs. Actual Contribution

Referring to working notes, the total budgeted contribution for the year 2024-25 was ₹ 9,00,000 while the actual contribution was ₹ 5,11,000. There is hence an adverse variance in terms of contribution = budgeted contribution – actual contribution = ₹ 9,00,000 - ₹ 5,11,000 = ₹ 3,89,000 (Adverse).

The actual contribution for all three grades of fertilizers is lower than the budgeted contribution. This is because of 2 reasons: Discount policy (b) Raw material procurement cost. Now let us analyse the variances in detail.

Sales variances (in terms of contribution)

Sales variances in terms of contribution can be classified as sales contribution price variance and sales contribution volume variance.

Sales contribution price variance is calculated as ₹2,95,000 (Adverse).

Sr. No.	Sales Contribution Price Variance	Grade 1	Grade 2	Grade 3	Total
1	Actual Contribution (per kg) * Based on standard cost	150 [450-300*]	80 [280-200*]	20 [180-160*]	-
2	Standard Contribution (per kg)	200	100	40	-
3	Actual Quantity (kg)	2,500	3,100	5,400	11,000
4	Sales Contribution Price Variance = (Actual Contribution – Standard Contribution) × Actual Quantity [(1 - 2) × 3]	(1,25,000)	(62,000)	(1,08,000)	(2,95,000)

SAL's sales and marketing campaign allowed for slightly higher discounts were given on bulk purchases beyond a certain limit. This policy for additional discount was not factored in the standard price (budget), resulting in a difference between actual and budgeted contribution.

Sales contribution volume variance is calculated as ₹1,26,000 (Fav).

Sr. No.	Sales Contribution Volume Variance	Grade 1	Grade 2	Grade 3	Total
1	Actual Quantity (kg)	2,500	3,100	5,400	11,000
2	Budget Quantity (kg)	2,000	3,000	5,000	10,000
3	Standard Contribution (per kg)	200	100	40	-
4	Sales Contribution Volume Variance = (Actual Quantity - Budget Quantity) × Standard Contribution [(1 - 2) × 3]	1,00,000	10,000	16,000	1,26,000

This is another fundamental metric to assess sales performance. By comparing the actual sales with the budget sales, the company can understand (a) market conditions in which it operates (b) success of any sales and marketing campaigns or even (c) the reasonableness of the company's forecasting capabilities.

In the case of SAL, for the year 2024-25 the actual sales volume of 11,000 units has been higher than the budgeted sales of 10,000 units. A possible reason for this could be the spurt in demand due to its successful sales and marketing campaign for the three new grades that were introduced. This resulted in a favourable variance of ₹ 1,26,000 for the year.

Sales variance in terms of contribution = Sales contribution price variance ₹ 2,95,000 (Adverse) + Sales contribution volume variance ₹ 1,26,000 (Favourable) = ₹ 1,69,000 (Adverse).

This tallies with the overall results as explained above. It can be concluded that while volumes helped buffer the fall, SAL may have given deeper discounts that eventually impacted its profitability. For example, Grade 3 fertilizer, where the actual contribution is nil. Although SAL sold 400 units more than budget of Grade 3 fertilizer, the contribution towards actual profits was nil. This is equally due to discounts that were given as part of the sales and marketing campaign (the impact of material price discussed later). SAL's sales team should realize that such discounts may be unfeasible in the long run. Price sensitivity analysis of how the selling price of each grade impact demand is an exercise the SAL's team can undertake to understand how much discount to give in future.

Analysing sales contribution volume variance in depth

To analyse sales contribution volume variance better, it can be further split up as sales contribution mix variance and sales contribution quantity variance.

Sales contribution mix variance is ₹ 36,000 Favourable.

Products	Actual Quantity (AQ)	Actual Sales in Budgeted Proportion (RAQ)	Difference AQ - RAQ	Standard Contribution per kg	Mix Variance Difference × Standard Contribution
Grade 1	2,500	2,200	300	200	60,000
Grade 2	3,100	3,300	(200)	100	(20,000)
Grade 3	5,400	5,500	(100)	40	(4,000)
Total	11,000	11,000	-		36,000

Sales mix variance helps identify which product or product lines are performing well. As per the budget proportion sales volume composition was Grade 1: 20%, Grade 2: 30% and Grade 3: 50%. When applied to actual volume of 11,000 units, the distribution appears in the column RAQ – Revised Actual Quantity. The difference between actual quantity sold and the RAQ shows the variation in the mix / proportion of actual sales as compared to the budgeted proportion.

Accordingly, Grade 1 has sold 300 units more, having a higher proportion in the mix. It also has the highest contribution of ₹ 200 per kg as compared to the other 2 grades. This swings the variance to a favourable side. On the contrary, Grade 2 and Grade 3 have a lower proportion in the sales mix, contributing adversely to the sales mix ratio. Overall, the sales mix is positive because SAL sold more of Grade 1 fertilizer which also has a higher contribution as compared to the other 2 grades. Hence, it can be concluded the Grade 1 trends better than the other grades and contributes better towards the profitability of the business.

Sales contribution quantity variance is ₹90,000 Favourable.

Products	Budget Quantity (BQ)	Actual Quantity in Budgeted Proportion (RAQ)	Difference RAQ - BQ	Standard Contribution per kg	Quantity Variance Difference × Standard Contribution
Grade 1	2,000	2,200	200	200	40,000
Grade 2	3,000	3,300	300	100	30,000
Grade 3	5,000	5,500	500	40	20,000
Total	10,000	11,000	1,000	-	90,000

A favourable sales contribution quantity variance indicates by how much the contribution has risen exclusively on account of actual sales in a predetermined proportion (i.e. budgeted) being higher than expectations as per budget. This does not consider any impact on account of variation in sale price and hence is measured with relation to standard contribution.

The actual sales are redistributed in proportion of their budget estimates to get a revised actual quantity (RAQ) mix. Hence, had the budget sales

been 11,000 units, what would have been the proportion of sales of each of these grades of fertilizers? This is shown in the RAQ column. When compared with the original budget estimate of 10,000 units, it can show the impact on standard contribution due to change in the proportion of quantity of units sold.

A rise in the demand side for each grade of fertilizer resulted in positively contributing to the profitability of the company.

Sales contribution volume variance = Sales contribution mix variance is ₹ 36,000 Favourable + Sales contribution quantity variance is ₹ 90,000 Favourable = ₹ 1,26,000 (Favourable)

Higher sales due to spurt in demand (indicated from favourable sales contribution quantity variance of ₹ 90,000) combined with a higher proportion of these sales coming from the profitable Grade 1 fertilizer (indicated from favourable sales mix variance of ₹ 36,000), resulted in a favourable sales contribution volume variance of ₹ 1,26,000.

Cost variances

Increase in costs due to unplanned material procurement at higher rates also adversely contributed.

Material Price variance is ₹ 2,20,000 Adverse.

Sr. No.	Material Price Variance	Grade 1	Grade 2	Grade 3	Total
1	Standard Price (per kg)	150	100	75	-
2	Actual Price (per kg)	170	120	95	-
3	Actual Quantity (kg)	2,500	3,100	5,400	11,000
4	Material Price Variance = (Standard Price - Actual Price) × Actual Quantity [(1) - (2) × 3]	(50,000)	(62,000)	(1,08,000)	(2,20,000)

The material procurement cost for all the grades was higher than standard. There have been times when there is a sudden spike in demand for a particular grade of fertilizer combined with a successful sales and marketing campaign that spurred sales volume. Higher

procurement cost from the open market than that agreed with the JIT supplier partners resulted in an adverse impact on actual contribution.

Working Notes

Budget Contribution for the year 2024-25

Sr. No.	Particulars	Grade 1	Grade 2	Grade 3	Total
1	Budget Quantity (kg)	2,000	3,000	5,000	10,000
2	Average Selling Price (per kg)	500	300	200	-
3	Direct Material Cost (per kg)	150	100	75	-
4	Direct Labour Cost (per kg)	100	60	75	-
5	Variable Overhead Cost (per kg)	50	40	10	-
6	Standard Contribution (per kg) [2-(3+4+5)]	200	100	40	-
7	Budgeted Contribution [1 × 6]	4,00,000	3,00,000	2,00,000	9,00,000

Actual Contribution for the year 2024-25

Sr. No.	Particulars	Grade 1	Grade 2	Grade 3	Total
1	Actual Quantity (kg)	2,500	3,100	5,400	11,000
2	Average Selling Price (per kg)	450	280	180	-
3	Direct Material Cost (per kg)	170	120	95	-
4	Direct Labour Cost (per kg)	100	60	75	-
5	Variable Overhead Cost (per kg)	50	40	10	-
6	Actual Contribution (per kg) [2-(3+4+5)]	130	60	40	-
7	Actual Contribution [1 × 6]	3,25,000	1,86,000	-	5,11,000

1.9 Evaluation of SAL's Financial Performance

The benchmark WACC that SAL's management wants to maintain is below 10%. The company's actual WACC is 7.636%. SAL has managed to maintain its WACC below the required benchmark primarily on account of its capital structure. Long term debt of ₹16 crores, which is the cheaper source of capital, makes up more than half of the total capital employed of ₹ 25 crores.

SAL's financial performance reflects a strong operational foundation, though its capital structure presents certain financial risks that require careful management.

With 64% of its capital sourced from debt financing, SAL carries a significant financial obligation in the form of ₹1.12 crores in interest payments. While leverage can enhance returns, it also increases financial risk, making strong cash flow management essential for ensuring timely debt repayment and mitigating the risk of financial distress.

Despite this high debt level, SAL has demonstrated strong operational efficiency, achieving an PBIT of ₹ 9 crores. This indicates the company's ability to generate substantial earnings before financial obligations. Additionally, its EVA of ₹ 4.391 crores shows that SAL is earning returns above its cost of capital, confirming that it is creating value for shareholders rather than merely covering financing costs.

To sustain this positive path, SAL must carefully assess new investment opportunities, ensuring they generate returns exceeding its benchmark 10% WACC to drive long-term value creation. Moreover, effective risk management strategies—such as hedging against interest rate fluctuations, optimizing capital allocation, and maintaining a financial buffer—will be crucial in mitigating potential risks and ensuring financial stability.

Overall, SAL's strong operational performance and positive EVA highlight its ability to generate value. However, its high reliance on debt necessitates vigilant financial management. To ensure sustainable growth and maximize shareholder value, SAL should focus on prudent debt management, strategic investment in high-return projects, and robust risk mitigation strategies to navigate potential financial challenges effectively.

Workings

$$\begin{aligned}
 \text{EVA} &= \text{NOPAT} - \text{WACC} \times \text{Capital Employed} \\
 &= ₹6.3 \text{ Cr.} - 7.636\% \times ₹25 \text{ Cr.} \\
 &= \mathbf{₹4.391 \text{ Cr.}} \\
 \text{Capital Employed} &= ₹5 \text{ Cr.} + ₹4 \text{ Cr.} + ₹16 \text{ Cr.} \\
 &= ₹25 \text{ Cr.} \\
 \text{WACC} &= (5 + 4)/25 \times 12.5\% + 16/25 \times 4.9\% \\
 &= 7.636\% \\
 \text{NOPAT} &= [\text{PBIT} - \text{Interest} - \text{Tax}] + \text{Interest (net of tax)}
 \end{aligned}$$

₹ in Cr.	
PBIT	9.000
Less: Interest	(1.120)
PBT	7.880
Less: Tax @ 30%	(2.364)
PAT	5.516
Add: Interest (net of tax) $[1.12 \times (1 - 0.30)]$	0.784
NOPAT	6.300

Answers to the Multiple Choice Questions

- 2.1 (a) Yes, under Ind AS 24, a subsidiary (i.e., Sapphire Limited) of a joint venture (i.e., Coral Limited) is a related party.**

Reason:

As per para 9(b)(ii) of Ind AS 24, an entity is related to a reporting entity if one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

Furthermore, as per paragraph 12 of Ind AS 24, in the definition of a related party, a joint venture includes its subsidiaries. Therefore, the subsidiary of a joint venture and the investor that has joint control over such a joint venture are considered related parties under Ind AS 24.

Accordingly, Sapphire Limited (being a subsidiary of the joint venture - Coral Limited) and Diamond Limited (as an investor in Coral Limited) are related parties under Ind AS 24.

2.2 (d) Depreciation recognised in the financial statements i.e. ₹ 76 lakhs

Reason:

Para 9 of Ind AS 19 specifies employee benefits include non-monetary benefits. The cost of providing non-monetary benefits (including free or subsidised goods or services) should be recognised according to the same principles as benefits payable in cash.

Further, Para 9 of Ind AS 24 requires disclosure of compensation paid to key managerial personnel including non-monetary benefits. Such disclosure should include an estimation of the benefit to the key managerial personnel. This might be calculated, for example, by reference to the depreciation charge – i.e. ₹ 76 lakhs.

2.3 (c) iii or iv

Reason:

According to **Section 15(1) of CGST Act**, the transaction value should be the price actually paid or payable if the supply is between *unrelated parties* and the *price is the sole consideration*. Under section 15(4) where the value of the supply of goods or services or both cannot be determined under sub-section (1), the same shall be determined in such manner as may be prescribed.

Rule 28(1) outlines the valuation of transactions (goods or services or both supplied) between related persons or distinct persons as specified under Section 25(4) and (5). The value should be determined as follows:

- (a) The *Open Market Value* of such supply.

- (b) If the open market value is unavailable, *the value of goods or services of like kind and quality* should be considered.
- (c) If neither of the above can be determined, valuation should be done as per *Rule 30 (e.g., 110% of cost of supply)* or *Rule 31 (e.g., by other reasonable means)*.

However, as per the **first proviso to Rule 28**, if the goods are intended for further *supply as such* by the recipient, the supplier has the option to value them at *90% of the price charged for the supply of goods of like kind and quality by the recipient to his customer, provided the customer is not a related person*.

Since Zircon Limited primarily operates in retail, it is evident from the divisional structure that the jewellery items are intended for further supply (as such). Therefore, Diamond Limited can opt for either:

- *The open market value of ₹25 lakhs*
- *90% of the price charged for the supply of diamond studded jewellery items (of like kind and quality) by Zircon Limited to its customers, i.e., ₹20.7 lakhs, not being a related person*

Furthermore, since Zircon Limited is not eligible for a full input tax credit, the *invoice value cannot be deemed the open market value* under the second proviso to Rule 28.

Conclusion

For GST computation, Diamond Limited can opt for either ₹25 lakhs (open market value) or ₹ 20.7 lakhs (90% of the price of like kind and quality), as per the valuation methods prescribed under Rule 28.

- 2.4 (b) **Design stage (₹ 600 lakhs); Manufacturing stage (₹ 2,010 lakhs), Operations stage (₹ 135 lakhs) and End of Life stage (₹ 100 lakhs)**

Reason:

Following is the computation of stage wise cost to be incurred across the life cycle of the "Aurora":

Design stage ₹ lakhs		
Research	100	
Development	300	
Design and testing	200	600
Manufacturing stage ₹ lakhs		
Material	460	
Labour and overheads	880	
Training	500	
Maintenance	170	2,010
Operations stage ₹ lakhs		
Distribution	50	
Warranty claims	85	135
End of life stage ₹ lakhs		
Environmental clean up	70	
Disposal	30	100
Total	2,845	2,845

- 2.5 (d) **By delegating operational responsibilities, Diamond Limited most likely achieves a balance between regional adaptability and the alignment of divisional objectives with its overarching strategic goals.**

Reason:

Diamond Limited's decentralized structure emphasizes regional adaptability while ensuring that divisions operate in alignment with the broader corporate strategy, making Option D the most likely scenario. Options C contradict the decentralized approach, and Option A and B are accurate but less comprehensive than Option D.

Answers to the Descriptive Questions

- 2.6** In accordance with the requirement of Indian Accounting Standard (Ind AS) 24 "Related Party Disclosures", name of the related parties, related party relationships, transactions and outstanding balances including commitments where control exist and with whom transactions have taken place during the reported period are as follows:

List of related parties***Subsidiaries***

Name	Principal Activities	Country of Incorporation	% Equity Interest	
			31 March 2025	31 March 2024
Amethyst Limited	Retail Operations	India	80	80
Zircon Limited	Retail Operations	India	95	95
Topaz Limited	Retail Operations	India	100	100
Retail Gems S.p.A.	Retail & Processing	Italy	100	100

Associate

Dimond Limited holds a 25% interest in Emerald Limited (as of 31 March 2024: 25%). Emerald Limited, in turn, owns a 51% stake in its subsidiary, Ruby Limited (as of 31 March 2024: 51%).

Joint Arrangement in which the Group is a Joint Venturer

Dimond Limited holds a 50% interest in a joint venture, Coral Limited (as of 31 March 2024: 50%). Coral Limited, in turn, owns a 51% stake in its subsidiary, Sapphire Limited (as of 31 March 2024: 51%).

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Key management personnel (KMP)

Key Management Personnel (KMP) of Diamond Limited includes:

- Ms. Ratna Mullick, Chief Financial Officer (CFO).

Transactions and Outstanding Balances (including commitments where control exists and with whom transactions have taken place)

₹ lakhs

Related Party	Financial Year	Balance outstanding at the year end	Sales to related parties (diamond-studded jewellery items) *	Purchases from related parties (property plant and equipment)	Purchases from related parties (diamond-studded jewellery items)	Purchases from related parties (diamond Items)	Short Term Employee Benefits
Subsidiaries:							
Topaz Limited	31 March 2025	—	17,076	—	—	---	---
	31 March 2024	—	14,340	—	—	---	---
Other subsidiaries*	31 March 2025	—	56 (incl. ₹ 20 lakhs which is not at arm's length)	—	—	---	---
	31 March 2024	—	40	—	—	---	---
Associate and its subsidiary:							
Emerald Limited	31 March 2025	—	---	6,960	5,030	---	---
	31 March 2024	—	---	—	—	---	---
Ruby Limited	31 March 2025	—	---	---	---	80	---
	31 March 2024	—	---	---	---	75	---
Joint venture and its subsidiary:							
Coral Limited	31 March 2025	—	—	---	1,416	---	---

	31 March 2024	—	—	---	---	---	---
Sapphire Limited	31 March 2025	—	186	---	---	---	---
	31 March 2024	—	230	---	---	---	---
Key management personnel:							
Ms. Ratna Mullick	31 March 2025	—	—	—	—	---	76
	31 March 2024	—	—	—	—	---	---
Entities where significant influence is exercised by KP/ Directors and/ other relatives having transactions with the Company:							
---	31 March 2025	---	---	---	---	---	---
	31 March 2024	---	---	---	---	---	---

**As per Ind AS 24, Para 24, items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity. Further, Para 24A states that disclosure of details of particular transactions with individual related parties would frequently be too voluminous to be easily understood. Accordingly, items of a similar nature may be disclosed in aggregate by type of related party. However, this is not done in such a way as to obscure the importance of significant transactions. Hence, purchases or sales of goods are not aggregated with purchases or sales of property, plant and equipment. Nor a material related party transaction with an individual party is clubbed in an aggregated disclosure.*

Note- For the purpose of disclosure, transactions given in the Case Study have only been considered.

- 2.7** An entity might enter into arrangement that involve a formal or informal agreement between the entity and another party in order to establish a business relationship through vehicles or structures or conduct of certain types of transactions under specific terms and conditions. Arrangements that may indicate the existence of related party relationships or transactions that management has not identified or disclosed to auditors.

SA 550 requires the auditor to obtain sufficient appropriate audit evidence about whether the related party relationships and transactions have been appropriately identified, accounted for and disclosed in the financial statements. When performing audit procedures, auditor pays particular attention to related parties that are in a position to exercise dominant influence over the entity or its management, by virtue of their ability to exert control or significant influence.

During the audit, the auditor shall remain alert, when inspecting records or documents, for arrangements or other information that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor. In particular, the auditor shall inspect the following for indications of the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor –

- Bank, legal and third-party confirmations obtained as part of the auditor's procedures;
- Minutes of meetings of shareholders and of those charged with governance; and
- Such other records or documents as the auditor considers necessary in the circumstances of the entity.

If the auditor identifies arrangements or information that suggests the existence of unidentified related party relationships or transactions, the auditor should determine whether the underlying circumstances confirm the existence of those relationships or transactions. If the auditor identifies related parties or significant related party transactions that management has not previously identified or disclosed to the auditor, the auditor should –

- Promptly communicate the relevant information to the other members of the engagement team.
- Request management to identify all transactions with the newly identified related parties for the auditor's further evaluation.
- Inquire as to why the entity's controls over related party relationships and transactions failed to enable the identification or disclosure of the related party relationships or transactions.

- Perform appropriate substantive audit procedures relating to such newly identified related parties or significant related party transactions.
- Reconsider the risk that other related parties or significant related party transactions may exist that management has not previously identified or disclosed to the auditor, and perform additional audit procedures as necessary; and
- If the non-disclosure by management appears intentional (and therefore indicative of a risk of material misstatement due to fraud), evaluate the implications for the audit.

2.8 As per the SEBI (LODR) Regulations, 2015, a “related party” is defined as:

- A related party under sub-section (76) of Section 2 of the Companies Act, 2013; *or*
- A related party under the applicable accounting standards.

Additionally, it considers:

- (a) Any person or entity forming part of the promoter or promoter group of the listed entity; *or*
- (b) Any person or any entity, holding equity shares:
 - (i) of 20% or more, *or*
 - (ii) of 10% or more (effective April 1, 2023),in the listed entity, either directly or indirectly, on a beneficial basis as per Section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

Analysis

As per the Companies Act, 2013

Section 2(76)(viii) defines a related party to include:

- A holding, subsidiary, or associate company of the listed entity;
- A subsidiary of a holding company to which the listed entity is also a subsidiary;

- An investing company or the venturer of the listed entity.

However, this clause does **not** extend the definition to include an *associate of an associate*.

- Emerald Limited, being a direct associate of Diamond Limited (holding 25%), qualifies as a related party.
- Jade Limited, being an associate of Emerald Limited (holding 22%), does **not** qualify as a related party to Diamond Limited under the Companies Act, 2013, as the definition under Section 2(76)(viii) does not extend to include an *associate of an associate*.

As per Regulation 2(1)(zb) of SEBI LODR) Regulations, 2015

The regulation specifies that any entity holding 10% or more equity shares in the listed entity (effective April 1, 2023) is deemed as a related party.

- There is no indication that Jade Limited holds any equity in Diamond Limited.
- Furthermore, there is no mention of whether Jade Limited is a listed entity. Therefore, Jade Limited does not meet the criteria for being classified as a related party under this regulation.

As per Ind AS 24

Paragraph 9(b)(ii) of Ind AS 24 states that an entity is related to a reporting entity if one entity is an associate or joint venture of the other entity or an associate/ joint venture of a member of the group of which the other entity is a member.

Paragraph 12 clarifies that an associate includes subsidiaries of the associate. However, an *associate of an associate* does not fall under the definition of a related party under Ind AS 24.

Accordingly, Jade Limited (being an associate of Emerald Limited, which is itself an associate of Diamond Limited) is **not** a related party to Diamond Limited under Ind AS 24.

Conclusion

Since Jade Limited is not a related party under the Companies Act, 2013, Ind AS 24, or Regulation 2(1)(zb) of the SEBI LODR) Regulations, 2015, the proposed transaction does **not** require the approval of the Audit Committee of Jade Limited.

2.9 Problem Definition: If Retail Gems buys from Division Ahmedabad, will it benefit the company as a whole?

Key Considerations: Contribution p.u. under external and internal sale options and the tax impact.

Methodology:

Part 1: Benefit to Division Ahmedabad

Currently external sales are 1,00,000 units. If Division Ahmedabad accepts to cater to Retail Gems's requirements, external sales have to be curtailed by 30,000 units. The sales mix would be external sales 70,000 units and internal transfer 50,000 units. (refer working note 1).

Division Ahmedabad was previous producing 1,00,000 units. On accepting Retail Gems's order, it is operating at full capacity of 1,20,000 units, an additional 20,000 units are being produced. As per working note 2, contribution from each option is the same at ₹ 28,000 p.u.

Additional Contribution

$$= 20,000 \text{ units} \times ₹ 28,000 \text{ p.u.}$$

$$= ₹ 56,00,00,000$$

Division Ahmedabad pays tax in India at 30%.

Hence, the Net Tax Contribution

$$= ₹ 56,00,00,000 \times (100\% - 30\%)$$

$$= ₹ 39,20,00,000$$

Part 2: Net Additional Cost to Retail Gems

Retail Gems is currently purchasing item similar to Gem-Milano within Italy at ₹ 1,44,000 p.u. (₹ equivalent value). If it purchases from Division Ahmedabad, it will pay ₹ 9,000 p.u. extra.

Additional Purchase Cost

$$= 50,000 \text{ units} \times (₹ 1,53,000 - ₹ 1,44,000)$$

$$= ₹ 45,00,00,000$$

However, this extra cost is tax deductible at a rate of 40%, the tax rate in Italy. Hence Additional Cost (net of tax)

$$= ₹ 45,00,00,000 \times (100\% - 40\%)$$

$$= ₹ 27,00,00,000$$

Part 3: Overall benefit (after tax) to the company

Division Ahmedabad benefits by ₹ 39,20,00,000 while Retail Gems incurs an extra cost of ₹ 27,00,00,000. Hence, the net after tax benefit to the company is ₹ 12,20,00,000. Therefore, Retail Gems should purchase Gem-Milano internally from Division Ahmedabad.

Working Notes

- Statement of Capacity Utilization of Division Ahmedabad

Sr. No.	Particulars	Number of units
1	Maximum Capacity	1,20,000
2	External Sales	1,00,000
3 = 1 - 2	Spare Capacity	20,000
4	Retail Gems's Requirement	50,000
5 = 4 - 3	External Sales Curtailed to meet Retail Gems 's Demand = Retail Gems 's Requirement - Spare Capacity Available = 50,000 units - 20,000 units	30,000

From the above table it can be seen that Division Ahmedabad has a spare capacity of 20,000 units currently. However, if it has to cater to Retail Gems's requirements, external sales have to be curtailed by 30,000 units.

- Statement of Contribution p.u. Figures in ₹

Sr. No.	Options	External Sale	Internal Sale
1	Selling Price p.u.	1,08,000	1,26,000
2	Variable Cost p.u.	80,000	74,000
3	Modification Cost p.u.	---	24,000
4 = 1 - 2 - 3	Contribution p.u.	28,000	28,000

**Applicability of Standards / Guidance Notes / Legislative
Amendments etc. for May, 2025 Examination
Final Course**

Paper 4: Direct Tax Laws and International Taxation

Applicability of Finance Act, Assessment Year etc. for May, 2025 Examination

The provisions of direct tax laws, as amended by **the Finance (No. 2) Act, 2024** including significant notifications, circulars issued and legislative amendments made up to **31.10.2024**, are applicable for May, 2025 examination. The relevant assessment year is **A.Y.2025-26**.

The Study Material for Final Paper 4 based on the provisions of direct tax laws as amended by the Finance (No. 2) Act, 2024, is relevant for May 2025 Examination. The said Study Material comprises of Modules 1 to 4. The Study Material has to be read along with the **Statutory Update for May 2025 examination** covering notifications and circulars issued upto 31.10.2024 but not covered in the study material and the **Judicial Update for May 2025 examination**.

Note - As regards certain topics on International Taxation, namely, Overview of Model Tax Conventions, Application & Interpretation of Tax Treaties, Fundamentals of Base Erosion and Profit Shifting and Latest Developments in International Taxation, the specific content as covered in the Study Material would be relevant for May, 2025 Examination.

Paper 5: Indirect Tax Laws

The following are applicable for May 2025 examination:

- (i) The provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024.
- (ii) The provisions of the Customs Act, 1962 and the Customs Tariff Act, 1975, as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024.

Note - The amendments made by the Annual Union Finance Acts in the CGST Act, 2017, the IGST Act, 2017, the Customs Act, 1962 and the Customs Tariff Act, 1975 are made effective from a date notified subsequently. Only those amendments made by the relevant Finance Acts which have become effective till 31.10.2024 are applicable for May 2025 examination. Thus, those amendments made by the Finance Act, 2024 and the Finance (No. 2) Act, 2024 which have become effective till 31.10.2024 are applicable for May 2025 examination.

Accordingly, amendments made by the Finance (No. 2) Act, 2024 in sections 16, 109 and 171 of the CGST Act, 2017 which have become effective till 31.10.2024, are applicable for May 2025 examination and remaining amendments made by the Finance Act, 2024 and Finance (No. 2) Act, 2024 are not applicable for the said examination.

Further, it may be noted that amendments made by the Finance Act, 2023 in sections 9, 9A and 9C of the Customs Tariff Act, 1975 and in section 65 of the Customs Act, 1962 and insertion of new section 65A in the Customs Act, 1962 have not become effective till 31.10.2024 and thus, are not applicable for May 2025 examination. Also, the amendments made by the Finance (No. 2) Act, 2019 in sections 2(4), 95, 102, 103, 104, 105 and 106 of the CGST Act, 2017 and the insertion of new sections 101A, 101B & 101C in the CGST Act, 2017, have not become effective till 31.10.2024 and thus, are not applicable for May 2025 examination.

The Study Guidelines given below specify the exclusions from the syllabus for May 2025 examination.

List of topic-wise exclusions from the syllabus		
(1)	(2)	(3)
S. No. in the syllabus	Topics of the syllabus	Exclusions (Provisions which are excluded from the corresponding topic of the syllabus)
Part-I: Goods and Services Tax		
(i)	Case studies based on following:	(i) Rate of tax prescribed for supply of goods*

	Levy and collection of CGST and IGST – Application of CGST/IGST law; Concept of supply, inter-State supply, intra-State supply, supplies in territorial waters; Charge of tax including reverse charge; Exemption from tax; Place of supply; Time of Supply; Value of supply; Input tax credit; Computation of GST liability	(ii) Rate of tax prescribed for supply of services* (iii) Exemptions for supply of goods (iv) Value of supply in cases where Kerala Flood Cess is applicable. (v) Manner of determination of input tax credit in respect of inputs, input services and capital goods and reversal thereof in respect of real estate projects (vi) Manner of reversal of credit of additional duty of customs in respect of Gold dore bar
(xii)	Other provisions	Transitional Provisions

***Rates specified for computing the tax payable under composition levy are included in the syllabus.**

Note: In the above table, in respect of the topics of the syllabus specified in column (2) the related exclusion is given in column (3). Where an exclusion has been so specified in any topic of the syllabus, the provisions corresponding to such exclusions, covered in other topic(s) forming part of the syllabus, shall also be excluded.

It is important to note that the entire content included in the Study Material (except where it is expressly mentioned that the content is not relevant for the examination) shall ALONE be relevant for the said examination.

Paper 6: Integrated Business Solutions

This paper is a multi-disciplinary case study-based paper involving application of concepts and provisions dealt with in Papers 1 to 5 at the Final level along

with Self-paced Modules Set A & B. List of the papers at the Final level and Self-Paced Online Modules is as under –

Final Course	
Paper 1	Financial Reporting
Paper 2	Advanced Financial Management
Paper 3	Advanced Auditing, Assurance and Professional Ethics
Paper 4	Direct Tax Laws & International Taxation
Paper 5	Indirect Tax Laws
Self-Paced Online Modules	
*SET A	Corporate and Economic Laws
SET B	Strategic Cost & Performance Management

Note: The applicability/non-applicability of Standards/ Guidance Notes/ Legislative Amendments etc. for Paper 6: Integrated Business Solutions for May, 2025 Examination would be same as applicable for each of the above individual papers.

*The Study Material has to be read along with the Relevant Amendments covering notifications and circulars issued upto 31.10.2024 for May 2025 examination