INTERMEDIATE COURSE

GROUP – I

REVISION TEST PAPERS

JANUARY, 2027

BOARD OF STUDIES (ACADEMIC)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

New Delhi

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Edition	:	October, 2026
Website	:	www.icai.org
E-mail	:	bosnoida@icai.in
Department/Committee	:	Board of Studies (Academic)
Price	:	
ISBN No.	:	
Published by	:	The Publication 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 (A)
Printed by	:	

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REVISION TEST PAPER, JANUARY 2027 – 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(A) 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/Amendments, 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 Virtual Classes by renowned subject experts conducted 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 (Academic), 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 3A and Paper 3B) 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 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 – 1 : ADVANCED ACCOUNTING

The July, 2024 edition (reprint August 2025 and onwards) of the Study Material, comprising of three modules, is applicable for the students appearing for January, 2027 Examination. For understanding the coverage of syllabus, it is important to read the Study Material carefully.

You must read the study material thoroughly to attain conceptual clarity. The tables, diagrams and flow charts in study material have been extensively prepared to facilitate easy understanding of concepts. Likewise, examples and illustrations given in the Study Material would enable you to grasp the application of theoretical concepts in real-world scenarios. After covering the concepts and illustrations, 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. Also, solve the MCQs and case scenario based MCQs uploaded in MCQ Practice Dashboard. This will help you to maximize your speed and accuracy in solving independent MCQs and case scenario based MCQs in the Examination.

The RTP consists of twenty questions together with their answers on different topics discussed in the study material. Answers to the questions have been given in detail along with the working notes for easy understanding and comprehending the steps in solving the problems. Moreover, the answers have been presented in the same manner as expected from the students in the examination. The students are expected to solve the questions under examination conditions and then compare their solutions with the solutions given in the RTP. This will facilitate them to further strategize their preparation for scoring good marks in the examination.

PAPER – 2: CORPORATE AND OTHER LAWS

The July 2024 edition (Reprint August 2025 and onwards) of the Study Material is applicable for Intermediate Course Paper 2: Corporate and Other Laws. The Study Material has been divided into three modules (Modules 1, 2 & 3) for ease of handling by students.

The Study Material is based on the provisions of the Companies Act, 2013, the Limited Liability Partnership Act, 2008, the General Clauses Act, 1897 and the Foreign Exchange Management Act, 1999, as amended upto 31st July, 2025.

The amendments in the Companies Act, 2013 for the period 1st May, 2025 to 30th June 2026 are given under the Part I of the RTP.

The students are advised to read the Study Material thoroughly to attain conceptual clarity. Tables, diagrams and flow charts have been extensively used to facilitate easy understanding of concepts. Examples and Illustrations given in the Study Material would help the students to 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. Thereafter, solve the

MCQs and case scenarios based MCQs uploaded in MCQ Paper Practice Dashboard and given in the Case scenarios booklet and assess 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 – 3: TAXATION

Section A: Income-tax Law (50 Marks)

The Income-tax law, as amended by the Finance Act, 2025 and significant notifications, circulars and other legislative amendments upto 30.06.2026 are relevant for January, 2027 Examination. The relevant assessment year for January, 2027 examination is A.Y. 2026-27.

The July, 2025 edition of the Study Material, comprising of two modules (Modules 1 & 2), is based on the provisions of income-tax law, as amended by the Finance Act, 2025 and significant notifications and circulars issued upto 15.07.2025. Hence, the same is applicable for January, 2027 Examination. Further, a list of topic-wise exclusions from the syllabus and inclusions with reference to section 10 in the syllabus has been specified by way of **"Study Guidelines"** and the same forms part of initial pages of the July, 2025 edition of the Study Material.

The above referred study material has to be read along with Statutory Update for January, 2027 Examination webhosted at https://resource.cdn.icai.org/92919bos-aps2378-int-p3a-statutory-sep2026.pdf at BoS Knowledge Portal, which contains the significant notifications/circulars issued and legislative amendments made upto 30.06.2026 but not covered in the July, 2025 edition of the Study Material.

You have to read the Study Material along with the Statutory Update thoroughly to attain conceptual clarity. Tables, diagrams and flow charts have been extensively used to facilitate easy understanding of concepts. The amendments made by the Finance Act, 2025 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. Thereafter, solve the MCQs and case scenarios based MCQs uploaded in MCQ Paper Practice Dashboard and assess your level of understanding.

After that 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.

Section B: Goods and Services Tax (50 Marks)

For Section B: Goods and Services Tax of Paper 3: Taxation, the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2025, including significant notifications and circulars issued and other legislative amendments made, up to 30th June, 2026, are applicable for January, 2027 examination.

The amendments made by the Annual Union Finance Acts in the CGST Act, 2017 and IGST Act, 2017 are made effective from the date notified subsequently. Thus, only those amendments made by the relevant Finance Acts which have become effective till 30.06.2026 are applicable for January 2027 examination. Accordingly, all the amendments made by the Finance Act, 2025 are applicable for January, 2027 examination since they have become effective till 30.06.2026.

Further, a list of topic-wise exclusions from the syllabus has been specified by way of **"Study Guidelines for January, 2027 Examination"**. The same is given as part of "**Applicability of Standards/Guidance Notes/Legislative Amendments etc. for January, 2027 - Intermediate Examination"** appended at the end of this Revision Test Paper.

The July, 2025 edition of the Study Material alongwith the Statutory updates for January, 2027 examination is applicable for Intermediate Course Paper 3: Taxation, Section B: Goods and Services Tax. The Study Material has been divided into two modules for ease of handling by students.

Study Material is based on the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended upto 30.04.2025. The amendments in the GST law made between 01.05.2025 and 30.06.2026 are covered in the Statutory Updates for January 2027 examination. For the ease of reference, the amendments have been grouped into Chapters which correspond with the Chapters of the Study Material.

You have to read the Study Material alongwith the Statutory Update thoroughly to attain conceptual clarity. You are advised to 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 – 1: ADVANCED ACCOUNTING

ANNOUNCEMENTS STATING APPLICABILITY FOR JANUARY 2027 EXAMINATION

I. Revised Criteria for classification of Non-company entities for applicability of Accounting Standards

The Council, at its 433rd meeting, held on August 13-15, 2024, considered the revised criteria for classification of Non-company entities for applicability of Accounting Standards issued by The Institute of Chartered Accountants of India (ICAI) to Non-company entities (Enterprises) and recommended to revise the same. The revised scheme for applicability of Accounting Standards to Non-company entities shall come into effect in respect of accounting periods commencing on or after April 1, 2024, which is as under:

1. For the purpose of applicability of Accounting Standards, Non-company entities are classified into two categories, viz., Micro, Small and Medium Sized Entities (MSMEs) and Large entities.

2. Micro, Small and Medium Sized Entity (MSME) means, a non-company entity:

   (i) whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;

   (ii) which is not a bank, financial institution or an insurance company;

   (iii) whose turnover (excluding other income) does not exceed two hundred and fifty crore rupees in the immediately preceding accounting year;

   (iv) which does not have borrowings in excess of fifty crore

rupees at any time during the immediately preceding accounting year; and

(v) which is not a holding or subsidiary of an entity which is not a micro, small and medium-sized entity.

Explanation.- For the purposes of this clause, a non-company entity shall qualify as a Micro, Small and Medium Sized entity, if the conditions mentioned therein are satisfied as at the end of the relevant accounting period.

Large entity is a non-company entity that is not an MSME.

The terms 'Small and Medium Enterprise' and 'SME' used in Accounting Standards shall be read as 'Micro, Small and Medium size entity' and 'MSME', respectively. Further, the terms Level II, Level III and Level IV entities used in Accounting Standards shall be read as 'Micro, Small and Medium Sized Entity' and Level I entity shall be read as a 'Large' entity.

3. Large entities are required to comply in full with all the Accounting Standards.

4. Certain exemptions/relaxations have been provided to Micro, Small and Medium sized Entity (MSMEs). Applicability of Accounting Standards and exemptions/relaxations to such entities are given in Annexure 1.

5. This Announcement supersedes the earlier Announcement of the ICAI on '**Criteria for classification of Non-company entities for applicability of Accounting Standards issued in March 2021**[1].

[1] *The said announcement was hosted on ICAI website on March 31, 2021 and published in 'The Chartered Accountant', May 2021 and it superseded the earlier announcement of the ICAI on 'Harmonisation of various differences between the Accounting Standards issued by the ICAI and the Accounting Standards notified by the Central Government' issued in February 2008, to the extent it prescribed the criteria for classification of Non-company entities (Non-corporate entities) and applicability of Accounting Standards to non-company entities, and the Announcement 'Revision in the criteria for classifying Level II non-corporate entities' issued in January 2013.*

6. This Announcement is not relevant for Non-company entities which may be required to follow Indian Accounting Standards (Ind AS) or Accounting Standards (AS) as per relevant regulatory requirements applicable to such entities.

7. The changes arising from this Announcement will be incorporated in the Accounting Standards while publishing the updated Compendium of Accounting Standards.

Additional requirements

(1) An MSME which avails the exemptions or relaxations given to it shall disclose (by way of a note to its financial statements) the fact that it is an MSME and has complied with the Accounting Standards insofar as they are applicable to an MSME.

(2) Where an MSME had qualified for any exemption or relaxation previously but no longer qualifies for the relevant exemption or relaxation in the current accounting period, the relevant standards or requirements become applicable from the current period and the figures for the corresponding period of the previous accounting period need not be revised merely by reason of its having ceased to be an MSME. The fact that it was an MSME in the previous period and it had availed of the exemptions or relaxations available to it shall be disclosed in the notes to the financial statements. The fact that previous period figures have not been revised shall also be disclosed in the notes to the financial statements.

(3) An entity which was previously not an MSME and subsequently becomes an MSME, shall not be qualified for exemption/relaxation in respect of Accounting Standards available to an MSME until the entity remains an MSME for two consecutive years.

(4) If an MSME opts not to avail of the exemptions or relaxations available to an MSME in respect of any but not all of the Accounting Standards, it shall disclose the Standard(s) in respect of which it has availed the exemption or relaxation.

(5) If an MSME opts not to avail any one or more of the exemptions or relaxations available to it, it shall comply with the relevant requirements of the Accounting Standard.

(6) An MSME may opt for availing certain exemptions or relaxations from compliance with the requirements prescribed in an Accounting Standard: Provided that such a partial exemption or relaxation and disclosure shall not be permitted to mislead users of financial statements.

Annexure 1

Applicability of Accounting Standards to Non-company Entities The Accounting Standards issued by the ICAI, as on April 1, 2024, and such standards as issued from time-to-time are applicable to Non-company entities subject to the relaxations and exemptions in the announcement. The Accounting Standards issued by ICAI as on April 1, 2024, are:

AS 1	Disclosure of Accounting Policies
AS 2	Valuation of Inventories
AS 3	Cash Flow Statements
AS 4	Contingencies and Events Occurring After the Balance Sheet Date
AS 5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
AS 7	Construction Contracts
AS 9	Revenue Recognition
AS 10	Property, Plant and Equipment
AS 11	The Effects of Changes in Foreign Exchange Rates
AS 12	Accounting for Government Grants
AS 13	Accounting for Investments
AS 14	Accounting for Amalgamations
AS 15	Employee Benefits
AS 16	Borrowing Costs
AS 17	Segment Reporting

AS 18	Related Party Disclosures
AS 19	Leases
AS 20	Earnings Per Share
AS 21	Consolidated Financial Statements
AS 22	Accounting for Taxes on Income
AS 23	Accounting for Investments in Associates in Consolidated Financial Statements
AS 24	Discontinuing Operations
AS 25	Interim Financial Reporting
AS 26	Intangible Assets
AS 27	Financial Reporting of Interests in Joint Ventures
AS 28	Impairment of Assets
AS 29	Provisions, Contingent Liabilities and Contingent Assets

(1) Applicability of the Accounting Standards to Large Non- company entities.

Large entities are required to comply in full with all the Accounting Standards.

(2) Applicability of the Accounting Standards and exemptions/ relaxations for Micro, Small and Medium sized Non-company entities

(A) Accounting Standards not applicable to Micro, Small and Medium sized entity (MSME) in their entirety

(i) Accounting Standards not applicable to all MSMEs in their entirety:

- AS 3, Cash Flow Statements
- AS 17, Segment Reporting
- AS 20, Earnings per Share
- AS 24, Discontinuing Operations

(ii) AS 18, Related Party Disclosures and AS 28, Impairment of Assets not applicable in their entirety to MSMEs :

(a) whose turnover (excluding other income) does not exceed rupees fifty crore in the immediately preceding accounting year;

(b) which does not have borrowings in excess of rupees ten crore at any time during the immediately preceding accounting year; and

(c) which is not a Holding and subsidiary of an MSME not covered above.

(B) Relaxations/exemptions from certain requirements of Accounting Standards to Micro, Small and Medium sized Entities (MSMEs)

(i) Accounting Standard (AS) 10, Property, Plant and Equipment MSMEs may not comply with paragraph 87 relating to encouraged disclosures.

(ii) AS 11, The Effects of Changes in Foreign Exchange Rates MSMEs may not comply with paragraph 44 relating to encouraged disclosures.

(iii) AS 15, Employee Benefits

(1) MSMEs may not comply with the following paragraphs:

(a) paragraphs 11 to 16 of the standard to the extent they deal with recognition and measurement of short-term accumulating compensated absences which are nonvesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving);

(b) paragraphs 46 and 139 of the Standard which deal with discounting of amounts

that fall due more than 12 months after the balance sheet date;

(c) recognition and measurement principles laid down in paragraphs 50 to 116 and presentation and disclosure requirements laid down in paragraphs 117 to 123 of the Standard in respect of accounting for defined benefit plans. However, such entities may calculate and account for the accrued liability under the defined benefit plans by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year; and

(d) recognition and measurement principles laid down in paragraphs 129 to 131 of the Standard in respect of accounting for other long-term employee benefits. Such entities may calculate and account for the accrued liability under the other long-term employee benefits by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year.

(iv) AS 19, Leases

MSMEs may not comply with paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); 38; and 46 (b), (d) and (e) relating to disclosures.

(v) AS 22, Accounting for Taxes on Income

(a) MSMEs shall comply with the requirements of AS 22, Accounting for Taxes on Income, for Current tax defined in paragraph 4.4 of AS 22,

with recognition as per paragraph 9, measurement as per paragraph 20 of AS 22, and presentation and disclosure as per paragraphs 27-28 of AS 22.

(b) Transitional requirements on the first occasion when an MSME avails this exemption, the accumulated deferred tax asset/liability appearing in the financial statements of immediate previous accounting period, shall be adjusted against the opening revenue reserves/owner's funds.

(vi) AS 26, Intangible Assets MSMEs may not comply with paragraphs 90(d)(iii); 90(d)(iv) and 98 relating to disclosures.

(vii) AS 28, Impairment of Assets (a) MSMEs that are otherwise not exempted from applying this standard [refer note 2(A)(ii)] are allowed to measure the 'value in use' on the basis of reasonable estimate thereof instead of computing the value in use by present value technique. Consequently, if such MSME chooses to measure the 'value in use' by not using the present value technique, the relevant provisions of AS 28, such as discount rate etc., would not be applicable to such an entity. Further, such an entity need not disclose the information required by paragraph 121(g) of the Standard. (b) MSMEs that are otherwise not exempted from applying this standard [refer note 2(A)(ii)] may not comply with paragraphs 121(c)(ii); 121(d)(i); 121(d)(ii) and 123 relating to disclosures.

(viii) AS 29, Provisions, Contingent Liabilities and Contingent Assets

MSMEs may not comply with paragraphs 66 and 67 relating to disclosures.

(C) In case of Micro, Small and Medium sized Non-company entities, generally there are no such transactions that are

covered under AS 14, Accounting for Amalgamations, or jointly controlled operations or jointly controlled assets covered under AS 27, Financial Reporting of Interests in Joint Ventures. Therefore, these standards are not applicable to Micro, Small and Medium size Non-company entities. However, if there are any such transactions, these entities shall apply the requirements of the relevant standard.

(D) AS 21, Consolidated Financial Statements, AS 23, Accounting for Investments in Associates in Consolidated Financial Statements, AS 27, Financial Reporting of Interests in Joint Ventures (to the extent of requirements relating to Consolidated Financial Statements), and AS 25, Interim Financial Reporting, do not require a Non-company entity to present consolidated financial statements and interim financial report, respectively. Relevant AS is applicable only if a Non-company entity is required or elects to prepare and present consolidated financial statements or interim financial report.

II. Amendments to AS 22, Accounting for Taxes on Income

Paragraphs 2A, 32A–32D (including their related heading and example after paragraph 32D) and 35 are added.

Scope: 2A This Standard applies to taxes on income arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules. Such tax law, and the taxes on income arising from it, are hereafter referred to as 'Pillar Two legislation' and 'Pillar Two income taxes'. As an exception to the requirements in this Standard, an enterprise should neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Presentation and Disclosure: International tax reform—Pillar Two model rules 32A An enterprise should disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes (see

paragraph 2A). 32B An enterprise should disclose separately its current tax expense (income) related to Pillar Two income taxes. 32C In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an enterprise should disclose known or reasonably estimable information that helps users of financial statements understand the enterprise's exposure to Pillar Two income taxes arising from that legislation. 32D To meet the disclosure objective in paragraph 32C, an enterprise should disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. This information does not have to reflect all the specific requirements of the Pillar Two legislation and can be provided in the form of an indicative range. To the extent information is not known or reasonably estimable, an enterprise should instead disclose a statement to that effect and disclose information about the enterprise's progress in assessing its exposure.

Examples illustrating paragraphs 32C–32D Examples of information an enterprise could disclose to meet the objective and requirements in paragraphs 32C–32D include: (a) qualitative information such as information about how an enterprise is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist; and (b) quantitative information such as: (i) an indication of the proportion of an enterprise's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or (ii) an indication of how an enterprise's average effective tax rate would have changed if Pillar Two legislation had been in effect.

Provided that a Micro, Small and Medium-sized Enterprise (Levels IV, III and II non-company entities) may not apply the disclosure requirements laid down in paragraphs 32C and 32D. ... Effective date 35 International Tax Reform—Pillar Two Model Rules, added paragraphs 2A and 32A–32D. An enterprise should: (a) apply paragraphs 2A and 32A immediately upon the issue of these amendments and retrospectively; and (b) apply paragraphs 32B–32D for annual reporting periods beginning on or after 1 April 2024. An enterprise is not required to disclose the information required by these paragraphs for any interim period ending on or before 31 March 2025.

III. Notification G.S.R 880(E) dated 1st December, 2025

The Central Government has amended the Companies (Specification of definition details) Rules, 2014, through the Companies (Specification of definition details) Amendment Rules, 2025.

Amendment: In the Companies (Specification of definition details) Rules, 2014: In **rule 2**, in sub-rule (1), for clause (t), the following clause shall be substituted, namely:-

"(t) For the purposes of sub-clause (i) and sub-clause (ii) of clause (85) of section 2 of the Act, paid up capital and turnover of the small company shall not exceed rupees ten crores and rupees one hundred crores respectively.".



QUESTIONS

PART – I: Multiple Choice Questions based on Case Scenarios

1. Delma Infrastructure Ltd. (DIL) is engaged in infrastructure development. DIL has certain investments in other companies. It prepares consolidated financial statements (CFS) in accordance with Accounting Standard (AS) 21, AS 23, and AS 27.

   DIL holds 30% of the equity shares of Sima Developers Pvt. Ltd. (SDPL). The remaining 70% is held by several unrelated investors. DIL has representation on the board and participates in policy decisions on project development and finance.

   DIL also holds 18% of the equity capital of Orion Estates Ltd. Although DIL has board representation, all decisions require a 3/4th majority of directors, and DIL does not participate actively in policy decisions. The management believes significant influence does not exist.

   Further, DIL holds 25% of the equity of Bela Ltd, but the investment is temporarily held for resale. It is expected to be disposed of within 6 months.

   a. Which of the following entities should be treated as an associate of DIL for the purpose of consolidation under AS 23?

(i) Sima Developers Pvt. Ltd. and Orion Estates Ltd.

(ii) Sima Developers Pvt. Ltd. and Bela Ltd.

(iii) Only Sima Developers Pvt. Ltd.

(iv) All three entities

b. As per AS 23 Accounting for Investments in Associates in Consolidated Financial Statements, DIL should account for its investment in Associates in the consolidated financial statements by:

(i) applying proportionate consolidation method

(ii) Accounting for investment at cost

(iii) Applying the equity method

(iv) Accounting for investment as a financial asset

c. How should DIL account for its investment in Bela Ltd. while preparing consolidated financial statements?

(i) Include it as an associate using the equity method

(ii) Account for it as a joint venture using proportionate consolidation

(iii) Exclude it from consolidation since it is held exclusively for disposal

(iv) Fully consolidate it as a subsidiary

d. Which of the following factors best indicate the existence of significant influence as per AS 23 'Accounting for Investments in Associates in Consolidated Financial Statements':

(i) Ownership of more than 10% of the voting power

(ii) Existence of a long-term trade relationship between the investor and the investee

(iii) Participation in policy-making processes, representation on the Board, and material transactions between investor and investee

(iv) Provision of management services to the investee

2. A company revalues its building, resulting in an increase in carrying amount of ₹ 5,00,000. In an earlier year, the same building had been written down by ₹ 2,00,000 due to a revaluation decrease, which was charged to the Profit and Loss Statement. As per AS 10, how should the current increase of ₹ 5,00,000 be treated?

   (i) Entire ₹ 5,00,000 credited to Revaluation Reserve

   (ii) ₹ 2,00,000 credited to Profit and Loss Statement (reversing the earlier decrease) and ₹ 3,00,000 credited to Revaluation Reserve

   (iii) Entire ₹ 5,00,000 credited to Profit and Loss Statement

   (iv) Ignored, since revaluation increases are not recognized under AS 10

3. As per AS 11, which of the following is classified as a "non-integral foreign operation"?

   (i) A foreign branch that merely sells goods imported from the parent, remitting proceeds regularly

   (ii) A foreign operation that accumulates cash and other monetary items, incurs expenses, and generates revenue primarily in local currency, largely independent of the reporting enterprise

   (iii) A branch acting only as a selling agent for the parent on commission basis

   (iv) A branch that borrows from the parent to finance all its activities

4. Comet Logistics Ltd. enters into a forward exchange contract purely for trading or speculation purposes — not to hedge an identifiable transaction or firm commitment. How does AS 11 require Comet to account for the gain or loss on this contract, in contrast to a hedging (non-trading, non-speculation) forward contract?

   (i) In the same way as a hedging contract — the premium or discount is amortised as expense or income over the life of the contract.

   (ii) Unlike a hedging forward contract (where the premium/discount is amortised over the contract's life), the gain or loss on a trading or speculation forward contract is determined at each reporting date

by reference to the change in the forward rate for the remaining maturity of the contract, compared to the contracted forward rate (or the rate at the last reporting date), with the resulting gain or loss recognised in the statement of profit and loss for that period.

(iii) It must be capitalised to the cost of an identifiable capital asset, exactly as a hedging contract would be.

(iv) Trading and speculative forward contracts are entirely outside the scope of Indian GAAP and are simply ignored until settlement.

Part II - Descriptive Questions

Applicability of Accounting Standards

Introduction to Accounting Standards

5. XYZ Ltd. follows an Accounting Standard for the valuation of its inventories. However, a specific provision of the applicable statute requires the inventories to be valued using a different method. The application of the statutory requirement results in a valuation different from that determined in accordance with the Accounting Standard.

You are required to advise XYZ Ltd. regarding the treatment to be followed in such a situation. Also, state how the company should provide relevant information to the users of its financial statements in such circumstances.

Framework for Preparation & Presentation of Financial Statements

6. The Balance Sheet of a trader as at 31st March, 2026 shows Property, Plant and Equipment at ₹ 65,000. While preparing the financial statements for the year ended 31st March, 2027, the accountant is considering whether the financial statements should continue to be prepared on a going concern basis, as there are indications that the business may discontinue its operations.

You are required to:

(i) explain the basis on which assets are generally measured when financial statements are prepared on a going concern basis; and

(ii) state the disclosure requirements where the financial statements are prepared on a basis other than the going concern basis.

AS 2 "Valuation of Inventories"

7. Shivalik Traders deals in a single line of electronic components. During the month of March 2026, the firm purchased 800 units of a component at ₹ 120 per unit. During the same month, it sold 600 units at ₹ 150 per unit. The remaining 200 units remained unsold as at the year-end, 31st March 2026.

The proprietor seeks your advice on the valuation of closing stock and the resultant profit for the year under the following two independent situations:

Situation A: The net realisable value (NRV) per unit of the unsold components, based on prevailing market conditions as at the year-end, is ₹ 150.

Situation B: Due to a sudden fall in market price on account of a new competing product launched by a rival company, the net realisable value (NRV) per unit of the unsold components as at the year-end has fallen to ₹ 100.

You are required to determine the value at which the closing stock of 200 units should be recognised in each of the above situations, and compute the profit of Shivalik Traders for the year in each case, as per AS 2 "Valuation of Inventories," read with the principle of prudence under AS 1, Disclosures of Accounting Policies .

AS 19 "Leases" (read with AS 1 "Disclosure of Accounting Policies")"

8. Kavin Industries Ltd. sells a machine to a finance company for ₹ 2 crore and simultaneously leases back the same machine for the remainder of its useful life. The agreement provides that ownership of the machine will transfer back to Kavin Industries Ltd. at the end of the lease term on payment of ₹ 1. Kavin Industries Ltd. continues to use the machine and bears the risk of technological obsolescence throughout the lease term.

You are required to:

(i) state, with reasons, whether the sale and leaseback transaction is, in substance, a finance lease; and

(ii) explain the accounting treatment of the transaction in the books of Kavin Industries Ltd. with reference to AS 1, *Disclosure of Accounting Policies*, and AS 19, *Leases*.

AS 3 "Cash Flow Statements "

9. Following is the cash flow abstract of Alpha Ltd. for the year ended 31st March, 2027:

Cash Flow (Abstract)

Inflows	**₹**	**Outflows**	**₹**
Opening balance:		Payment for Account	
Cash	10,000	Payables	90,000
Bank	70,000	Salaries and wages	25,000
Share capital – shares issued	5,00,000	Payment of overheads	15,000
Collection on account of Trade Receivables	3,50,000	Property, plant and equipment acquired	4,00,000
		Debentures redeemed	50,000
Sale of Property, plant and equipment	70,000	Bank loan repaid	2,50,000
		Taxation	55,000
		Dividends	1,00,000
		Closing balance:	
		Cash	5,000
		bank	10,000
	10,00,000		10,00,000

Prepare Cash Flow Statement for the year ended 31st March, 2027 in accordance with Accounting Standard 3.

AS 4 "Contingencies and Events Occurring after the Balance Sheet Date"

10. MN Limited operates its business into various segments. Its financial year ended on 31st March, 2026 and financial statements were approved

by their approving authority on 15th June, 2026. The following material events took place:

(1) On 7th April, 2026, a fire completely destroyed a manufacturing plant of the entity. It was expected that the loss of ₹ 15 crores would be fully covered by the insurance company.

(2) A claim for damage amounting to ₹ 2 crores for breach of patent had been received by the entity prior to the year end. It is the director's opinion, backed by legal advice that the claim will ultimately prove to be baseless. But it is still estimated that it would involve a considerable expenditure on legal fees.

(3) A major property was sold (it was included in the balance sheet at ₹ 37,50,000) for which contracts had been exchanged on 15th March, 2026. The sale was completed on 15th May, 2026 at a price of ₹ 39,75,000.

You are required to state with reasons, how each of the above items should be dealt with in the financial statements of MN Limited for the year ended 31st March, 2026 as per AS-4.

AS 7 "Construction Contracts"

11. (i) AP Ltd., a construction contractor, undertakes the construction of commercial complex for Kay Ltd. AP Ltd. submitted separate proposals for each of 3 units of commercial complex. A single agreement is entered into between the two parties. The agreement lays down the value of each of the 3 units, i.e. ₹ 50 Lakh ₹ 60 Lakh and ₹ 75 Lakh respectively. Agreement also lays down the completion time for each unit.

Comment, with reference to AS 7, whether AP Ltd., should treat it as a single contract or three separate contracts.

(ii) On 1st December, 2026, GR Construction Co. Ltd. undertook a contract to construct a building for ₹ 45 lakhs. On 31st March, 2027, the company found that it had already spent ₹ 32.50 lakhs on the construction. Additional cost of completion is estimated at ₹ 15.10 lakhs. What amount should be charged to revenue in the final accounts for the year ended 31st March, 2027 as per provisions of AS 7?

AS 10 "Property Plant and Equipment"

12. Hardy Ltd. intends to extend the factory set up on the adjacent plot with dilapidated old premises. It acquired the land having an area of 250 hectares at a cost of ₹ 25,000 per hectare.

Hardy Ltd. incurred Stamp duty and registration charges of 5% of land value. Legal fees were paid ₹ 4,75,000 for land acquisition.

Hardy Ltd. incurred ₹ 37,85,000 for demolishing old premises thereon. A sum of ₹ 12,60,000 (including 5% GST thereon) was realized from the sale of material salvaged from the site.

Till the new site with extended factory premises is ready, the company needs to move the present production facilities to another (temporary) site. The following incremental costs will be incurred.

(1) Set up costs of ₹ 7,50,000 to install machinery in the new location.

(2) Rent of ₹ 12,00,000.

(3) Removal costs of ₹ 2,50,000 to transport the machinery from the old location to the temporary location.

(i) Management is of the opinion that the cost of moving the production facilities to another temporary location can be capitalised.

You are required to advise.

(ii) You are also required to compute the cost of land acquired.

AS 11 "The Effects of Changes in Foreign Exchange Rates"

13. Legal Ltd. is engaged in the manufacturing of rubber. For its plant, it required machineries of latest technology. It usually resorts to Long Term Foreign Currency Borrowings for its fund requirements. On 1st April, 2026, it borrowed US $1 million from International Funding Agency, USA when exchange rate was 1 $ = ₹ 63. The funds were used for acquiring machineries, on the same date, to be used in three different plants. The useful life of the machineries is 10 years and their residual value is ₹ 30,00,000.

Earlier also the company used to purchase machineries out of foreign borrowings. The exchange differences arising on such borrowings were charged to profit and loss account and were not capitalized even though the company had an option to capitalize it as per notified AS 11.

Now for this new purchase of machinery, Legal Ltd, is interested to avail the option of capitalizing the same to the cost of asset. Exchange rate on 31st March, 2027 is 1 US $ = ₹ 62. Assume that on 31st March, 2027, Legal Ltd. is not having any old long term foreign currency borrowings except for the amount borrowed for machinery purchased on 1st April, 2026.

Comment whether Legal Ltd. can capitalize the exchange difference to the cost of asset on 31st March, 2027. If yes, then calculate the depreciation amount on machineries as on 31st March, 2027.

AS 12 "Accounting for Government Grants"

14. Sunrise Manufacturing Ltd. established a new manufacturing unit in an economically backward region under a Government scheme. Under the scheme, the company was eligible to receive a subsidy equivalent to 15% of the total capital investment made in the unit. The subsidy was granted as an incentive for establishing the undertaking, and no repayment was ordinarily expected. The scheme did not require the subsidy to be utilised for acquiring any particular asset.

During the year ended 31st March, 2027, the company made a capital investment of ₹ 40 crore and, after fulfilling all the conditions of the scheme, received a subsidy of ₹ 6 crore from the Government.

The management proposes to recognise the subsidy as income in the Statement of Profit and Loss for the year ended 31st March, 2027.

You are required to examine, with reference to AS 12, Accounting for Government Grants, whether the proposed accounting treatment is appropriate.

AS 28 "Impairment of Assets"

15. A machine was acquired by Zest Ltd. on 01/04/2022 for ₹ 60 lakhs. It had a useful life of 6 years. The machine is depreciated on straight line basis and does not carry any residual value. On 01/04/2025, the carrying value of the machine was reassessed at ₹ 36 lakhs.

The surplus arising out of the revaluation being credited to revaluation reserve.

For the year ended March 2027, conditions indicating an impairment of the existing machine and the amount recoverable ascertained to be ₹ 9 lakhs.

You are required to calculate the loss on impairment of the machine and show how this loss is to be treated in the books of Zest Ltd. The company had followed the policy of writing down the revaluation surplus by the increased charge of depreciation resulting from the revaluation.

AS 29 "Provisions, Contingent Liabilities and Contingent Assets"

16. A company incorporated under Section 8 of the Companies Act, 2013, have main objective to promote the trade by organizing trade fairs / exhibitions. When company was organizing the trade fair and exhibitions it decided to charge 5% contingency charges for the participants/ outside agencies on the income received from them by the company, while in the case of fairs organized by outside agencies, 5% contingency charges are levied separately in the invoice, the contingency charges in respect of fairs organized by the company itself are inbuilt in the space rent charged from the participants. Both are credited to Income and Expenditure Account of the company.

The intention of levying these charges is to meet any unforeseen liability, which may arise in future. The instances of such unforeseen liabilities could be on account of injury/loss of life to visitors/ exhibitors, etc., due to fire, terrorist attack, stampede, natural calamities and other public and third party liability. occurrence of such events cannot be ruled out, given the large crowds visiting the fair. The decision to levy 5% contingency charges was based on assessment only as actual liability on this account cannot be estimated.

The following accounting treatment and disclosure was made by the company in its financial statements:

1. 5% contingency charges are treated as income and matching provision for the same is also being made in accounts.

2. A suitable disclosure to this effect is also made in the notes forming part of accounts.

Required:

(i) Whether creation of provision for contingencies under the facts and circumstances of the case is in conformity with AS 29.

(ii) If the answer of (i) is "No" then what should be the treatment of the provision which is already created in the balance sheet.

Buy back of Securities

17. Purpose Ltd. resolves to buy back 4 lakhs of its fully paid equity shares of ₹ 10 each at ₹ 22 per share. This buyback is in compliance with the provisions of the Companies Act and does not exceed 25% of total paid up equity capital in the financial year. For the purpose, it issues 1 lakh 11 % preference shares of ₹ 10 each at par, the entire amount being payable with applications. The company uses ₹ 16 lakhs of its balance in Securities Premium Account apart from its adequate balance in General Reserve to fulfill the legal requirements regarding buy-back. Give necessary journal entries to record the above transactions.

Branch Accounting

18. From the following particulars relating to Pune branch for the year ending December 31, 2026, prepare Branch Account in the books of Head office. All the daily collections are transferred from the branch to the head office. Head office paid all the branch expenses from its bank account, except petty cash expenses which were met by the Branch. Assume that goods are invoiced to the branch at cost.

		₹
Stock at Branch on January 1, 2026		10,000
Branch Debtors on January 1, 2026		4,000
Branch Debtors on Dec. 31, 2026		4,900
Petty cash at branch on January 1, 2026		500
Furniture at branch on January 1, 2026		2,000
Prepaid fire insurance premium on January 1, 2026		150

Salaries outstanding at branch on January 1, 2026		100
Good sent to Branch during the year		80,000
Cash Sales during the year		1,30,000
Credit Sales during the year		40,000
Cash received from debtors		35,000
Cash paid by the branch debtors directly to the Head Office		2,000
Discount allowed to debtors		100
Cash sent to branch for Expenses:		
Rent	2,000	
Salaries	2,400	
Petty Cash	1,000	
Annual Insurance up to March 31, 2027	600	6,000
Goods returned by the Branch		1,000
Goods returned by the debtors		2,000
Stock on December 31,2026		5000
Petty Cash spent by branch		850
Provide depreciation on furniture 10% p.a.		

Goods costing ₹ 1,200 were destroyed due to fire and a sum of ₹ 1,000 was received from the Insurance Company.

Amalgamation of Companies

19. The following are the summarized Balance Sheet of Ram Limited and Shyam Limited as at 31st March 2027:

Particulars	**Ram Limited (₹ in Lakhs)**	**Shyam Limited (₹ in Lakhs)**
Equity and liabilities		
Equity Shares of ₹ 100 each	40.000	28.000
10% Debentures of ₹ 100 each	15.000	-
8% Debentures of ₹ 100 each	-	8.000

General Reserves	1.500	0.670
Retirement Gratuity Fund (Long term)	3.450	1.300
Trade Payables	7.400	4.250
Other current liabilities	1.240	0.880
Short-term provisions	0.710	0.320
Total	69.300	43.420
Assets		
Goodwill	8.750	1.795
Property, Plant and Equipment	35.650	31.260
Inventories	8.890	4.800
Trade Receivables	13.535	4.650
Cash in hand	0.485	0.315
Balances with banks	1.990	0.600
Total	69.300	43.420

On 31st March 2027, Ram Limited absorbs the business of Shyam Limited on the following terms:

(i) 8% Debenture holders of Shyam Limited are to be paid at 10% discount by issue of 10% Debentures at par in Ram Limited.

(ii) There is an unrecorded current asset of ₹ 1,16,000 in the books of Shyam Limited, which is taken over by Ram Limited.

(iii) Trade payables of Shyam Limited included ₹ 1,50,000 payable to Ram Limited.

(iv) Inventory of Shyam Limited is taken over by Ram Limited at 10% more than its book value.

(v) Goodwill of Shyam Limited on absorption is to be computed based on two times of simple average profits of preceding three financial years (2023-2024: ₹ 4,50,000; 2024-2025: ₹ 3,90,000; and 2025-2026: ₹ 2,35,000). In the year 2024-2025, there was an embezzlement of cash by an employee amounting to ₹ 50,000, which has already been adjusted in the profit for the year 2024-2025.

(vi) Property, Plant and Equipment of Shyam Limited are taken over by Ram Limited at ₹ 36,44,500.

(vii) Remaining Assets and Liabilities of Shyam Limited are taken over by Ram Limited at their book value.

(viii) Equity Shareholders of Shyam Limited will be issued necessary equity shares in Ram Limited at 5% premium.

You are required to:

(i) Calculate the Purchase consideration.

(ii) Prepare Balance Sheet of Ram Limited after absorption as at 31st March 2027.

Consolidated Financial Statements

20. The following are the summarized Balance Sheets of Seva Limited and its subsidiary Meva Limited as at 31st March 2027:

Particulars	Seva Limited (₹ in Lakh)	Meva Limited (₹ in Lakh)
Equity Shares of ₹ 10 each, fully paid up	6,000	4,000
General Reserve	1,500	1,200
Profit and Loss Account	2,000	1,500
10% Debentures of ₹ 10 each	1,180	820
Trade Payable	1,500	1,080
Total	12,180	8,600
Land and Building	4,000	4,150
Plant & Machinery	1,460	1,650
Non-current investments (Shares in Meva Limited)	3,000	
Inventories	1,400	1,100
Trade Receivable	1,420	1,000
Cash at Bank	550	600
Cash in Hand	350	100
Total	12,180	8,600

The following information are provided:

(i) The Authorised Share Capital of Seva Limited is ₹ 9,000 Lakh divided into Equity Shares of ₹ 10 each and that of Meva Limited is ₹ 6,000 Lakh divided into Equity Shares of ₹ 10 each.

(ii) Seva Limited acquired 80% equity shares of Meva Limited on 1st April 2026. On that date, General Reserve and Profit & Loss Account of Meva Limited stood at ₹ 2,000 lakh and ₹ 800 lakh respectively.

(iii) On 1st November 2026 Meva Limited issued one fully paid up bonus share for every three shares held out of balances of its general reserve as on 31st March 2026.

(iv) On 31st March 2027 Seva Limited's includes goods purchased from Meva Limited for ₹ 125 lakh on which Meva Limited earned a profit of ₹ 25 lakh.

You are required to prepare Consolidated Balance Sheet of Seva Limited and its subsidiary Meva Limited as on 31 March 2027 as per Schedule III of the Companies Act, 2013.



SUGGESTED ANSWERS/HINTS

Answer to Case Scenario and MCQ

Q. No.		Hints
1.	(a)	(iii)
	(b)	(iii)
	(c)	(iii)
	(d)	(iii)
2.		(ii)
3		(ii)
4		(ii)

Descriptive Answers

5. Where there is a conflict between the requirements of an Accounting Standard and a statutory requirement governing an enterprise, the statutory requirement shall prevail.

Accordingly, XYZ Ltd. should follow the valuation method prescribed under the applicable statute, even though it differs from the method prescribed by the relevant Accounting Standard.

However, while preparing its financial statements, XYZ Ltd. should ensure that the financial information remains relevant, reliable and meaningful to the users. The company should appropriately disclose the accounting policy followed for valuation of inventory and the fact that the different treatment has been adopted pursuant to the statutory requirement. Such disclosure will enable users to understand the basis of valuation and its impact on the financial statements. The disclosure should state the deviation from the Accounting Standard, the reason for the deviation (i.e., the statutory requirement) and the financial effect, if any, arising out of the deviation, in line with Section 129(5) of the Companies Act, 2013

6. The going concern assumption means that the business is expected to continue in operation for the foreseeable future and that it neither intends, nor has any realistic alternative but, to liquidate or materially curtail the scale of its operations.

(i) **Measurement of assets under the going concern basis:** When financial statements are prepared on a going concern basis, assets are measured and presented in accordance with the applicable Accounting Standards on the assumption that they will be used in the normal course of business, rather than realised through a forced or immediate sale. Accordingly, assets are generally measured on the historical cost basis (cost less accumulated depreciation and impairment losses), and not at realisable or liquidation value.

Accordingly, Property, Plant and Equipment is generally carried in accordance with the applicable standard—normally at its carrying amount, i.e., cost less accumulated depreciation and accumulated

impairment losses (or under the applicable revaluation model, where adopted). Therefore, the PPE balance of ₹ 65,000 as at 31 March 2026 would be further adjusted, as appropriate, for depreciation, impairment, additions or disposals during 2027. It is not automatically restated to liquidation or forced-sale value merely because there are doubts about continuity.

(ii) **Disclosures where financial statements are not prepared on a going concern basis:** Where financial statements are prepared on a basis other than the going concern basis, the entity should disclose:

1. the fact that the financial statements have not been prepared on a going concern basis;
2. the basis on which the financial statements have been prepared; and
3. the reason why the entity is not regarded as a going concern. This enables users to understand the basis of measurement and presentation adopted and assess its effect on the financial statements.

7. As per AS 2, inventories are to be valued at the lower of cost and net realisable value (NRV). This is a direct application of the principle of prudence, one of the major considerations governing the selection of accounting policies under AS 1 profits are not anticipated, but all probable/known losses are provided for. Accordingly, unrealised gains (NRV higher than cost) are ignored, while probable losses (NRV lower than cost) are recognised in the current period itself.

Situation A: NRV = ₹ 150 per unit (higher than cost of ₹ 120)

Since NRV (₹150) > Cost (₹ 120), the closing stock is valued at cost, i.e., ₹ 120 per unit, in line with the prudence principle the unrealised gain of ₹ 30 per unit (₹ 150 – ₹ 120) is not recognised in the current year.

Particulars	**Amount (₹)**
Value of closing stock (200 units × ₹ 120)	24,000
Sales (600 units × ₹ 150)	90,000
Less: Cost of goods sold (800 units × ₹ 120 – 24,000)	(72,000)
Profit for the year	18,000

Situation B: NRV = ₹ 100 per unit (lower than cost of ₹ 120)

Since NRV (₹ 100) < Cost (₹ 120), the closing stock is valued at NRV, i.e., ₹ 100 per unit the probable future loss of ₹ 20 per unit (₹ 120 – ₹ 100) on the unsold 200 units is recognised immediately in the current year itself.

Particulars	Amount (₹)
Value of closing stock (200 units × ₹ 100)	20,000
Sales (600 units × ₹ 150)	90,000
Less: Cost of goods sold (800 units × ₹ 120 – 20,000)	(76,000)
Profit for the year	**14,000**

Hence, in Situation A, the closing stock is valued at cost (₹ 24,000), yielding a profit of ₹18,000, with the unrealised gain of ₹ 6,000 (200 units × ₹ 30) deferred to the next period. In Situation B, the closing stock is valued at the lower NRV (₹ 20,000), yielding a reduced profit of ₹14,000, since the anticipated loss of ₹ 4,000 (200 units × ₹ 20) on the unsold units is recognised upfront this reflects the prudent approach mandated by AS 2 and AS 1.

8. As per AS 1, Disclosure of Accounting Policies, transactions should be accounted for in accordance with their substance and economic reality and not merely their legal form.

In the present case, Kavin Industries Ltd. continues to use the machine for substantially its entire remaining useful life, bears the risk of technological obsolescence and obtains the right to have ownership of the machine transferred back to it for a nominal amount of ₹ 1 at the end of the lease term. These factors indicate that substantially all the risks and rewards incidental to ownership of the machine continue to remain with Kavin Industries Ltd. In particular, transfer of ownership to the lessee by the end of the lease term for a nominal consideration is one of the situations that individually or in combination lead to a lease being classified as a finance lease under AS 19 (paras 8 and 10).

Accordingly, the transaction is, in substance, a finance lease and not a genuine sale followed by an operating lease.

The accounting treatment shall be as follows:

1. The transaction should be accounted for in accordance with the provisions relating to finance leases under AS 19, Leases.
2. The machine should be recognised as a leased asset in the books of Kavin Industries Ltd. and a corresponding lease obligation should be recognised. The machine continues to be shown in the books of Kavin Industries Ltd. and depreciated as before.
3. The amount of ₹ 2 crore received from the finance company represents, in substance, finance obtained under the arrangement and should not be treated as ordinary sale proceeds.
4. Where the sale and leaseback results in a finance lease, any excess of the sale proceeds over the carrying amount of the machine should not be recognised immediately as income. Such excess should be deferred and amortised over the lease term.

Thus, the transaction should be accounted for on the basis of its financing substance rather than its legal form as a sale followed by a leaseback.

9. Cash Flow Statement for the year ended 31.3.2027

	₹	₹
Cash flow from operating activities		
Cash received on account of trade receivables	3,50,000	
Cash paid on account of trade payables	(90,000)	
Cash paid to employees (salaries and wages)	(25,000)	
Other cash payments (overheads)	(15,000)	
Cash generated from operations	2,20,000	
Income tax paid	(55,000)	
Net cash generated from operating activities		1,65,000

Cash flow from investing activities		
Payment for purchase of Property, plant and equipment	(4,00,000)	
Proceeds from sale of Property, plant and equipment	70,000	
Net cash used in investmenting activities		(3,30,000)
Cash flow from financing activities		
Proceeds from issue of share capital	5,00,000	
Bank loan repaid	(2,50,000)	
Debentures redeemed	(50,000)	
Dividends paid	(1,00,000)	
Net cash **generated from** financing activities		1,00,000
Net decrease in cash and cash equivalents		(65,000)
Cash and cash equivalents at the beginning of the year		80,000
Cash and cash equivalents at the end of the year		15,000

10. As per AS 4 'Contingencies and Events Occurring After the Balance Sheet Date'

(1) The event is a non-adjusting event since it occurred after the year-end and does not relate to the conditions existing at the year-end. However, it is necessary to consider the validity of the going concern assumption having regard to the extent of insurance cover. Also, since it is said that the loss would be fully recovered by the insurance company, the fact should be disclosed by way of note in the financial statements. The disclosure should state the nature of the event and an estimate of its financial effect (loss of ₹ 15 crores, expected to be fully recovered from the insurer).

(2) On the basis of evidence provided, the claim against the company will not succeed. Thus, 2 crores should not be provided in the account but should be disclosed by means of a contingent liability with full details of the facts as per AS 29. Provision can be made

for legal fee expected to be incurred to the extent that they are not expected to be recovered if the amount can be ascertained.

(3) The sale of property should be treated as an adjusting event since contracts had been exchanged prior to the year-end. The effect of the sale would be reflected in the financial statements ended on 31.3.2026 and the profit on sale of property ₹ 2,25,000 would be considered.

11. (i) As per AS 7 'Construction Contracts', when a contract covers a number of assets, the construction of each asset should be treated as a separate construction contract when:

(a) separate proposals have been submitted for each asset;

(b) each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset; and

(c) the costs and revenues of each asset can be identified.

Therefore, AP Ltd. is required to treat construction of each unit as a separate construction contract as the above-mentioned conditions of AS 7 are fulfilled in the given case.

(ii)

	₹ in lakhs
Cost of construction incurred till date	32.50
Add: Estimated future cost	15.10
Total estimated cost of construction	47.60

Percentage of completion till date to total estimated cost of construction

= (32.50/47.60)×100 = 68.28%

Proportion of total contract value recognised as revenue for the year ended 31st March, 2027 per AS 7 (Revised)

= Contract price x percentage of completion

= ₹ 45 lakh x 68.28% = ₹ 30.73 lakhs.

	(₹ in lakhs)
Total cost of construction	47.60
Less: Total contract price	(45.00)
Total foreseeable loss to be recognized as expense	2.60

According to AS 7, when it is probable that total contract costs will exceed total contract revenue, the expected loss should be recognized as an expense immediately.

12. (a) (i) (i) Constructing or acquiring a new asset may result in incremental costs that would have been avoided if the asset had not been constructed or acquired.

(ii) These costs are not to be included in the cost of the asset if they are not directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(iii) The costs to be incurred by the company are in the nature of costs of relocating or reorganising operations of the company and do not meet the requirement of AS 10 (Revised)

(iv) Therefore, these costs cannot be capitalized.

(ii) Computation of cost of land

Particulars		₹	₹
Purchase Price	250 hectares x ₹ 25,000 per hectares		62,50,000
Stamp Duty and Registration Charges	5% of ₹ 62,50,000		3,12,500
Legal and Consultancy Fees			4,75,000

Demolition Expenses (Net of Salvage Income)	₹ 12,60,000 x (100/105)	37,85,000 (12,00,000)	25,85,000
Cost of Land			96,22,500

13. As per paragraph 46A of AS 11, 'The Effects of Changes in Foreign Exchange Rates', in respect of accounting periods commencing on or after 1st April, 2011, for an enterprise which had earlier exercised the option under paragraph 46 or not (such option to be irrevocable and to be applied to all such foreign currency monetary items), the exchange differences arising on reporting of long term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, can be added to or deducted from the cost of the asset and shall be depreciated over the balance life of the asset.

Accordingly, though Legal Ltd. had not earlier exercised the option, yet it can avail the option to capitalize the exchange difference to the cost of machinery by virtue of para 46A of AS 11. Further, since Legal Ltd. has no earlier long term foreign currency borrowings, it is not required to apply capitalization option to earlier borrowing also.

Exchange difference to be capitalized and depreciation amount ₹

Cost of the asset in $		1 million
Exchange rate on 1st April, 2026		₹ 63 = 1$
Cost of the asset in ₹	(1 million x ₹ 63)	63 million
Less: Exchange differences as on 31st March, 2027 (63-62) x $ 1 million	(Gain)	(1 million)
		62 million
Less: Depreciation for 2026-2027	(62 million - 3 million)/ 10 years	(5.90 million)
		56.10 million

14. As per AS 12, Accounting for Government Grants, government grants which are in the nature of promoters' contribution, i.e., grants given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay, and where no repayment is ordinarily expected, should be treated as capital reserve.

In the present case, the subsidy is granted with reference to the total capital investment made by Sunrise Manufacturing Ltd. in establishing its new undertaking. Further, the subsidy is not related to any specific asset or to the revenue of the company, and no repayment is ordinarily expected.

Accordingly, the subsidy of ₹ 6 crore is in the nature of promoters' contribution and should be credited to Capital Reserve.

The proposed treatment of recognising the subsidy as income in the Statement of Profit and Loss is therefore not appropriate.

Thus, the subsidy should be recognised as Capital Reserve and not as revenue income.

15. Statement Showing Impairment Loss

	(₹ in lakhs)
Carrying amount of the machine as on 1st April, 2022	60
Depreciation for 3 years i.e. 2022-2023 to 2024-2025 $[\frac{60\text{ Lakh}}{6\text{ years}} \times 3\text{ years}]$	(30)
Carrying amount as on 31.03.2025	30
Add: Upward Revaluation (credited to Revaluation Reserve account)	6
Carrying amount of the machine as on 1st April, 2025 (revalued)	36
Less: Depreciation for 2 years i.e. 2025-2026 & 2026-2027 $[\frac{36\text{ Lakh}}{3\text{ years}} \times 2\text{ years}]$	(24)

Carrying amount as on 31.03.2027		12
Less: Recoverable amount		(9)
Impairment loss		3
Less: Revaluation reserve created on 01.04.2025:	6	
Less: Enhanced depreciation met from revaluation reserve 2025-2026 & 2026-2027 = [(12 – 10) x 2 years]	(4)	
Impairment loss set off against revaluation reserve balance as per para 58 of AS 28 "Impairment of Assets"		(2)
Impairment Loss to be debited to profit and loss account		1

16 (i) Para 14 of AS 29 "Provisions, Contingent Liabilities and Contingent Assets" states that a provision should be recognised when (a) An enterprise has a present obligation as a result of a past event and (b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (c) A reliable estimate can be made of the amount of the obligation. If these conditions are not met, no provision should be recognised.

From the above, it is clear that in the contingencies considered by the company, neither a present obligation exists as a result of past event, nor a reliable estimate can be made of the amount of the obligation. Accordingly, a provision cannot be recognised for such contingencies under the facts and circumstances of the case.

(ii) "As per AS 29, a "provision" is a liability which can be measured only by using a substantial degree of estimation. Since the contingencies stipulated by the company are not known at the balance sheet date, no present obligation exists and the provision in this regard cannot be created. Therefore, the provision so created by the company should be reversed and shall be treated as a 'Reserve' (an appropriation of surplus and not a charge against income).

17. Journal Entries in the books of Purpose Ltd.

			₹	₹
1.	Bank A/c	Dr.	10,00,000	
	To 11% Preference share application & allotment A/c			10,00,000
	(Being receipt of application money on preference shares)			
2.	11% Preference share application & allotment A/c	Dr.	10,00,000	
	To 11% Preference share capital A/c			10,00,000
	(Being allotment of 1 lakh preference shares)			
3.	General reserve A/c	Dr.	30,00,000	
	To Capital redemption reserve A/c			30,00,000
	(Being creation of capital redemption reserve for buy back of shares)			
4.	Equity share capital A/c	Dr.	40,00,000	
	Premium payable on buyback A/c	Dr.	48,00,000	
	To Equity shareholders/Equity shares buy back A/c			88,00,000
	(Amount payable to equity shareholder on buy back)			
5.	Equity shareholders/ Equity shares buy back A/c	Dr.	88,00,000	
	To Bank A/c			88,00,000
	(Being payment made for buy back of shares)			

6.	Securities Premium A/c	Dr.	16,00,000	
	General reserve A/c	Dr.	32,00,000	
	To Premium payable on buyback A/c			48,00,000
	(Being premium on buyback charged from securities premium and general reserve)			

Working Notes:

1. Calculation of amount used from General Reserve Account

		₹
Amount paid for buy back of shares (4,00,000 shares x ₹ 22)		88,00,000
Less: Proceeds from issue of Preference Shares (1,00,000 shares x ₹ 10)		(10,00,000)
Less: Utilization of Securities Premium Account		(16,00,000)
Balance used from General Reserve Account		62,00,000
* Used under Section 68 for buy back	32,00,000	
Used under Section 69 for transfer to CRR (W.N 2)	30,00,000	
	62,00,000	

2. Amount to be transferred to Capital Redemption Reserve account

	₹
Nominal value of shares bought back (4,00,000 shares x ₹ 10)	40,00,000
Less: Nominal value of Preference Shares issued for such buy back (1,00,000 shares x ₹ 10)	(10,00,000)
Amount transferred to Capital Redemption Reserve Account	30,00,000

18. **Pune Branch Account**

Particulars		₹	Particulars	₹	₹
To Opening Balance			By Opening Balance:		
Stock		10,000	Salaries outstanding		100
Debtors		4,000	By Remittances:		
Petty Cash		500	Cash sales	1,30,000	
Furniture		2,000	Cash received from debtors	35,000	
Prepaid Insurance		150	Cash paid by debtors directly to H.O.	2,000	
To Goods sent to Branch Account		80,000	Received from Insurance Company	1,000	1,68,000
To Bank (expenses)			By Goods sent to branch (return of goods by the branch to H.O.)		1,000
Rent	2,000				
Salaries	2,400				
Petty Cash	1,000		By Closing Balances:		
Insurance	600		Stock		5,000
		6,000	Petty Cash		650
To Net Profit		78,950	Debtors		4,900
			Furniture (2,000 – 10% depreciation)		1,800
			Prepaid insurance (1/4 x ₹ 600)		150
		1,81,600			1,81,600

Working Note:

Calculation of petty cash balance at the end:	₹
Opening balance	500
Add: Cash received form the Head Office	1,000
Total Cash with branch	1,500
Less: Spent by the branch	850
Closing balance	650

19. (i) Calculation of Purchase Consideration

	₹ in Lakhs
Goodwill	7.500
PPE	36.445
Inventory	5.280
Trade receivables	4.650
Cash in hand	0.315
Cash at Bank	0.600
Unrecorded assets	1.160
(i)	55.950
Less: Liabilities:	
10% debentures	7.200
Retirement Gratuity Fund	1.300
Trade payables	4.250
Other current liabilities	0.880
Short term provisions	0.320
(ii)	13.950
Net Assets/ Purchase Consideration	42.000
To be satisfied as under:	
Equity Shareholders of Shyam Ltd. to be satisfied by issue of 40,000 (42 lakhs/105) Equity Shares of Ram Ltd. at 5% Premium (40,000 x 105)	

Balance Sheet of Ram Ltd (after absorption)
as on 31.03.2027

	Particulars	Notes	₹ in lakhs
	Equity & Liabilities		
1	Shareholders' Fund		
a	Share Capital	1	80.000
b	Reserves & Surplus	2	3.500

2		Non-Current Liabilities		
	a	Long-term Borrowings	3	22.200
	b	Long-term Provisions	4	4.750
3		Current Liabilities		
	a	Trade Payables	5	10.150
	b	Other current liability	6	2.120
	c	Short term provisions	7	1.030
		Total		123.750
		Assets		
1		Non-current assets		
	a	Property, Plant & Equipment	8	72.095
	b	Intangible assets	9	16.250
2		Current assets		
	a	Inventories	10	14.170
	b	Trade receivables	11	16.685
	c	Cash and cash equivalents	12	3.390
	d	Other current assets	13	1.160
		Total		123.750

Notes to Accounts

	Particulars	**₹ in lakhs**
1	Share Capital	
	Authorised share capital	
	Issued, Subscribed & Paid up	
	80,000 Equity Shares of ₹100 each	80.000
	(out of the above 40,000 shares have been issued for consideration other than cash)	
	Total	80.000

2	Reserves & Surplus		
	Securities Premium		2.000
	General Reserve		1.500
		Total	3.500
3	Long Term Borrowings		
	10% Debentures of ₹ 100	(15.000 + 7.200)	22.200
4	Long Term Provisions		
	Retirement Gratuity Fund	(3.450 +1.300)	4.750
5	Trade Payables	(7.400 + 4.250 -1.500)	10.150
6	Other Current Liabilities	(1.240 + 0.880)	2.120
7	Short term provisions	(0.710 + 0.320)	1.030
8	Property, Plant and Equipment		
	PPE	(35.650+36.445)	72.095
9	Intangible Assets		
	Goodwill	(8.750+7.500)	16.250
10	Inventories	(8.890 + 5.280)	14.170
11	Trade Receivables	(13.535 + 4.650 – 1.500)	16.685
12	Cash & Cash equivalent		
	Cash in hand	(0.485+0.315)	0.800
	Balance with banks	(1.990+0.600)	2.590
			3.390
13	Other Current Assets		1.160

Working notes

1. Calculation of goodwill

Particulars	**₹ In lakhs**
Total profit	
Year:	
2023-24	4.50

2024-25 (3.90+0.50)		4.40
2025-26		2.35
	(i)	11.25
Average profit (i/3)	(ii)	3.75
No of years of purchase	(iii)	2 years
Goodwill (ii*iii)		7.5

20. Consolidated Balance Sheet of Seva Ltd. and its subsidiary Meva Ltd. as at 31st March, 2027

Particulars	Note No.	(₹ in Lacs)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	6,000
(b) Reserves and Surplus	2	5,840
(2) Minority Interest [W.N.6]		1,335
(3) Non-current liabilities		
(a) Long term borrowings	3	2,000
(4) Current Liabilities		
(a) Trade payables	4	2,580
Total		17,755
II. Assets		
(1) Non-current assets		
(a) Property, Plant and Equipment	5	11,260
(2) Current assets		
(a) Inventories	6	2,475
(b) Trade receivables	7	2,420
(c) Cash and cash equivalents	8	1,600
Total		17,755

Notes to Accounts

			(₹ in lacs)	(₹ in lacs)
1	Share Capital			
	Authorized share capital			
	900 lakh Equity shares of ₹ 10 each,			9,000
	Issued and Subscribed:			
	600 lakh Equity shares of ₹ 10 each,			6,000
	Total			6,000
2	Reserves and surplus			
	Capital Reserve (WN 5)		1,640	
	General Reserve (WN 8)		1,660	
	Profit and Loss Account (WN 8)		2,540	
		Total		5,840
3	Long term Borrowings			
	10% Debentures of ₹ 10 each (1,180 + 820)			2,000
4	Trade payables			
	Seva Ltd.		1,500	
	Meva Ltd.		1,080	2,580
5	Property, plant and equipment			
	Land and Buildings			
	Seva Ltd.	4,000		
	Meva Ltd.	4,150	8,150	
	Plant and Machinery			
	Seva Ltd.	1,460		
	Meva Ltd.	1,650	3,110	
		Total		11,260

6	Inventories		
	Seva Ltd.	1400	
	Meva Ltd.	1,100	
		2,500	
	Less: Unrealized profit	(25)	2,475
7	Trade receivables		
	Seva Ltd.	1,420	
	Meva Ltd.	1,000	2,420
8	Cash and cash equivalents		
	Cash at Bank (550 + 600)	1,150	
	Cash in hand (350+100)	450	1,600

Working Notes:

1. Meva Ltd.'s General Reserve Account

	₹ in lakhs		₹ in lakhs
To Bonus to equity shareholders (WN-9)	1,000	By Balance b/d	2,000
	1,200	By Profit and Loss A/c	200
To Balance c/d	2,200		2,200

2. Meva Ltd.'s Profit and Loss Account

	₹ in lakhs		₹ in lakhs
To General Reserve [WN 1]	200	By Balance b/d	800
	1,500	By Net Profit for the year (Balancing figure)	900
To Balance c/d	1,700		1,700

3. Distribution of Revenue profits

		₹ in lakhs
Revenue profits (W. N. 2)		900
Less: Share of Seva Ltd.		
Share in General Reserve (80% of 200)	= 160	
Share in P&L A/c (80% of 700)	= 560	(720)
Share of Minority Shareholders (20%)		180

4. Calculation of Capital Profits

	₹ in lakhs
General Reserve on the date of acquisition less bonus shares (2,000 – 1,000)	1,000
Profit and loss account on the date of acquisition	800
	1,800

Seva Ltd.'s share = 80% of ₹ 1,800 lakhs = ₹ 1,440 lakhs

Minority interest = ₹ 1,800 – ₹ 1,440 = ₹ 360 lakhs

5. Calculation of capital reserve

	₹ in lakhs
Paid up value of shares held (80% of ₹ 4,000)	3,200
Add: Share in capital profits [WN 4]	1,440
	4,640
Less: Cost of shares	(3,000)
Capital reserve	1,640

6. Calculation of Minority Interest

	₹ in lakhs
20% of share capital (20% of 4,000)	800
Add: Share in revenue profits [WN 3]	180
Share in capital profits [WN 4]	360
	1,340
Less: Unrealized profit (80% of 25)	5
Minority Interest	1,335

7. Unrealized profit in respect of inventory

₹ 25 lakhs (80% Related to Seva Ltd. and 20% related to Meva Ltd)

8. Calculation of Consolidated General Reserve and Profit & Loss A/c of Seva Ltd.

	General Reserve	P&L A/c
Balance on reporting date	1,500	2,000
Share in post-acquisition or revenue profits of Meva Ltd.	160	560
	1,660	2,560
Less: Unrealized profit	-	20
Closing Balance	1,660	2,540

9. Computation of bonus to equity shareholders

₹ In lakhs

Shares as on 31 March 2027 including bonus share issued on 1 Nov. 2026 — 4,000

Or we can say these are 1 + 1/3 or 4/3

i.e. Shares before bonus issue should have been $\frac{4,000}{4} \times 3 =$ 3,000

Accordingly, bonus issue would be (4,000-3,000) — 1,000

PAPER – 2: CORPORATE AND OTHER LAWS

PART – I: AMENDMENTS FOR JANUARY 2027 EXAMINATIONS

The Study Material (July 2024 edition-Reprint August 2025 and onwards) is applicable for January 2027 examinations. This study material is updated for all amendments till 31st July, 2025.

All relevant amendments/ circulars/ notifications etc. in the Company law part for the period 1st May, 2025 to 30th June 2026 are mentioned below:

THE COMPANIES ACT, 2013

Chapter 1: Preliminary

I. Notification G.S.R 880(E) dated 1st December, 2025

The Central Government has amended the Companies (Specification of definition details) Rules, 2014, through the Companies (Specification of definition details) Amendment Rules, 2025.

Amendment:

In the Companies (Specification of definition details) Rules, 2014:

In **rule 2**, in sub-rule (1), for clause (t), the following clause shall be substituted, namely:-

"(t) For the purposes of sub-clause (i) and sub-clause (ii) of clause (85) of section 2 of the Act, paid up capital and turnover of the small company shall not exceed rupees ten crores and rupees one hundred crores respectively."

Old Law (Pg 1.24)

(85) Small company means a company, other than a public company,—

(i) paid-up share capital of which does not exceed fifty lakh rupees or such higher amount as may be prescribed which shall not be more than ten crore rupees; and

(ii) turnover of which as per profit and loss account for the immediately preceding financial year does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than one hundred crore rupees:

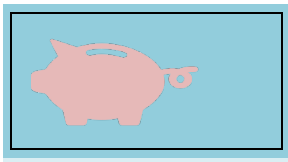
Provided that nothing in this clause shall apply to—

(A) a holding company or a subsidiary company;

(B) a company registered under section 8; or

(C) a company or body corporate governed by any special Act.

As per the Companies (Specification of Definitions Details) Rules, 2014, for the purposes of sub-clause (i) and sub-clause (ii) of clause (85) of section 2 of the Act, paid up capital and turnover of the small company shall not exceed rupees four crore and rupees forty crore respectively.



Capital- ₹ 4 crore



Turnover- **₹ 40 crore**

Chapter 9: Accounts of Companies

II. Notification G.S.R 357(E) dated 30th May, 2025

The Central Government has amended the Companies (Accounts) Rules, 2014, through the Companies (Accounts) Second Amendment Rules, 2025.

Amendment:

In the Companies (Accounts) Rules, 2014:

1. In rule 5, for the word, letter and figure "Form AOC-1" the word, letter and figure "e-Form AOC-1" shall be substituted.

2. In rule 8,-

   (i) in sub-rule (2), for the word, letter and figure "Form AOC-2", the word, letter and figure "e-Form AOC-2" shall be substituted.

   (ii) in sub-rule (5),-

      (A) in clause (x), after the words and figures, "Act, 2013", the following shall be inserted, namely:

      "along with the following details:

      (a) number of complaints of sexual harassment received in the year;

      (b) number of complaints disposed off during the year; and

      (c) number of cases pending for more than ninety days."

      (B) after clause (xii), the following clause shall be inserted, namely:

      "(xiii) a statement by the company with respect to the compliance of the provisions relating to the Maternity Benefit Act, 1961."

3. In rule 12, after sub-rule (1B), the following sub-rule shall be inserted, namely:

   "(1C) Every company, along with the relevant e-Form No. AOC-4, AOC-4 CFS, AOC-4 XBRL, AOC-4 NBFC (Ind AS) or AOC-4 CFS NBFC (Ind AS) and the respective attachments in portable document format as required, shall also file e-Form Extract of Board Report, Extract of Auditor's Report (Standalone) and Extract of Auditor's Report (Consolidated), as the case may be:

Provided that a copy of signed financial statements duly authenticated as per section 134 of the Act (including Board's report, auditors' report and other documents) in portable document format shall also be attached with XBRL Forms."

[Enforcement Date: Amendments effective from **14th July, 2025]**

Old Law

Pg 9.13 (for Pt 1.)

Salient features of financial statement of Subsidiaries, Associates and JVs- Form [First proviso to Sub-section 3 read with rule 5]

The statement containing the salient feature of the financial statement of a company's subsidiary or subsidiaries, associate company or companies and joint venture or ventures under the first proviso to sub-section (3) of section 129 shall be in **Form AOC-1** as per Rule 5 of the *Companies (Accounts) Rules, 2014*.

Pg 9.36 [for Pt 2(i)]

Particulars of contracts or arrangements with related parties referred to in section 188 (1) (i.e., Related Party Transactions) in the **form AOC-2.**

Pg 9.36 [for Pt 2(ii)(A)]

The words are newly inserted in clause (x)

Pg 9.36 [for Pt 2(ii)(B)]

Clause (xiii) is newly inserted.

Pg 9.70 [for Pt 3]

Rule 12(1C) is newly inserted.

III. Notification G.S.R 371(E) dated 6th June, 2025

The Central Government has amended the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015, through the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Amendment Rules, 2025.

Amendment:

In the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015, in rule 3, after sub-rule (1), the following sub-rule shall be inserted, namely:

"(1A) The companies which have filed their financial statements under sub-rule (1), shall also attach a copy of signed financial statements duly authenticated as specified in section 134 of the Act (including Board's report, auditors' report and other documents) in PDF format in eForm AOC-4 XBRL."

[Enforcement Date: Amendments effective from **14th July, 2025]**

Old Law **Pg 9.70** Rule 3(1A) is newly inserted.

IV. Notification G.S.R 415(E) dated 27th May, 2026

The Central Government has amended the Companies (Corporate Social Responsibility Policy) Rules, 2014, through the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2026.

Amendment:

In the Companies (Corporate Social Responsibility Policy) Rules, 2014:

1. In rule 2, in the sub-rule (1), -

   (i) after clause (h), the following clause shall be inserted, namely:

   "(ha) 'Not for Profit Organization' has the same meaning as in clause (e) of regulation 292A of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018."

   (ii) after clause (k), the following clause shall be inserted, namely:

   "(l) 'zero coupon zero principal instrument' means an instrument declared as a security that is issued by a Not for Profit Organization registered with the Social Stock Exchange

segment of a recognised Stock Exchange in accordance with the regulations made by the Securities and Exchange Board of India."

2. After rule 4, the following rule shall be inserted, namely:

"4A Corporate Social Responsibility implementation through zero coupon zero principal instrument.

(1) A company may carry out Corporate Social Responsibility activities through a zero coupon zero principal instrument:

Provided that the expenditure incurred for such instrument shall not exceed ten percent of the total Corporate Social Responsibility expenditure of such company for that financial year.

(2) The company that has subscribed in a zero coupon zero principal instrument shall be exempted from undertaking impact assessment of any project funded by such an instrument.

(3) The Not for Profit Organisation issuing the zero coupon zero principal instrument and raising fund therefrom shall:

(a) undertake a project with a duration not more than three succeeding financial years from the issue of such zero coupon zero principal instrument; and

(b) on termination of listing of such zero coupon zero principal instrument, transfer the unspent amount to any fund included in Schedule VII to the Act and submit its compliance report to the Securities Exchange Board of India.

(4) The provisions of rule 4, except sub-rules (5) and (6) shall be applicable to the implementation of Corporate Social Responsibility through a zero coupon zero principal instrument."

Old Law
Pg 9.57 [for Pt 1(i)]
Rule 2(1)(ha) is newly inserted.
Pg 9.57 [for Pt 1(ii)]
Rule 2(1)(l) is newly inserted.
Pg 9.57 [for Pt 2]
Rule 4A is newly inserted.

V. Notification G.S.R 416(E) dated 27th May, 2026

The Central Government has amended the Schedule VII of the Companies Act, 2013.

Amendment:

In the said Schedule, after item (xii) and the entries relating thereto, the following item and entry shall be inserted, namely:-

"(xiii) Subscription to zero coupon zero principal instruments on Social Stock Exchange."

Old Law
Pg 9.61
(xiii) is newly inserted.

Chapter 10: Audit and Auditors

VI. Notification G.S.R 359(E) dated 30th May, 2025

The Central Government has amended the Companies (Audit and Auditors) Rules, 2014, through the Companies (Audit and Auditors) Amendment Rules, 2025.

In rule 13, in sub-rule (2),-

1. for clause (d), the following shall be substituted, namely:-

   "(d) the report shall be filed electronically in form ADT-4."

2. clauses (e) and (f) shall be omitted.

[Enforcement Date: Amendments effective from **14th July, 2025]**

Old Law

Pg 10.38 [for Pt 1]

d. The report shall be sent to the Secretary, Ministry of Corporate Affairs (MCA) in a sealed cover by Registered Post with Acknowledgement Due or by Speed Post followed by an e-mail in confirmation of the same;

Pg 10.38 [for Pt 2]

e. The report shall be on the letter-head of the auditor containing postal address, e-mail address and contact telephone number or mobile number and be signed by the auditor with his seal and shall indicate his Membership Number; and

f. The report shall be in the form of a statement as specified in Form ADT-4.

PART – II: QUESTION AND ANSWERS



QUESTIONS

DIVISION A: Multiple Choice Questions

Case Scenario

Aarav Renewable Energy Limited (AREL), a public company incorporated under the Companies Act, 2013, is engaged in the manufacture of solar-energy equipment. The company has an authorised share capital of ₹50 crore and a paid-up share capital of ₹ 20 crore. With a view to expanding its business, the company proposes to diversify into the manufacture of electric vehicles. The proposed activity falls outside both the main objects and the ancillary or incidental objects specified in its existing Memorandum of Association. The Board of Directors is of the opinion that the proposed diversification is incidental to the company's existing business and therefore, may be undertaken without altering the objects clause of the Memorandum of Association.

To finance its expansion plans, AREL proposes to raise ₹10 crore by issuing equity shares to 65 identified persons, including 8 Qualified Institutional Buyers (QIBs). The company has not made any other offer of securities by way of private placement during the same financial year. The Board proposes to make the offer without issuing a public advertisement, arguing that the offer should be treated as a private placement since it is being made only to identified persons. The company also proposes to accept the application money through banking channels and complete the allotment within the prescribed statutory period.

During the same financial year, the Board appointed S.K. & Associates, Chartered Accountants, as the statutory auditors of the company for a period of five years without placing the appointment before the members at a general meeting. This was a subsequent appointment and not the appointment of the first auditor. It was subsequently observed that the audit firm had also provided certain non-audit services (book-keeping services), to the company during the preceding financial year and audit period.

AREL had held its previous Annual General Meeting (AGM) on 30 September 2025. For the financial year ending 31 March 2026, the Board proposed to convene the next AGM on 31 December 2026, stating that the additional time was required to finalise the financial statements and complete the audit. No extension of time had been granted by the Registrar of Companies. The company issued the notice of the proposed meeting only 15 days before the meeting. The company had not obtained the consent required under section 101 for convening the AGM at shorter notice. The notice contained the ordinary business to be transacted but did not provide adequate particulars concerning the proposed appointment and remuneration of a director in the explanatory statement accompanying the notice, where such a statement was required under section 102.

On the day of the AGM, only 35 members were personally present, although the company had 900 members. Mr. Rohan, a shareholder holding 8% of the paid-up share capital, was unable to attend the meeting and appointed his friend as his proxy. The instrument of proxy was deposited with the company two days before the meeting. The Chairman questioned whether the proxy could participate in the proceedings and stated that, since proxies could not be counted for determining the quorum, the meeting could not proceed unless the requisite number of members were personally present.

AREL maintained its books of account in electronic form. However, certain purchase vouchers and supporting documents were kept only at its factory and were not readily available at the registered office. The facts do not establish whether the Board had approved the maintenance of the books at another place in India or whether the prescribed intimation had been given to the Registrar. During the preparation of the financial statements, the finance department also omitted certain disclosures required under the applicable accounting standards. Further, the Board's Report did not contain adequate particulars relating to the conservation of energy and technology absorption, and the company did not provide the requisite disclosures regarding its policy on directors' appointment and remuneration.

After considering the financial results for the year, the Board recommended a final dividend of ₹2 crore, which was subsequently declared by the members at the AGM. Due to an administrative oversight, the company failed to transfer the amount of dividend payable to the shareholders to the prescribed separate bank account within the stipulated period. The finance department subsequently proposed to utilise the amount temporarily to meet the company's working-capital requirements, assuring the Board that the amount would be restored before payment to the shareholders.

During the statutory audit, the auditor noticed that certain payments had been made to a supplier without adequate supporting documents and that the company lacked an adequate system of internal financial controls. Further examination revealed that the Chief Financial Officer had allegedly manipulated certain invoices, resulting in an overstatement of expenses by ₹75 lakh. The auditor had reason to believe that the manipulation constituted fraud by an officer of the company. The auditor brought the matter to the attention of the Board but was uncertain about the reporting obligations applicable to the suspected fraud under the Companies Act, 2013.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following Multiple Choice Questions based upon the provisions of the Companies Act, 2013:

1. With reference to the proposed manufacture of electric vehicles by AREL, examine whether the company can commence such activity without altering its Memorandum of Association.

   (a) Yes, because any activity connected with the existing business can automatically be undertaken.

(b) Yes, provided the Board passes a resolution approving the new activity.

(c) No, the company must alter its Memorandum of Association in accordance with the provisions relating to alteration of objects before undertaking an activity outside its existing objects.

(d) No, because a public company cannot alter its objects after incorporation.

2. AREL proposes to issue equity shares by way of private placement to 65 identified persons during a financial year. The proposed offerees include 8 Qualified Institutional Buyers (QIBs). AREL has not made any other offer of equity shares by way of private placement during that financial year.

Which of the following statements is most appropriate?

(a) The proposed offer necessarily constitutes a public offer because section 42 prescribes a maximum limit of 50 persons, including QIBs.

(b) The prescribed limit of 200 persons includes QIBs and therefore all 65 offerees must be counted for determining compliance with the limit.

(c) For determining compliance with the prescribed numerical limit, the 8 QIBs are excluded and 57 persons are counted. The offer does not exceed the prescribed limit of 200 persons, but compliance with the other requirements of section 42 is also necessary for a valid private placement.

(d) The proposed offer cannot be made by way of private placement because QIBs cannot be included among the identified persons.

3. Regarding the appointment of S.K. & Associates as statutory auditors, which statement is correct?

(a) A statutory auditor can provide bookkeeping services if the Board approves them.

(b) The statutory auditor must be appointed by the Central Government in every public company.

(c) The Board alone can appoint the statutory auditor for a subsequent term of five years.

(d) A statutory auditor is appointed by the members at a general meeting, and the auditor is prohibited from providing specified services, including bookkeeping services, to the company.

4. The previous AGM was held on 30 September 2025. The company proposes to hold the next AGM on 31 December 2026, and no extension has been granted by the Registrar. Which statement is correct?

(a) The proposed date violates the ordinary six-month deadline under section 96 and also exceeds the maximum 15-month interval between two AGMs.

(b) The company is automatically compliant because an AGM may be held at any time during the calendar year.

(c) The Board can extend the AGM date indefinitely if the financial statements are not ready.

(d) The proposed date is valid because the 15-month interval is calculated from the end of the financial year rather than from the previous AGM.

5. AREL sent the AGM notice only 15 days before the meeting and did not obtain the consent required under section 101 for shorter notice. Which of the following is correct?

(a) The notice is valid because 15 days is sufficient for every general meeting.

(b) The notice period prescribed under the Act applies only to private companies.

(c) The notice does not comply with section 101, which generally requires at least 21 clear days' notice, unless the statutory requirements for shorter notice are met.

(d) The notice is valid because the Board may waive the prescribed notice period by passing a resolution.

6. Mr. Rohan appointed his friend as his proxy. The proxy form was deposited two days before the AGM. Which statement is correct?

   (a) A proxy can never be appointed by a shareholder in a public company.

   (b) A valid proxy may be appointed subject to the requirements of the Act and the Articles, but the proxy is not counted for determining the quorum. Since 35 members are personally present, the quorum requirement is satisfied.

   (c) A proxy is always counted for determining quorum, even when the Articles provide otherwise.

   (d) Only a director can act as proxy.

7. AREL maintains its books of account in electronic mode. During an inspection, it was observed that the company's accounting data is accessible only through a specialised software system and the company has not ensured that the data can be retrieved in a readable form when required. The management contends that maintaining the books electronically is sufficient to comply with the legal requirements.

   Which of the following statements is the most appropriate?

   (a) AREL is non-compliant merely because it maintains its books of account electronically.

   (b) AREL is compliant because electronic maintenance of books of account dispenses with the need to ensure their accessibility and retrieval.

   (c) AREL may maintain its books of account electronically, but it must also comply with the applicable requirements concerning accessibility, usability and preservation of the electronic records.

   (d) AREL is required to maintain physical books of account in addition to electronic records in every case.

8. The members of AREL declared a final dividend of ₹2 crore at the AGM. The company failed to deposit the amount of dividend payable in a separate account with a scheduled bank within the prescribed number of

days of declaration and proposed to use the amount temporarily for working-capital requirements. Which statement is correct?

(a) The amount must be deposited in a separate account with a scheduled bank within five days of declaration, and the company cannot use it for working-capital requirements.

(b) Once dividend is declared, the company may use the amount for any business purpose until the payment date.

(c) The requirement to deposit the amount in a separate bank account applies only to listed companies.

(d) The company may use the amount temporarily if the Board resolves to restore it before payment to shareholders.

9. During the statutory audit, the auditor has reason to believe that the CFO has committed fraud involving ₹75 lakh by manipulating invoices. Which statement is correct under section 143(12) read with Rule 13 of the Companies (Audit and Auditors) Rules, 2014?

(a) The auditor must report the fraud to the Central Government in Form ADT-4 in every case, irrespective of the amount involved.

(b) The auditor has no reporting obligation because the amount involved is below ₹1 crore.

(c) The auditor must report the matter to the Audit Committee or, where applicable, the Board, in accordance with the prescribed procedure; the company must also make the prescribed disclosure in the Board's Report.

(d) The auditor may report the matter only if the shareholders pass a resolution authorising the report.

Independent MCQ

10. Assertion (A): A partner of an LLP is not personally liable for the wrongful act or omission of any other partner of the LLP. However, a partner remains personally liable for his or her own wrongful act or omission.

Reason (R): Every partner of an LLP is an agent of the LLP for the purpose of its business, but not an agent of the other partners.

Select the correct option:

(a) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true, but Reason (R) is false.

(d) Assertion (A) is false, but Reason (R) is true.

Descriptive Questions

11. Silver Oak Infrastructure Limited held its Annual General Meeting (AGM) for the financial year ended 31 March 2025 on 30 September 2025. At the AGM, the shareholders appointed Nair & Associates as statutory auditors for a term of five years, subject to the applicable provisions of the Companies Act, 2013.

On 15 January 2026, the audit firm tendered its resignation, citing professional reasons. The Board of Directors proposed to appoint another audit firm immediately, without convening a general meeting, and stated that the vacancy could be filled solely by a Board resolution.

Examine the following in accordance with the provisions of the Companies Act, 2013:

(i) Whether the appointment of a new audit firm solely by the Board of Directors, without the approval of the members, would be valid.

(ii) State the compliance required to be undertaken by the resigning audit firm, along with the applicable time limit.

12. Horizon Manufacturing Limited, a company engaged in the manufacture and sale of industrial equipment, received an advance of ₹ 40 lakh from a customer on 1 April 2026 for the supply of machinery, which was to be delivered within 120 days from the date of receipt of the advance. The company held all necessary permissions and approvals, wherever required, to deal in and supply such machinery.

However, the company failed to supply the machinery within the stipulated period. Neither was the delivery period extended nor was the advance refunded. Despite this, the company continued to classify the

amount as a customer advance in its books of account, on the ground that it had been received towards the supply of machinery. The directors further contended that the amount should not be treated as a deposit, as it had originally been received for a commercial purpose.

Examine, with reference to the provisions of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014, whether the contention of the directors is correct.

13. Apex Limited declared dividend at its Annual General Meeting held on 30 September 2026.

The company failed to pay dividend amounting to ₹8,00,000 to certain shareholders within 30 days from the date of declaration. Consequently, the amount was transferred to the Unpaid Dividend Account 20 days after the expiry of the time limit prescribed for such transfer.

Separately, dividend payable to Mr. Rohit in respect of the financial year 2018–19 had remained unclaimed and was transferred to the Unpaid Dividend Account on 10 October 2019. The amount remained unclaimed for seven years and was transferred to the Investor Education and Protection Fund (IEPF) on 11 October 2026.

Examine the following with reference to the provisions of the Companies Act, 2013:

(a) The liability of Apex Limited for the delayed transfer of the unpaid dividend to the Unpaid Dividend Account.

(b) Whether Mr. Rohit can claim the dividend for FY 2018–19 directly from the company after its transfer to the IEPF.

14. Perfect Limited maintains its Register of Members at its registered office in Mumbai. A group of members residing in Kolkata wants to keep the register of members at Kolkata.

Keeping in view the provisions of the Companies Act, 2013, explain whether Perfect Limited can keep the Registers and Returns at Kolkata.

The Limited Liability Partnership Act, 2008

15. Meera, a partner of Sunrise Consultants LLP, decides to resign. The LLP agreement does not contain any provision regarding the cessation of a

partner. Meera gives written notice of her intention to resign to the other partners, and 30 days later she ceases to participate in the LLP's business. However, the LLP does not deliver notice of her cessation to the Registrar. A supplier, who has no knowledge of Meera's cessation, subsequently extends credit to the LLP. Meera also has an outstanding obligation to the LLP that arose while she was a partner.

Analyse the legal position of Meera with respect to her cessation as a partner, the supplier's transaction and her outstanding obligation.

The General Clauses Act, 1897

16. While studying the General Clauses Act, 1897, a student observes that certain definitions and general rules are provided in one enactment so that they need not be repeated in every Central Act. The student wishes to understand the broader purpose served by this legislation.

In this context, explain the main objectives of the General Clauses Act, 1897.

17. A Central Act (Act A) imposed a penalty on a business for certain acts committed while it was in force. Before the Act (Act A) was repealed by another Central Act (Act B), the business had committed the acts and proceedings for imposition of the penalty had been initiated against the business. The repealing Act contains neither a saving clause nor any indication of a contrary intention. The business contended that the repeal extinguished its liability and that the pending proceedings could not continue.

Examine the validity of the business's contention in the light of the provisions of the General Clauses Act, 1897, relating to the effect of repeal of an enactment.

Interpretation of Statutes

18. While teaching Corporate and Other Laws, Mr. Arun explained to his students that the language used in a statute may not always convey its meaning clearly. Further, the legislature may not be able to anticipate every situation that may arise in the future. Consequently, interpretation of statutes becomes necessary.

In the light of the above, explain the need for interpretation of statutes and state the circumstances in which such a need arises.

19. While interpreting a provision of an Act, a court refers to the long title and preamble of the enactment to understand its object and purpose. In another case, the court considers the historical circumstances leading to the enactment of the law to understand its background.

In the light of the above situations, explain the meaning of internal and external aids to the interpretation of statutes, giving any two examples of each.

The Foreign Exchange Management Act, 1999

20. Vidya Limited, an Indian company, earned foreign exchange of USD 4 million during the previous three financial years. It proposes to remit USD 3 million to a reputed university in the United States for establishing a chair in the field of technology. The company believes that the remittance is permissible without Reserve Bank of India approval because the recipient is an educational institution.

Examine whether prior approval of the RBI is required under the provisions of the Foreign Exchange Management Act, 1999.



SUGGESTED ANSWERS

Multiple Choice Questions

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

9.	**(c)**
10.	**(a)**

Descriptive Questions

11. **(i)** Section 139(8) of the Companies Act, 2013 provides that a casual vacancy in the office of an auditor, in the case of a company other than a company whose accounts are subject to audit by the Comptroller and Auditor-General of India, shall be filled by the Board of Directors within 30 days.

Where the vacancy arises due to resignation of the auditor, such appointment shall also be approved by the company at a general meeting convened within three months of the recommendation of the Board. The newly appointed auditor holds office until the conclusion of the next AGM.

In the given question, the casual vacancy has arisen due to the resignation of Nair & Associates. Therefore, the Board may fill the vacancy within 30 days, but the appointment must also be approved by the members at a general meeting convened within three months of the Board's recommendation.

Accordingly, the appointment solely by the Board of Directors, without obtaining the approval of the members, would not satisfy the requirements of section 139(8).

(ii) As per section 140(2), the resigning auditor must file a statement in the prescribed form with the company and the Registrar, indicating the reasons for resignation and other relevant facts, within 30 days from the date of resignation.

In the given situation, Nair & Associates must comply with this requirement within 30 days from 15 January 2026.

12. Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014, excludes certain amounts received by a company in the course of or for the purposes of its business, subject to the conditions prescribed therein. These include advances received in connection with the supply of goods or provision of services, provided that the advance is

appropriated against the supply of goods or provision of services within 365 days from the date of acceptance, subject to specified exceptions.

In the given case, Horizon Manufacturing Limited received an advance of ₹ 40 lakh on 1 April 2026 for the supply of machinery. Although the company was duly authorised and held the necessary permissions and approvals to deal in the machinery, it failed to supply the machinery within the agreed period of 120 days. The expiry of the contractual delivery period, by itself, does not automatically cause the advance to be treated as a deposit.

Further, under Rule 2(1)(c)(xii)(a), the advance must be appropriated against the supply of goods or provision of services within 365 days from the date of acceptance. The mere classification of the amount as a customer advance in the books of account does not, by itself, establish that this condition has been satisfied.

The proviso relating to the absence of necessary permission or approval would not apply on the given facts, since the company possessed all necessary permissions and approvals. However, if the advance is not appropriated against the supply of machinery within 365 days from 1 April 2026, and the exception relating to legal proceedings or any other applicable exclusion does not apply, the amount would be treated as a deposit under the said Rules.

The directors' contention is not correct merely because the amount was originally received for a commercial purpose or continued to be shown as a customer advance in the books. The amount's treatment as a deposit depends on compliance with the conditions prescribed under Rule 2(1)(c)(xii)(a). The failure to deliver the machinery within 120 days, by itself, does not automatically make the advance a deposit.

13. **(a)** As per section 124(1) of the Companies Act, 2013, where a dividend remains unpaid or unclaimed within 30 days from the date of its declaration, the company shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount of unpaid or unclaimed dividend to a special account called the Unpaid Dividend Account.

Further, under section 124(3), if a company fails to transfer the unpaid or unclaimed dividend to the Unpaid Dividend Account within the prescribed period, it shall pay interest at the rate of 12% per annum on the amount remaining unpaid, for the period of default. The interest shall enure to the benefit of the members in proportion to the amount remaining unpaid to them.

In the given question, Apex Limited transferred the amount to the Unpaid Dividend Account 20 days after the expiry of the prescribed time limit. Accordingly, the company is liable to pay interest at 12% per annum on ₹8,00,000 for the 20 days of default, i.e. ₹8,00,000 × 12% × 20/365 = ₹5,260 (approximately). This interest is payable for the benefit of the concerned members.

(b) As per section 124(5) of the Companies Act, 2013, any money transferred to the Unpaid Dividend Account that remains unpaid or unclaimed for seven years from the date of such transfer shall be transferred by the company, along with the interest accrued, to the Investor Education and Protection Fund (IEPF).

In the given case, the dividend payable to Mr. Rohit was transferred to the Unpaid Dividend Account on 10 October 2019 and remained unclaimed for seven years. Accordingly, the amount was transferred to the IEPF on 11 October 2026.

Therefore, Mr. Rohit cannot claim the amount directly from Apex Limited after its transfer to the IEPF. He may, however, apply to the IEPF Authority for a refund in accordance with the prescribed procedure.

14. As per section 94(1) of the Companies Act, 2013, the registers required to be kept and maintained by a company under section 88 and copies of the annual return filed under section 92 shall be kept at the registered office of the company:

Provided that such registers or copies of return may also be kept at any other place in India in which more than one-tenth of the total number of members entered in the register of members reside, if approved by a special resolution passed at a general meeting of the company.

So, Perfect Limited can also keep the registers and returns at Kolkata after compliance with the above provisions, provided more than one-tenth of the total number of members entered in the register of members reside in Kolkata.

15. As per the Limited Liability Partnership Act, 2008, the legal position is as follows:

1. As per section 24 of the Limited Liability Partnership Act, 2008, a person may cease to be a partner of a LLP in accordance with an agreement with the other partners or, in the absence of agreement with the other partners as to cessation of being a partner, by giving a notice in writing of not less than 30 days to the other partners of his intention to resign as partner.

   Accordingly, Meera may cease to be a partner after giving the prescribed notice.

2. Where a person has ceased to be a partner of a LLP (hereinafter referred to as "former partner"), the former partner is to be regarded (in relation to any person dealing with the LLP) as still being a partner of the LLP unless:

   (a) the person has notice that the former partner has ceased to be a partner of the LLP; or

   (b) notice that the former partner has ceased to be a partner of the LLP has been delivered to the Registrar.

   In the given question, the supplier has no knowledge of Meera's cessation, and the LLP has not delivered notice of the cessation to the Registrar. Therefore, in relation to the supplier, Meera continues to be regarded as a partner of the LLP.

3. The cessation of a partner does not, by itself, discharge that partner from any obligation to the LLP, the other partners or any other person that the partner incurred while being a partner.

   Therefore, Meera's outstanding obligation to the LLP, incurred while she was a partner, continues despite her cessation.

16. The main objectives of the General Clauses Act, 1897, are as follows:

(1) To shorten the language of Central Acts;

(2) To provide, as far as possible, for uniformity of expression in Central Acts, by giving definitions of a series of terms in common use;

(3) To state explicitly certain convenient rules for the construction and interpretation of Central Acts;

(4) To guard against slips and oversights by importing into every Act certain common form clauses, which otherwise ought to be inserted in every central Act.

The General Clauses Act, thus, makes provisions as to construction of General Acts and other laws of all- India application. Its importance is, therefore, evident from the wide range of enactments to which its provisions apply.

17. As per section 6 of the General Clauses Act, 1897, where any Central legislation or any regulation made after the commencement of this Act repeals any Act made or yet to be made, unless another purpose exists, the repeal shall not:

- Affect any right, privilege, obligation or liability acquired, accrued or incurred under any enactment so repealed; or
- Affect any penalty, forfeiture or punishment incurred in respect of any offence committed against any enactment so repealed; or
- Affect any inquiry, litigation or remedy with regard to such claim, privilege, debt or responsibility or any inquiry, litigation or remedy may be initiated, continued or insisted.

Further, any such investigation, legal proceeding or remedy may be instituted, continued or enforced, and any such penalty, forfeiture or punishment may be imposed as if the repealing Act or Regulation had not been passed.

In the given question, the liability had been incurred and legal proceedings had been initiated before the repeal. Since no different intention appears in the repealing Act, the liability remains unaffected

and the pending proceedings may continue as if the repealing Act had not been passed.

Therefore, the business's contention is not valid.

18. Interpretation of statutes is the process by which the real meaning of an Act (or a document) and the intention of the legislature in enacting it (or of the parties executing the document) is ascertained.

The need for interpretation arises due to the following circumstances:

1. Ambiguity in language: The words used in a statute may be vague or ambiguous or may convey more than one meaning.
2. Inconsistency between provisions: Different provisions of the same Act may conflict and thus, the need for correct interpretation.
3. Omissions and inadequacies in drafting: Inadvertent omissions, imprecise wording or oversights in drafting may obscure the legislative intention and need to be resolved through interpretation.
4. Changed circumstances: Social, economic and technological developments may make the original wording of the statute difficult to apply as it stands today. The legislature cannot anticipate every possible situation that may arise in the future.

19. (A) **Internal aids to interpretation:** Internal aids are the various parts of an enactment that may be referred to while interpreting the statute.

Two examples are:

1. Long Title: It describes the enactment and may assist in understanding its object, scope and purpose. However, it cannot override the clear meaning of the enactment.
2. Preamble: It expresses the scope, object and purpose of an Act. The Preamble may recite the ground and the cause of making a statute and the evil which is sought to be remedied by it. It cannot over-ride the plain provision of the Act, however, where the statutory language is ambiguous, it may assist in determining the proper meaning of the provision.

(B) External aids to interpretation: External aids are sources outside the statute that may assist in ascertaining the meaning and intention of a statutory provision.

Two examples are:

1. Historical Setting: The historical circumstances that led to the enactment of a law may assist in understanding its subject matter, scope and object. History in general and Parliamentary History in particular, ancient statutes, contemporary or other authentic works and writings all are relevant in interpreting and construing an Act.
2. Usage: The manner in which a provision has been interpreted and acted upon over a long period may assist in determining its meaning where the statutory language is doubtful.

20. As per section 5 of the Foreign Exchange Management Act, 1999, any person may sell or draw foreign exchange to or from an authorized person if such a sale or drawal is a current account transaction. Provided that Central Government may, in public interest and in consultation with the reserve bank, impose such reasonable restrictions for current account transactions as may be prescribed.

Under Schedule III to the Foreign Exchange Management (Current Account Transactions) Rules, 2000, donations by persons other than individuals for creation of chairs in reputed educational institutions require prior approval of the Reserve Bank of India (RBI) if the donations exceed 1% of the donor's foreign exchange earnings during the previous three financial years or USD 5 million, whichever is less.

In the given question:

- Foreign exchange earnings during the previous three financial years are USD 4,000,000.
- 1% of USD 4,000,000 is USD 40,000.
- The limit is the lower of USD 40,000 and USD 5,000,000, which is USD 40,000.

As the proposed donation of USD 3 million exceeds USD 40,000, thus, prior approval of the RBI is required before making the proposed remittance.

PAPER – 3: TAXATION

SECTION A: INCOME TAX LAW

The Income-tax law, as amended by the Finance Act, 2025, including significant notifications/ circulars issued upto 30th June, 2026, is applicable for January, 2027 examination. The relevant assessment year for January, 2027 examination is A.Y. 2026-27. The July, 2025 edition of the Study Material is based on the provisions of Income-tax law as amended by the Finance Act, 2025 and significant notifications/circulars issued up to 15.07.2025. The said study material has to be read along with the Statutory Update containing notifications and circulars issued up to 30.6.2026 but not covered in the study material webhosted at https://resource.cdn.icai.org/92919bos-aps2378-int-p3a-statutory-sep2026.pdf.

QUESTIONS

Case Scenario

Mr. Aarav Sharma (52 years old), an Indian citizen and employed as a member of the crew of a Vietnam bound Indian ship engaged in carriage of passengers in international traffic departing from Cochin Port on 6th June 2025. Accordingly, date entered into the Continuous Discharge certificate in respect of joining and signing off the ship by Mr. Aarav is 6th June 2025 and 5th December 2025, respectively. He leaves India in earlier years as a member of crew for less than 180 days and for remaining time in those years he stayed in India. Since 2010 he is working as a member of crew.

Mr. Aarav is also a working partner in M/s Satyam Enterprises, a firm engaged in manufacturing business whose turnover for the financial year

2024-25 was ₹ 90,00,000. During the previous year 2025–26, he earned salary of ₹ 25,00,000 as a member of the crew and remuneration of ₹ 5,00,000 from the firm. The remuneration is allowable as a deduction in computing the firm's business income. He also earned interest of ₹ 12,500 from Indian savings bank account.

During the previous year 2025-26, Mr. Aarav has sold equity shares of ABC Ltd. listed on a recognised stock exchange for ₹ 15,00,000. These shares were received by him as bonus shares on 31.01.2018. The fair market value (FMV) of such shares on that date was ₹ 10,00,000. STT is paid at the time of transfer of such shares. He also incurred loss of ₹ 2,00,000 from trading in eligible derivatives transactions carried out in a recognised stock exchange.

On 1st November 2025, Mr. Aarav gifted ₹ 10,00,000 to his wife on her 50th Birthday. She invested that money in a fixed deposit with State bank of India at Interest rate of 6% p.a. on the same date.

Mr. Aarav is paying tax under the default tax regime.

Based on the above information, choose the correct option in respect of below mentioned MCQ's 1 to 5:

1. Determine the residential status of Mr. Aarav for the P.Y 2025-26.
   (a) Resident and ordinarily resident
   (b) Resident but not ordinarily resident
   (c) Non-resident
   (d) Deemed resident
2. What would be the amount of capital gains/loss includible under the head "Capital Gains"?
   (a) Loss from derivatives of ₹ 2,00,000 and long-term capital gains of ₹ 5,00,000
   (b) Only long-term capital gains of ₹ 5,00,000
   (c) Loss from derivatives of ₹ 2,00,000 and long-term capital gains of ₹ 15,00,000

(d) Loss from derivatives of ₹ 2,00,000 and long-term capital gains of ₹ 10,00,000

3. What is the amount of income chargeable under the head "Salaries" and "Profits and gains of business or profession"?

(a) ₹ 29,25,000 taxable under the head "Salaries" and ₹ 2,00,000 would be loss under the head "Profits and gains of business or profession"

(b) ₹ 29,50,000 taxable under the head "Salaries" and ₹ 2,00,000 would be loss under the head "Profits and gains of business or profession"

(c) ₹ 24,25,000 taxable under the head "Salaries" and ₹ 3,00,000 taxable under the head "Profits and gains of business or profession"

(d) ₹ 24,25,000 taxable under the head "Salaries" and ₹ 5,00,000 taxable under the head "Profits and gains of business or profession"

4. What would be the total income of Mr. Aarav for the A.Y 2026-27?

(a) ₹ 31,37,500

(b) ₹ 34,62,500

(c) ₹ 32,62,500

(d) ₹ 32,37,500

5. What would be the tax liability (ignore TDS/TCS, if any) of Mr. Aarav for A.Y. 2026-27?

(a) ₹ 4,81,650

(b) ₹ 5,42,100

(c) ₹ 5,81,100

(d) ₹ 4,73,850

6. Priya is an Indian citizen. She is a doctor by profession. She started her clinic in India in 2019 with the name "Priya Medical Clinic". In May 2024, she got married to Mr. Nick, an American citizen. Mr. Nick came

to India for the first time on 1st August 2023 when he joined an MNC in India. He got a promotion and was transferred to Dubai. He left for Dubai on 1st October, 2024. Mrs. Priya accompanied him to Dubai. She started providing consultancy there. Both of them came to India for 3 months from June to August 2025 to spend time with Priya's family. Following incomes were earned by Mr. Nick and Mrs. Priya during the P.Y. 2025-26.

Income of Mr. Nick		₹
1	Salary from a company in Dubai (not liable to tax in Dubai)	13,00,000
2	Long term capital gain on sale of unlisted shares of an Indian company	2,50,000
3	Income from house property in Delhi (computed)	4,60,000
4	Dividend from shares of an Indian company	65,000
5	Income from House Property in Dubai, deposited in a bank in Dubai, later on remitted to India in Priya's mother account	50,000
Income of Mrs. Priya		₹
1	Profit from consultancy profession in Dubai which was set up in India (not liable to tax in Dubai)	10,00,000
2	Profit from consultancy profession in India	3,00,000
3	Long term capital gain on sale of shares of British company, credited to her Dubai bank account	60,000
4	Short term capital loss on sale of unlisted shares of an Indian company	(42,000)
5	Short term capital gain on sale of listed shares of an Indian company	1,42,000
6	Interest on saving bank deposit with an Indian Bank	1,00,000

Determine the residential status of Mr. Nick and Mrs. Priya and their gross total income for the A.Y. 2026-27. Assuming both of them have not shifted out of the default tax regime.

7. Mr. Dev Malhotra, aged 42 years, is employed as a Senior Manager with Zenith Industries Ltd., an Indian company. In addition to his regular salary, he receives certain allowances and benefits from his employer. The details of his salary and perquisites for the previous year 2025-26 is given below:

Particulars	**₹**
Basic salary	8,40,000
Dearness allowance (forming part of salary for retirement benefits)	4,20,000
Commission	84,000
Entertainment allowance	12,000
Medical expenses reimbursed by the employer	32,000
Profession tax (of this, 50% paid by employer)	4,800
Health insurance premium paid by employer	12,000
Life insurance premium of Mr. Malhotra paid by employer	36,000
Laptop provided by the employer for use at home; children of Mr. Malhotra also use the laptop. Cost of the laptop to the employer	60,000
Free education is provided to the children of Mr. Malhotra in the educational institute of the employer [cost of such education in similar institutions is ₹ 850 p.m per child]	-
Mobile phone expenses of employee paid by the employer	10,000
Annual credit card fee paid by the employer; the credit card is not used exclusively for official purposes	7,500

Apart from the above, Mr. Malhotra has provided with a motor car owned by Zenith Industries Ltd. for both official and personal use. The employer bears all running and maintenance expenses. The engine cubic capacity is less than 1.6 litres, and no chauffeur is provided.

The same car was transferred to him on 1st January 2026 for ₹ 3,00,000. This car was purchased by the company on 30.9.2022 for ₹ 15,00,000.

Compute the income chargeable under the head "Salaries" in the hands of Mr. Dev Malhotra for the assessment year 2026-27. He is paying tax as per the default tax regime.

8. Mr. Arjun, a resident individual, furnishes the following particulars of his income and losses for the previous year ended 31 March 2026, relevant to the assessment year 2026-27:

Particulars	Amount (₹)
Long-term capital gain from sale of urban land	3,60,000
Long-term capital loss on sale of shares (STT not paid)	90,000
Long-term capital loss on sale of listed shares in recognized stock exchange (STT paid both at the time of acquisition and sale)	1,20,000
Loss from speculative business "A"	32,000
Income from speculative business "B"	20,000
Income from salary (computed)	4,80,000
Loss from let-out house property	2,40,000
Income from trading business	90,000

Following are details of unabsorbed depreciation and the brought forward losses:

(1) Unabsorbed depreciation of ₹ 14,000 pertaining to A.Y 2024-25.

(2) Loss from activity of owning and maintaining race horses pertaining to A.Y. 2022-23 ₹ 6,000.

(3) Brought forward loss from trading business ₹ 12,000 relating to A.Y. 2022-23.

Mr. Arjun gifted ₹12,00,000 to his wife, Mrs. Kavya, on her birthday on 1 February 2025. Mrs. Kavya lent ₹ 6,00,000 out of the gifted amount to Ms. Karuna on 1st April 2025 for six months, on which she received interest of ₹ 60,000. On 3rd October 2025, Mrs. Kavya invested the said interest of ₹ 60,000 in shares of a listed company. These shares were sold for ₹ 85,000 on 30th March 2026. Securities transaction tax (STT) was paid on the sale of shares.

The balance amount of the gift was invested by Mrs. Kavya as capital in her new business on 1 April 2025. She incurred a loss of ₹ 25,000 from the business during the previous year 2025-26.

Compute the total income of Mr. Arjun for A.Y. 2026–27 assuming he is paying tax under the default tax regime. Also specify the losses eligible for carry-forward and the last assessment year up to which each item may be carried forward.

9. Mr. Raghav Mehta, a resident individual aged 53 years, is engaged in providing tax consultancy and accountancy services. His Income and Expenditure Account for the year ended 31 March 2026 is as follows:

Income and Expenditure account for the year ending 31st March, 2026

Expenditure	Amount (₹)	Income	Amount (₹)
To Salary	4,80,000	By Consulting fees	82,00,000
To Motor car expenses	1,20,000	By Share of Profit from HUF	70,000
To Depreciation	1,05,000	By Interest on savings bank deposits	32,000
To Medical expenses	90,000	By Interest on income tax refund	18,000
To Purchase of computer	1,20,000	By Rental income from house property	5,40,000
To Municipal taxes paid for let-out house property	36,000		
To Interest on housing loan for let-out property	2,10,000		
To Interest on housing loan for self-occupied property	2,00,000		
To Bonus	36,000		

To General expenses	1,40,000		
To Office & administrative	1,25,000		
To Excess of income over Expenditure	71,98,000		
	88,60,000		**88,60,000**

The following other information relates to the financial year 2025-26:

(1) Salary includes a payment of ₹ 28,000 per month to his sister-in-law who is in-charge of the marketing department. However, in comparison to similar business, the reasonable salary of a marketing supervisor is ₹ 23,000 per month.

(2) Written down value of the assets as on 1st April, 2025 are as follows:

Motor Car (20% used for personal use)	₹ 4,20,000
Furniture and Fittings	₹ 1,10,000

(3) Medical expenses includes:

- Family planning expenditure ₹ 28,000 incurred for the employees which was revenue in nature.
- Medical expenses for his father ₹ 62,000. (Father's age is 67 years and he is not covered under any medical insurance policy). ₹ 3,000 incurred in cash and remaining by credit card.

(4) The computer was purchased on 20th June 2025 for ₹ 1,20,000. An amount of ₹ 25,000 was paid in cash as a down payment on the date of purchase, and the balance was paid by account-payee cheque on 12 August 2025.

(5) Bonus was paid on 30th September, 2026.

(6) General expenses include commission of ₹48,000 paid to Mr. Nitin for procuring professional assignments on 18 September 2025. Tax was not deducted at source from this payment.

(7) On 20 December 2025, Mr. Raghav received gold coins worth ₹ 92,000 from a family friend on the occasion of his wedding anniversary.

The consultancy fees for the previous year 2024-25 was ₹ 54,80,000.

Compute the total income and the tax liability of Mr. Raghav Mehta in the most beneficial manner for the assessment year 2026-27.

10. (i) Examine the applicability of tax deducted/ collected at source as per the provisions of the Income-tax Act, 1961 and calculate the amount of TDS/TCS for A.Y. 2026-27 in the following independent situations:

(a) On 1st August 2025, Mr. Sharma remitted ₹ 15,00,000 (out of his own savings) under the Liberalised Remittance Scheme (LRS) to his son, Mr. Karthik, who is pursuing higher studies at the University of California, USA, towards payment of his university fees. Subsequently, on 12th December 2025, Mr. Sharma remitted a further sum of ₹ 12,00,000 under the LRS towards payment of his son's university fees. To make the second remittance, Mr. Sharma obtained loan from State Bank of India (SBI) at an interest rate of 6% per annum.

(b) M/s Payal Enterprises, a firm engaged in manufacturing of steel utensils. It sold waste and scrap generated during its manufacturing process for ₹ 12,00,000 to Sai Traders Ltd., a public sector company, through an auction. The turnover of the firm for the F.Y. 2024-25 and 2025-26 is ₹ 85 lakhs and ₹ 95 lakhs, respectively. No declaration is furnished by Sai Traders Ltd. regarding the usage of scrap.

(ii) Ms. Geetha submits her return of income on 29-06-2026 for A.Y 2026-27 declaring of income under the head "Salaries", "Income from House Property", Income from Other Sources" (comprising bank interest) and "Capital Gains" (comprising of long-term capital gains of ₹ 1,00,000).

For A.Y. 2025-26, she filed her return of income on 28.10.2025 declaring income under the heads "Salaries", "Income from

House Property", "Income from Other Sources" (comprising bank interest) and "Capital Gains" (comprising of short-term capital loss of ₹ 80,000).

On 01-12-2026, she realized that she had not set-off the short-term capital loss of A.Y. 2025–26 against long-term capital gains of A.Y. 2026–27. Accordingly, she wishes to revise her return of income for A.Y. 2026–27. Can she do so? Examine.

Would your answer be different, if she had furnished her return of income for the A.Y. 2025-26 on 28.7.2025.



SUGGESTED ANSWERS

Question No.	Answer	
1.	**(a)**	Resident and ordinarily resident
2.	**(b)**	Only long-term capital gains of ₹ 5,00,000
3.	**(c)**	₹ 24,25,000 taxable under the head "Salaries" and ₹ 3,00,000 taxable under the head "Profits and gains of business or profession"
4.	**(c)**	₹ 32,62,500
5.	**(d)**	₹ 4,73,850

6. Determination of residential status of Mr. Nick

Mr. Nick is an American citizen who came on a visit to India during the P.Y. 2025-26 for 3 months. He was in India from 1st August 2023 to 1st October 2024. Since Mr. Nick has been in India for a period of 60 days or more (i.e., 92 days) during the P.Y. 2025-26 and for a period of 365 days or more (i.e., 428 days) during the 4 immediately preceding previous years, he satisfies one of the basic conditions and he is a resident for the A.Y. 2026-27.

Since his period of stay in India during the preceding 7 previous years is less than 730 days (i.e., 428 days), he is a resident but not-ordinarily resident in India during the A.Y. 2026-27.

Since Mr. Nick is a resident but not-ordinarily resident, income which accrues or arises in India, deemed to accrue or arise in India, received in India, deemed to be received in India and income derived from business controlled in or a profession set up in India is chargeable to tax in India in his hands.

Computation of gross total Income of Mr. Nick for the A.Y. 2026-27

Particulars of income		**(₹)**
1	Salary from a company in Dubai [Not taxable, since it accrues and arises outside India]	-
2	Long term capital gain on sale of unlisted shares of an Indian company [Taxable, since it accrues and arises in India]	2,50,000
3	Income from house property in Delhi [Taxable, since it accrues and arises in India]	4,60,000
4	Dividend from shares of an Indian company [Taxable, since it accrues and arises in India]	65,000
5	Income from House Property in Dubai, deposited in a bank in Dubai, later on remitted to India in Priya's mother account. [Not taxable, since it accrues and arises outside India]	-
Gross Total Income		**7,75,000**

Determination of residential status of Mrs. Priya

Mrs. Priya is an Indian citizen who comes on a visit to India during the P.Y. 2025-26 for 3 months i.e., 92 days. She will be a resident in India if she stays in India during the P.Y. 2025-26 for 182 days or 120 days and 365 days or more during the four previous years immediately preceding the P.Y. 2025-26, if her total income other than the income from foreign sources exceeds ₹ 15 lakhs.

Since she stayed only for 92 days during the P.Y. 2025-26, she does not satisfy any of the basic conditions. Hence, she is not a resident in India as per section 6(1).

Mrs. Priya would be a deemed resident under section 6(1A) if her total income other than the income from foreign sources exceeds ₹ 15 lakhs during the P.Y. 2025-26 as she is an Indian citizen and is not liable to tax in Dubai.

Computation of total Income other than the income from foreign sources of Mrs. Priya

	Particulars of income	**(₹)**
1	Profit from consultancy profession in Dubai which was set up in India [Includible]	10,00,000
2	Profit from consultancy profession in India [Includible]	3,00,000
3	Long term capital gain on sale of shares of British company [Not includible, since it is a foreign source income]	-
4	Short term capital loss on sale of unlisted shares of an Indian company [It accrues and arises in India. Thus, the same can be set-off from STCG on sale of listed shares of Indian company]	-
5	Short term capital gain on sale of listed shares of an Indian company [₹ 1,42,000 *Less* ₹ 42,000].	1,00,000
6	Interest on saving bank deposit with an Indian Bank	1,00,000
	Gross Total Income	**15,00,000**
	Less: Deduction under section 80TTA [No deduction allowed under the default tax regime]	Nil
	Total Income	**15,00,000**

Since, total income other than the income from foreign sources of Mrs. Priya does not exceed ₹ 15 lakhs, she would not be a deemed resident. Hence, Mrs. Priya is a non-resident during the A.Y. 2026-27.

Since Mrs. Priya is a non-resident, income which accrues or arises in India, deemed to accrue or arise in India, received in India and deemed to be received in India is chargeable to tax in India in her hands.

Particulars of income		**(₹)**
1	Profit from consultancy profession in Dubai which was set up in India [Not taxable]	-
2	Profit from consultancy profession in India [Taxable, since it accrues and arises in India]	3,00,000
3	Long term capital gain on sale of shares of British company [Not taxable, since it accrues and arises outside India]	-
4	Short term capital loss on sale of unlisted shares of an Indian company [It accrues and arises in India. Thus, the same can be set-off from STCG on sale of listed shares of Indian company]	
5.	Short term capital gain on sale of listed shares of an Indian company [1,42,000 *Less* 42,000].	1,00,000
6	Interest on saving bank deposit with an Indian Bank	1,00,000
Gross Total Income		**5,00,000**

7. Computation of income chargeable under the head "Salaries" of Mr. Dev Malhotra for A.Y. 2026-27

Particulars	**₹**
Basic Salary	8,40,000
Dearness allowance	4,20,000
Commission	84,000
Entertainment allowance	12,000
Medical expenses reimbursed by the employer are fully taxable.	32,000
Professional tax paid by the employer is a taxable	2,400

perquisite as per section 17(2)(iv), since it is an obligation of the employee which is paid by the employer		
Health insurance premium of ₹ 12,000 paid by the employer is an exempt perquisite [Clause (iii) of proviso to section 17(2)]		Nil
Life insurance premium of Mr. Malhotra paid by employer is a taxable perquisite as per section 17(2)(v)		36,000
Laptop provided for use at home is an exempt perquisite as per Rule 3(7)(vii)		Nil
No perquisite would arise for educational facility provided to children of Mr. Malhotra, since cost of similar education is ₹ 850 per month per child, which does not exceed ₹ 1,000 per month per child.		Nil
Mobile phone expenses paid by the employer (exempt perquisite)		Nil
Annual credit card fees paid by employer is a taxable perquisite as per Rule 3(7)(v) since the credit card is not exclusively used for official purposes.		7,500
Provision of motor car (engine cubic capacity less than 1.6 litres) owned by the employer to employee for both official and personal purposes – perquisite value would be ₹ 16,200 [₹1,800 ×9] as per Rule 3(2)		16,200
Perquisite on transfer of motor car to Mr. Malhotra		4,68,000
Original cost of motor car	15,00,000	
Less: Depreciation for F.Y. 2022-23 @ 20%	3,00,000	
	12,00,000	
Less: Depreciation for F.Y. 2023-24 @ 20%	2,40,000	
	9,60,000	
Less: Depreciation for F.Y. 2024-25 @ 20%	1,92,000	
	7,68,000	
Less: Amount paid by Mr. Malhotra	3,00,000	
Taxable perquisite on transfer of motor car	4,68,000	
Gross Salary		**19,18,100**

Less: **Deductions under section 16**	
Standard deduction under section 16(ia)	75,000
Professional tax paid not allowable as deduction under default tax regime	Nil
Income chargeable under the head "Salaries"	**18,43,100**

8. Computation of total income of Mr. Arjun for the A.Y. 2026-27

Particulars	₹	₹
Salaries		
Income from Salary		4,80,000
Loss from House Property		
Loss from house property cannot be set-off against any other head under default tax regime nor it can be carried forward	-	-
Profits and gains of business or profession		
Income from trading business	90,000	
Less: Brought forward loss from trading business of A.Y. 2022-23 can be set off against current year income from trading business, as per section 72(1), since the eight-year time limit as specified under section 72(3), within which set-off is permitted has not expired.	12,000	
Less: Unabsorbed depreciation	14,000	
Less: Loss from new business of his wife	25,000	39,000
[As per *Explanation 2* to section 64, income includes loss. Thus, clubbing provisions would be attracted even if there is loss and not income. Thus, the entire loss of ₹ 25,000 from the business carried on by Mrs. Kavya would be includible in the total income of Mr. Arjun, since as on 1st April 2025, the capital invested was entirely out of the funds gifted by her husband].		

Income from speculative business B	20,000	
Less: Loss from speculative business A to be set-off as per section 73(1)	32,000	
Loss from speculative business A to be carried forward to A.Y.2027-28 as per section 73(2)	12,000	
Capital Gains		
Long term capital gain on sale of urban land	3,60,000	
Less: Long term capital loss on sale of shares (STT not paid) set-off as per section 70(3)]	90,000	
Less: Long-term capital loss of ₹ 1,20,000 on sale of listed shares on which STT is paid both at the time of acquisition and sale can be set-off against long-term capital gain on sale of urban land	1,20,000	1,50,000
Income from other Sources		
Interest on loan lent by his wife [₹ 60,000, being the amount of interest on loan received by Mrs. Kavya, would be includible in the total income of Mr. Arjun, since such loan was given by her out of the sum of money received as gift from her husband]		60,000
Total Income		**7,29,000**

Note - The short-term capital gain of ₹ 25,000 (₹ 85,000, being the sale consideration less ₹ 60,000, being the cost of acquisition) arising in the hands of Mrs. Kavya from sale of shares acquired by investing the interest income of ₹ 60,000 earned by her (from the loan given out of the sum gifted to her by her husband), would not be included in the hands of Mr. Arjun. Income from the accretion of the transferred asset is not liable to be included in the hands of the transferor and, therefore, such income is taxable in the hands of Mrs. Kavya.

Items eligible for carried forward to A.Y.2027-28

Particulars	₹
Loss from speculative business A Loss from speculative business can be set-off only against profits from any other speculation business. As per section 73(2), balance loss not set-off can be carried forward to the next year for set-off against speculative business income of that year. Such loss can be carried forward for a maximum of four assessment years i.e., upto A.Y.2030-31, in this case, as specified under section 73(4).	12,000
Loss from the activity of owning and maintaining race horses Losses from the activity of owning and maintaining race horses (current year or brought forward) can be set-off only against income from the activity of owning and maintaining race horses. However, since it cannot be so set-off for a maximum of four assessment years, i.e., upto A.Y. 2026-27, it cannot be carried forward further. It will be lapsed.	Nil

9. Computation of total Income and tax liability of Mr. Raghav Mehta under the default tax regime as per section 115BAC for the A.Y. 2026-27

Particulars	₹	₹	₹
Income from house property			
Let-out portion			
Gross Annual Value (GAV)[1]	5,40,000		
Less: Municipal tax	36,000		
Net Annual Value	5,04,000		

[1] *In the absence of any information regarding municipal value, fair market value and standard rent, the rental income is considered as GAV.*

Less: Deduction @30%	1,51,200		
Less: Deduction for interest on loan	2,10,000		
		1,42,800	
Self-occupied property			
Net Annual Value	Nil		
Less: Deduction for interest on loan [Not allowed under the default tax regime]	Nil		
Loss from self-occupied property		**Nil**	
Income from house property			1,42,800
Profit and gains from business or profession			
Net income as per Income and Expenditure Account		71,98,000	
Add: Expenses debited but not allowable			
- Excess salary of ₹ 5,000 per month to sister-in-law [not disallowed since sister-in-law does not fall within the definition of 'relative' under section 2(41)]	-		
- Motor car expenses attributable to personal use not allowable (₹ 1,20,000 x 20%)	24,000		
- Depreciation as per books of account	1,05,000		
- Medical expenses of ₹ 28,000 for family planning expenditure for the employees [disallowed,	28,000		

	since such expenditure is allowable to company assessee only]			
-	Medical expenditure of ₹ 62,000 incurred for his father, not allowable, since it is personal in nature]	62,000		
-	Purchase of computer (not allowable since it is capital in nature)	1,20,000		
-	Bonus (allowed since it is paid before due date of filing of return of income i.e., on 31.10.2026)	-		
	[For the P.Y. 2025-26, the gross receipts i.e., fees of Mr. Raghav Mehta from consultancy services is ₹ 82 lakhs (exceeding ₹ 50 lakhs), he has to get his books of account audited under section 44AB, in which case, his due date for filing return of income would be 31.10.2026]			
-	Commission paid without deduction of tax at source [Mr. Raghav Mehta would be liable to deduct tax at source under section 194-H on commission paid during the P.Y. 2025-26, since his gross receipts from profession during the P.Y. 2024-25 exceeded the	14,400		

monetary limit of ₹ 50 lakhs. Thus, 30% disallowance would be attracted since he has not deducted tax at source on the commission]			
- Municipal taxes paid [the amount is not deductible as a business expense because it relates to the house-property computation; the eligible municipal tax is already considered under that head.]	36,000		
- Interest on housing loan for let-out property	2,10,000		
- Interest on housing loan for self-occupied property	2,00,000	7,99,400	
		79,97,400	
Less: Income credited but not taxable or taxable under any other head			
- Share of profit from HUF (Exempt)	70,000		
- Interest on savings bank deposit	32,000		
- Interest on income-tax refund	18,000		
- Rental Income	5,40,000	6,60,000	
		73,37,400	
Less: Depreciation allowable under the Income-tax Act, 1961		99,400	
On Motor Car			
₹ 4,20,000 x 15% x 80%	50,400		

On Furniture and fittings			
₹ 1,10,000 x 10%	11,000		
On Computer			
₹ 95,000 x 40% [Actual cost of the computer is ₹ 95,000 (i.e., ₹ 1,20,000 – ₹ 25,000). ₹ 25,000 paid otherwise than by way of account payee cheque/bank draft or use of ECS is not includible in actual cost.	38,000		
			72,38,000
Income from Other Sources			
- Interest on savings bank deposits		32,000	
- Interest on income-tax refund		18,000	
- Value of gold coins received from a family friend on the occasion of marriage anniversary (taxable under section 56(2)(x), as the fair market value of such coins exceeds ₹ 50,000)		92,000	
			1,42,000
Gross Total Income			**75,22,800**
Less: Deduction under Chapter VI-A [Not allowed under the default tax regime]			**Nil**
Total Income			**75,22,800**
Computation of tax liability			
Particulars		**₹**	**₹**

Tax on total income of ₹ 75,22,800		
Upto ₹ 4,00,000	Nil	
₹ 4,00,001 – ₹ 8,00,000 @5%	20,000	
₹ 8,00,001 – ₹ 12,00,000 @10%	40,000	
₹ 12,00,001 – ₹ 16,00,000 @15%	60,000	
₹ 16,00,001 – ₹ 20,00,000 @20%	80,000	
₹ 20,00,001 – ₹ 24,00,000 @25%	1,00,000	
Above ₹ 24,00,000 i.e., 51,22,800 @30%	15,36,840	18,36,840
Add: Surcharge @10% [Since his total income exceed ₹ 50,00,000 but does not exceed ₹ 1 crore]		1,83,684
		20,20,524
Add: Health & Education cess@4%		80,821
Tax liability		**21,01,345**
Tax liability (rounded off)		**21,01,350**

Computation of total income and tax liability of Mr. Raghav Mehta as per the normal provisions of the Act for A.Y. 2026-27

Particulars	₹	₹
Gross Total Income computed above as per default tax regime		75,22,800
Less: Loss from self-occupied house property [₹ 2,00,000 arising on account of allowability of interest on loan for self-occupied property, there would be loss from house property under the normal provisions of the Act]	2,00,000	
Less: Deduction under Chapter VI-A		
Section 80D	50,000	
Medical expenses for father (Deduction allowable to the extent of ₹ 50,000 since father, aged 67 years, is a senior citizen and is not covered under any medical insurance		

policy)		
Section 80TTA Interest on savings account allowable to the extent of ₹ 10,000	10,000	2,60,000
Total Income as per normal provisions		72,62,800
Tax on total income of ₹ 72,62,800		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 @5%	12,500	
₹ 5,00,001 – ₹ 10,00,000 @20%	1,00,000	
Above ₹ 10,00,001 i.e., 62,62,800 @30%	18,78,840	19,91,340
Add: Surcharge @10% [Since his total income exceed ₹ 50,00,000 but does not exceed ₹ 1 crore]		1,99,134
		21,90,474
Add: Health & Education cess@4%		87,619
Tax liability		**22,78,093**
Tax Liability (rounded off)		**22,78,090**
Since tax liability under the default tax regime is lower than the normal provisions of the Act, Mr. Raghav Mehta should not opt to shift out of the default tax regime.		

10. (i) (a) As per section 206C(1G), an authorised dealer is required to collect tax at source (TCS) on LRS remittances exceeding ₹ 10,00,000 in a financial year, at the applicable rate of 5% where the remittance is for the purpose of education or medical treatment. No tax is required to be collected where the remittance for the purpose of education is out of a loan obtained from a financial institution as defined in section 80E.

Mr. Sharma remitted ₹ 15,00,000 under the LRS towards his son's university fees. Since the first remittance is from his own saving, TCS is applicable on the amount

exceeding ₹ 10,00,000. However, no TCS is required to be collected on second time remittances since it was made for the purpose of education out of a loan obtained from a financial institution.

Accordingly, TCS of ₹ 25,000 is collectible by the authorised dealer from Mr. Sharma.

(b) As per section 206C(1), tax is required to be collected at source @1% on the sale of scrap. The definition of "seller" inter alia includes a firm, without prescribing any turnover threshold for a firm. Accordingly, M/s Payal Enterprises qualifies as a seller under this provision, irrespective of its turnover.

However, the definition of "buyer" under section 206C(1) specifically excludes a public sector company. Since Sai Traders Ltd. is a public sector company, it is not treated as a buyer for the purpose of this provision.

Accordingly, no TCS is required to be collected by M/s Payal Enterprises on the sale of waste and scrap for ₹ 12,00,000 to Sai Traders Ltd.

(ii) A return of loss is a return which shows certain losses. Section 80 provides that the losses specified therein cannot be carried forward, unless such losses are determined in pursuance of return filed under the provisions of section 139(3).

Section 139(3) states that to carry forward the losses specified therein including loss under the head "Capital Gains"; the return should be filed within the time specified in section 139(1)

In the present case, the due date for filing return of income is 31st July of the assessment year, since she has income only under the heads "Salaries", "Income from house property", "Capital gains" and "Income from other sources", she does not fall under the category of a person whose accounts are required to be audited under the Income-tax Act, 1961.

Further, as per section 139(5) revised return for A.Y. 2026-27 can be filed upto 31st December 2026, being 3 months prior to the end of the assessment year or completion of assessment, whichever is earlier.

(i) Return for A.Y. 2025-26 filed on 28.10.2025

Ms. Geetha filed her return of income for A.Y. 2025–26 on 28.10.2025, after the due date prescribed under section 139(1). Accordingly, the return is a belated return.

Since the return was not filed within the prescribed due date, the short-term capital loss of ₹ 80,000 cannot be carried forward to A.Y. 2026-27 by virtue of section 139(3) read with section 80. Therefore, Ms. Geetha cannot claim the set-off of this loss against the long-term capital gains of A.Y. 2026-27 by revising her return for that assessment year.

(ii) Return for A.Y. 2025–26 filed on 28.7.2025

In this case, Ms. Geetha filed her return of income for A.Y. 2025-26 on 28.7.2025, within the due date prescribed under section 139(1).

Accordingly, the short-term capital loss of ₹ 80,000 is eligible for carry forward and set off against long-term capital gains of A.Y. 2026-27.

Since Ms. Geetha realised the omission on 1st December 2026, she can file a revised return for A.Y. 2026-27 under section 139(5) and can claim the set-off of the short-term capital loss of ₹ 80,000 against the long-term capital gains of A.Y. 2026-27.

SECTION B: GOODS AND SERVICES TAX

(1) All questions should be answered on the basis of the position of GST law as amended by the Finance Act, 2025 including significant notifications and circulars and other legislative amendments made, which are effective up to 30th June 2026.

(2) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services.

(3) Unless otherwise specified, the section numbers and rules referred in questions and answers pertain to the Central Goods and Services Tax Act, 2017 and the Central Goods and Services Tax Rules, 2017 respectively.

QUESTIONS

Case Scenario

Aravali Ventures Pvt. Ltd. (AVPL), registered under GST in Jaipur, Rajasthan, operates in diversified business areas. It also owns three residential flats in Jaipur and lets them out. It has obtained registration under GST in each State where it operates. AVPL's aggregate turnover in the preceding financial year was ₹ 140 crore. The following are details of the activities/transactions undertaken by AVPL during the month of July:

1. **Hospitality division:** AVPL offers a special "Golden Triangle" package to its guests, covering stay at its three properties in Jaipur, Agra and Delhi, for a consolidated price of ₹ 90,000. As per the itinerary, the guest stays for 5 nights at its property in Jaipur (Rajasthan), 3 nights at its property in Agra (Uttar Pradesh) and 1 night at its property in Delhi. The contract with the guest does not specify any city-wise break-up of the package price.

2. **Transport division:** AVPL's transport division, registered as Goods Transport Agency (GTA), transported office furniture by road, in a goods carriage, for the Public Works Department (PWD) of the Rajasthan Government. PWD has obtained GST registration only for the purpose

of deducting tax at source under section 51 on payments made to its contractors, and not for making any taxable supply of goods or services.

3. **Research and Development (R & D) Department:** R & D department of AVPL is developing a new herbal formulation. AVPL has entered into an agreement with Shekhawati Innovation Foundation, a company incorporated under section 8 of the Companies Act, 2013 and a Technology Business Incubator (TBI) recognised by the National Science and Technology Entrepreneurship Development Board (NSTEDB), Department of Science and Technology, Government of India. TBI provides AVPL with shared laboratory space, mentoring support and access to advanced prototyping facilities, for which it charged a nominal facility fee for July. AVPL is a recognised incubatee located within the TBI's premises.

4. **Herbal products division:** The division undertook the following sales during the month (all amounts are exclusive of GST):

   (i) It sold 5,000 units of herbal tonic to Bharat Pharma Ltd. at ₹ 300 each. Further, late fees of ₹ 1,500 (exclusive of GST) is levied on Bharat Pharma Ltd. for delayed payment. However, these charges were subsequently waived by AVPL during the same month.

   (ii) Under a contract with the Rajasthan Government, it sold 2,000 units of herbal tonic (normal unit price is ₹ 300) at ₹ 150 per unit to families of the Economically Weaker Section (identified by the State Government). The balance of ₹ 150 per unit is to be paid to AVPL by the State Government as price-linked subsidy.

   (iii) It sold 480 units of herbal tonic to Global Old Age Home at ₹ 250 each (normal unit price is ₹ 300). RAMSETU, an NGO, gave AVPL a lump-sum subsidy of ₹ 30,000 to acknowledge its services to the elderly people living in the old age home.

5. **Renting of residential flats:** AVPL let out its three residential flats in Jaipur as follows:

   (a) Flat A was let out to Mr. Sandeep Joshi, an unregistered salaried individual who works as a chef at a hotel located in Jaipur, for use as his residence.

(b) Flat B was let out to Ruhaan Ltd., registered under GST, for providing residential accommodation to its manager.

(c) Flat C was let out to Mr. Rohit Malhotra, who is registered under GST as the proprietor of Malhotra Traders (a supplier of packaging material to AVPL). He took the flat on rent in his personal capacity, for residing with his family. The rent is paid by him personally and is not debited to the books of Malhotra Traders.

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

1. The place of supply of accommodation services provided under "Golden Triangle" package is _____ and the value of services attributable to Rajasthan is _____.

   (a) Rajasthan only, being the location of the supplier; ₹ 90,000

   (b) each of the three States in equal proportion (1:1:1); ₹ 30,000

   (c) each of the three States, in proportion to the nights of stay (5:3:1); ₹ 50,000

   (d) location of the recipient, since the contract does not specify any city-wise value; the value attributable to Rajasthan cannot be ascertained.

2. Which of the following statements is most appropriate in respect of the transport services provided by AVPL to PWD?

   (a) The services are exempt from GST. Therefore, GST is neither payable by AVPL nor by PWD.

   (b) AVPL is liable to pay GST under forward charge, being a GTA.

   (c) PWD is liable to pay GST under reverse charge, being a registered recipient of GTA services.

   (d) PWD is liable to pay GST under reverse charge, since it is a Department of the State Government.

3. Which of the following statements is most appropriate in respect of the services provided by Shekhawati Innovation Foundation to AVPL?

   (a) The services are taxable at the applicable rate, since a facility fee is charged, even though the amount is nominal.

   (b) The services are taxable under reverse charge in the hands of AVPL, being a registered incubatee.

   (c) The services are exempt only if AVPL is not registered under GST.

   (d) The services are exempt from GST, being services provided by a Technology Business Incubator recognised by NSTEDB to its incubatees.

4. Which of the following statements is most appropriate?

   (a) Renting of Flat A to Mr. Sandeep Joshi is taxable and AVPL is liable to pay GST under forward charge.

   (b) Renting of Flat A to Mr. Sandeep Joshi is exempt from GST, since the flat is rented to an unregistered individual for use as his residence.

   (c) Renting of Flat B to Ruhaan Ltd. is exempt, since the flat is used as a residence by Ruhaan Ltd.'s manager, unregistered under GST.

   (d) Renting of Flat C to Mr. Rohit Malhotra is taxable and GST is payable by Mr. Rohit Malhotra under reverse charge, since he is a registered person.

5. The value of taxable supply made by the herbal products division of AVPL on which GST is payable by it for the month of July is _____.

   (a) ₹ 19,21,500

   (b) ₹ 19,20,000

   (c) ₹ 19,51,500

   (d) ₹ 22,51,500

6. Trinity Appliances Pvt. Ltd., a registered supplier of goods and services in Indore, Madhya Pradesh (M.P.), provides the following details of transactions undertaken in the month of January:

Outward supplies

Particulars	Amount (₹)
Advance received from Mr. Keshav (registered in Indore, M.P.) for business advisory services to be supplied in February	3,00,000
Supply of goods to Omkar Traders, a registered person in Indore, MP. Trinity is contractually liable to arrange transportation and separately charged ₹ 40,000 as freight, not included in the amount given hereunder.	12,00,000
List price of goods supplied to Divine Mart, a registered person in Bhopal, MP. (A discount of ₹ 25,000 on above price was offered at the time of supply and recorded in the invoice.)	15,00,000
Delivered goods to Falcon Industries, a registered person in Ujjain, MP, on the direction of Metro Distributors, a registered person in Pune, Maharashtra; tax invoice is issued by Trinity to Metro Distributors.	1,80,000
Stock transferred without consideration to its own branch in Gwalior, MP (the branch holds the same GSTIN). Value of goods transferred is ₹ 5,00,000.	

Inward supplies

Particulars	Amount (₹)
Intra-State purchase of raw materials from a registered supplier in Indore, MP. Out of this, goods worth ₹ 60,000 were not received during the month due to delay in transit	10,00,000
Rent paid for a residential dwelling taken on rent for commercial use as a guest house, from an unregistered owner (intra-State)	35,000

Additional information

(i) Paid ₹ 40,000 as sitting fees to Mr. Rohan, an independent director of the company, registered in M.P.

(ii) Donated ₹ 3,00,000 to a charitable trust (not registered under GST) for setting up a drinking-water unit at a public park, with the company's name inscribed on the structure merely in acknowledgement of the donation and not for any marketing purpose.

(iii) Purchased a car (seating capacity 5) for the official use of a whole-time director, from a registered dealer in Indore, MP, for ₹ 8,00,000.

(iv) Entered into an ex-works contract with Bhavya Engineering Works – Original Equipment Manufacturer (OEM), registered in Vadodara, Gujarat, for purchase of 5 units of a machine at ₹ 2,00,000 each. As per the ex-works terms, the OEM handed over the machines to the transporter at its factory gate on 28th January and Trinity recorded the invoice the same day. The machines were physically received at Trinity's factory on 3rd February and payment was made the same day. One machine was damaged beyond repair during unloading and was written off in the books in February.

Opening balance of ITC for the relevant tax period is CGST - ₹ 15,000, SGST - ₹ 15,000 and IGST - ₹ 40,000.

Rates of GST:

Goods – CGST 2.5%, SGST 2.5%, IGST 5%;

Services – CGST 9%, SGST 9%, IGST 18%; Car – CGST 20%, SGST 20%, IGST 40%;

Machine – CGST 9%, SGST 9%, IGST 18%.

All figures are exclusive of GST. All conditions for availing ITC are fulfilled, unless stated otherwise.

You are required to compute the minimum net GST payable in cash by Trinity Appliances Pvt. Ltd. for the month of January. Calculate GST for

each point separately and provide legal explanations for each point should form part of the answer but detailed provisions for place of supply are not required.

7. Ravi Textiles applied for GST registration under rule 8 on 5th August and opted for the simplified registration under rule 14A, completing Aadhaar authentication successfully. Its monthly GST liability is ₹ 2.30 lakh on supplies to registered persons (B2B) and ₹ 6 lakh on supplies to unregistered persons (B2C). The firm has two branches in Gujarat and one in Maharashtra, all under the same PAN, and wants separate registration under rule 14A for each branch. You are required to answer the following:

   (a) Is Ravi Textiles eligible for registration under rule 14A? Within how many working days will the registration be granted?

   (b) Can Ravi Textiles obtain separate registration under rule 14A for each of its three branches?

   (c) Subsequently, B2B output tax liability of Ravi Textiles increases, and the proper officer approves its application for withdrawal from rule 14A on 12th December. From which date, can it report B2B output tax liability exceeding ₹ 2.5 lakh?

8. The Municipal Corporation of Jaipur awards a works contract (taxable under GST) worth ₹ 6,00,000 (excluding all taxes and cesses) to M/s Suraj Builders, a contractor registered in Rajasthan, for construction of a community hall in Jaipur. It makes a payment of ₹ 2,40,000 (exclusive of GST) to M/s Suraj Builders in the month of October. Examine, with reference to the relevant GST provisions:

   (a) Whether the Municipal Corporation of Jaipur is required to deduct tax at source while making payment of ₹ 2,40,000 in the month of October, and if so, how much?

   (b) Determine the last date by which TDS deducted, if any, for the month of October by Municipal Corporation of Jaipur be remitted to the Government. Also determine, the last date to furnish the return for the month of October.

   (c) Discuss the manner in which the TDS certificate is generated.

9. M/s Alpha Ltd., a registered supplier in Maharashtra, enters into the following transactions during the month of September:

   (a) It sells a machine to Beta Ltd., a registered person in Karnataka, for ₹ 8,00,000. The machine is transported by Alpha Ltd. from its factory in Maharashtra and delivered to Beta Ltd. at its factory in Karnataka. In another transaction, Alpha Ltd. sells a machine to Gamma Ltd. and assembles and installs it at Gamma Ltd.'s factory in Maharashtra.

   (b) Alpha Ltd. also engages a consultant registered in Maharashtra to provide consultancy services to its registered branch in Maharashtra. Separately, Alpha Ltd. provides consultancy services to an unregistered customer residing in Rajasthan, whose address is available in Alpha Ltd.'s records.

   Determine the place of supply in respect of each of the above supplies.

10. Girish is a registered dealer in the State of Punjab. In the month of July, he decides to apply for Quarterly Return Monthly Payment (QRMP) scheme.

    Explain briefly to Girish regarding the following aspects:

    (A) Conditions and restrictions of QRMP scheme.

    (B) Manner of exercising option of QRMP scheme.

SUGGESTED ANSWERS

Question No.	Answer
1.	(c) each of the three States, in proportion to the nights of stay (5:3:1); ₹ 50,000
2.	(a) The services are exempt from GST. Therefore, GST is neither payable by AVPL nor by PWD.
3.	(d) The services are exempt from GST, being services provided by a Technology Business Incubator recognised by NSTEDB to its incubatees.
4.	(b) Renting of Flat A to Mr. Sandeep Joshi is exempt from GST, since the flat is rented to an unregistered individual for use as his residence
5.	(b) ₹ 19,20,000

6. Computation of minimum net GST payable in cash for January

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge				
Advance received for services [GST on advance received for supply of services will be payable at the time of receipt of advance. Further, it is an intra-State supply since place of supply and location of supplier is in Madhya Pradesh.]	3,00,000	27,000 [3,00,000 × 9%]	27,000 [3,00,000 × 9%]	–

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Supply of goods to Omkar Traders [Since arranging transport is the liability of supplier, it is a composite supply and thus, freight charges are added to the value of principal supply. Further, it is an intra-State supply since place of supply and location of supplier is in Madhya Pradesh.]	12,40,000 (12,00,000 + 40,000)	31,000 [12,40,000 × 2.5%]	31,000 [12,40,000 × 2.5%]	–
Goods supplied to Divine Mart [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value. Further, it is an intra-State supply since place of supply and location of supplier is in Madhya Pradesh.]	14,75,000 (15,00,000 – 25,000)	36,875 [14,75,000 × 2.5%]	36,875 [14,75,000 × 2.5%]	–
Supply of goods on the direction of Metro Distributors [It is an inter-State supply since place of	1,80,000	–	–	9,000 [1,80,000× 5%]

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
supply is Maharashtra (being principal place of business of the third person on whose direction goods are delivered to recipient) and location of supplier is Madhya Pradesh.]				
Branch transfer to Gwalior [Stock transfer between 2 units of a legal entity under single registration is not a deemed supply under GST and hence, the same is not liable to tax under GST since branch with same GSTIN is not a distinct person.]	–	–	–	–
Total output tax		**94,875**	**94,875**	**9,000**
Less: IGST credit utilized - first against IGST liability, then CGST and SGST liability [Refer working note]		(94,875)	(94,875)	(9,000)
Net GST payable		Nil	Nil	Nil
Add: **GST payable under reverse charge** (payable in cash) [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]				

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Sitting fees of independent director [Tax on services provided by a director to a company in the capacity of the director is payable under reverse charge.]	40,000	3,600	3,600	
Rent of residential dwelling [Renting of residential dwelling for use as residence to a registered person is not exempt[1]. Tax on renting of a residential dwelling to a registered person is payable under reverse charge, irrespective of whether the supplier is registered or not and irrespective of the purpose for which the dwelling is used by the tenant. Hence, tax is payable by Trinity under reverse charge.]	35,000	3,150	3,150	

[1] *except when said registered person is the proprietor of a proprietorship concern, rents the dwelling in his personal capacity for use as his own residence and does so on his own account and not that of the proprietorship concern.*

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Net GST payable in cash		**6,750**	**6,750**	**Nil**

Working Note - Computation of input tax credit available for January

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance	–	15,000	15,000	40,000
Intra-State purchase of raw materials [ITC in respect of goods worth ₹ 60,000 not received during the month is not available in January.]	9,40,000 (10,00,000 – 60,000)	23,500 [9,40,000 × 2.5%]	23,500 [9,40,000 × 2.5%]	–
Renting of residential dwelling [ITC on services used in the course or furtherance of business is available.]	35,000	3,150 [35,000 × 9%]	3,150 [35,000 × 9%]	–
Director's sitting fees [ITC on services used in the course or furtherance of business is available.]	40,000	3,600 [40,000 × 9%]	3,600 [40,000 × 9%]	–
Donation to charitable trust [Since the name of donor – the company - is displayed in such a manner: • which can be said to be an expression of	3,00,000	–	–	–

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
gratitude and public recognition of donor's act of philanthropy • which is not aimed at giving publicity/ advertisement/ promotion to the donor's business, it does not amount to supply and thus, no GST is payable. Resultantly, no ITC is available.]				
Purchase of car [ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for specified purposes (further supply, passenger transportation or imparting driving training).]	8,00,000	–	–	–
Ex-works contract for purchase of machines [In an ex-works contract, the goods are considered to have been delivered to the	10,00,000 (2,00,000 × 5)	–	–	1,80,000 [10,00,000 × 18%]

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
recipient (in other words, recipient is considered to have received said goods) when handed over by supplier to the transporter at the OEM's factory gate, (i.e., on 28th January), though physically received only in February[2]. Thus, ITC on said goods can be availed in January itself.]				
Total ITC available		**45,250**	**45,250**	**2,20,000**

7. **(a)** Rule 14A provides an optional simplified GST registration to an applicant who has applied for registration under rule 8, whose monthly output tax liability on supplies made to registered persons (CGST, SGST / UTGST, IGST and cess taken together) does not exceed ₹ 2.5 lakh and who has opted for and undergone successful Aadhaar authentication. In the given case, Ravi Textiles applied for registration under rule 8, its monthly GST output liability on B2B supplies does not exceed ₹ 2.5 lakh and it completed Aadhaar authentication. Hence, it is eligible for registration under rule 14A.

The registration is to be granted electronically within 3 working days of submission of the application, upon successful Aadhaar authentication.

[2] ITC already availed in January on the machine which was damaged and written off in February (₹ 36,000 (₹ 2,00,000 × 18%) has to be reversed in the return for February as ITC is not available on goods written off [Section 17(5)(h)]. However, this does not affect the amount of ITC available for January.

(b) No. A taxpayer can have only one registration per State/UT under rule 14A against same PAN. Hence, Ravi Textiles can have one GST registration in Gujarat and one in Maharashtra.

(c) A person registered under rule 14A can opt out of the simplified registration through an application for withdrawal in prescribed form which after verification by the proper officer, is accepted by an order in prescribed form. The registered person shall be able to furnish the details of output tax liability on supply of goods and/or services made to registered persons, exceeding ₹ 2.5 lakh from the first day of succeeding month in which the said order has been issued.

Since in the given case the order was issued on 12th December, Ravi Textiles can report B2B output tax liability exceeding ₹ 2.5 lakh only from 1st January.

8. (a) In case of intra-State supply by a supplier to a local authority, TDS @ 1% each under CGST and SGST is liable to be deducted by said local authority only when the total value of supply under a contract exceeds ₹ 2,50,000 (exclusive of tax & cess), from the payment made or credited to the supplier.

Accordingly, in the given case, since the value of supply under the contract excluding taxes and cesses is ₹ 6,00,000, TDS @ 1% on payment of ₹ 2,40,000, i.e. ₹ 2,400 each under CGST and SGST is to be deducted even though the payment is less than ₹ 2,50,000.

(b) The amount of TDS deducted shall be paid to the Government by Municipal Corporation of Jaipur within 10 days after the end of the month in which such deduction is made or by 10th of the succeeding month, i.e. by 10th November.

Further, it shall furnish a monthly return in Form GSTR-7 for the deductions made in October on or before 10th November.

(c) Form GSTR-7A is a system generated TDS Certificate which is generated once Municipal Corporation of Jaipur furnishes a return in Form GSTR-7 on the GST Portal and M/s Suraj Builders accepts the details uploaded by Municipal Corporation of Jaipur and files its return, within 5 days of crediting the amount to the

Government. This TDS certificate is available to both Municipal Corporation of Jaipur and M/s Suraj Builders.

9. (a) The place of supply of machine transported from Alpha Ltd.'s factory in Maharashtra to Beta Ltd.'s factory in Karnataka is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, i.e. Karnataka.

Further, place of supply of machine assembled and installed by Alpha Ltd. at Gamma Ltd.'s factory in Maharashtra is the place of such installation or assembly, i.e. Maharashtra.

(b) The place of supply of consultancy service provided by the consultant to Alpha Ltd.'s registered branch in Maharashtra is the location of the registered recipient, i.e. Maharashtra.

Further, place of supply of consultancy service provided by Alpha Ltd. to the unregistered customer in Rajasthan is the location of the recipient where the address on record exists, i.e., Rajasthan.

10. (a) **Conditions and restrictions of QRMP scheme** - Girish has to fulfil the following conditions and restrictions for opting for QRMP scheme:

- His aggregate annual turnover (PAN based) is up to ₹ 5 crore in the preceding financial year.
- He has furnished the return for the preceding month, as due on the date of exercising such option.

(b) **Manner of exercising option of QRMP scheme -** Registered person – Girish - intending to opt for QRMP scheme for any quarter should indicate his preference for furnishing of return on a quarterly basis from 1st day of the 2nd month of the preceding quarter till the last day of the 1st month of the quarter for which the option is being exercised.

Applicability of Standards/Guidance Notes/Legislative Amendments etc. for January, 2027 Examination

Intermediate Level

Paper 2: Corporate and Other Laws

The provisions of the Companies Act, 2013, the Limited Liability Partnership Act, 2008, the General Clauses Act, 1897 and the Foreign Exchange Management Act, 1999, along with significant Rules/ Notifications/ Circulars/ Clarification/ Orders issued by the Ministry of Corporate Affairs (MCA)/ Reserve Bank of India (RBI), as covered in the Study Material, along with significant amendments issued by the respective authority up to 30th June 2026, are applicable for January 2027 examination.

The 'July 2024 (Reprint August 2025 and onwards)' edition of the Study Material for Intermediate Paper 2, as amended upto 31st July 2025, is relevant for January 2027 examination.

Further, significant amendments which are not covered in the study material but are relevant for January 2027 examination are issued by the Board of Studies (Academic) through 'Amendments for January 2027 examination'. These amendments are separately webhosted on BOS Knowledge Portal at https://resource.cdn.icai.org/94282bos-aps5940-p2-amendment-jan2027.pdf

Accordingly, the aforementioned Study Material has to be read along with the said Amendments.

Paper 3: Taxation

Section A: Income-tax Law

The provisions of income-tax Act, 1961, as amended by **the Finance Act, 2025**, including significant circulars, notifications, press releases issued and legislative amendments made **upto 30.06.2026**, are applicable for January, 2027 examination. The relevant assessment year is **A.Y. 2026-27**.

The July 2025 edition of the Study Material for Intermediate Paper 3A, based on the provisions of income-tax law, as amended by the Finance Act, 2025 and Notifications and Circulars issued upto 15th July, 2025, is relevant for January, 2027 examination. The Study Material has to be read along with the **Statutory**

Update for January, 2027 examination covering notifications and circulars issued upto 30.06.2026 but not covered in the study material.

Note *–The Study Guidelines specifying the list of topic-wise exclusions from the scope of syllabus and topic-wise inclusion of clauses of section 10 in the syllabus is given in the initial pages of the July 2025 edition of the Study Material.*

Section B: Goods and Services Tax

(i) The provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2025 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 30.06.2026, are applicable for January 2027 examination.

The amendments made by the Annual Union Finance Acts in the CGST Act, 2017 and IGST Act, 2017 are made effective from a date notified subsequently. Thus, those amendments made by the relevant Finance Acts which have become effective till 30.06.2026 are applicable for January 2027 examination. Accordingly, all the amendments made by the Finance Act, 2025 are applicable for January 2027 examination since they have become effective till 30.06.2026.

(ii) The Study Guidelines given below specify the exclusions from the syllabus for January 2027 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)**
2(iii)	Charge of tax including reverse charge	**CGST Act, 2017** (i) Rate of tax prescribed for supply of **goods*** (ii) Rate of tax prescribed for supply of **services*** (iii) Categories of supply of goods, tax on which is payable on reverse charge basis under section 9(3) **IGST Act, 2017** (iii) Rate of tax prescribed for supply of **goods**

		(iv) Rate of tax prescribed for supply of **services** (v) Categories of supply of goods, tax on which is payable on reverse charge basis under section 5(3)
2(iv)	Exemption from tax	**CGST Act, 2017 & IGST Act, 2017** Exemptions for supply of **goods**
3(ii)	Basic concepts of place of supply	**IGST Act, 2017 & IGST Rules, 2017** (i) Place of supply of goods imported into, or exported from India (ii) Place of supply of services where location of supplier or location of recipient is outside India (iii) Special provision for payment of tax by a supplier of online information and database access or retrieval [OIDAR] services (iv) Refund of integrated tax paid on supply of goods to tourist leaving India (v) Special provision for specified actionable claims supplied by a person located outside taxable territory
3(iii)	Basic concepts of time of supply	**CGST Act, 2017 & CGST Rules, 2017** Provisions relating to change in rate of tax in respect of supply of goods or services
3(iv)	Basic concepts of value of supply	**CGST Act, 2017 & CGST Rules, 2017** Chapter IV: Determination of Value of Supply [Rules 27-35] of CGST Rules, 2017
3(v)	Basic concepts of input tax credit	**CGST Act, 2017 read with CGST Rules, 2017** (i) Claim of credit by a banking company or a financial institution [Rule 38] (ii) Manner of determination of input tax credit in respect of inputs or input services and reversal thereof [Rule 42] (iii) Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases [Rule 43]

		(iv) Input tax credit provisions in respect of inputs and capital goods sent for job work. (v) Input tax credit provisions relating to distribution of credit by Input Service Distributor [ISD] (vi) Manner of recovery of credit distributed in excess (vii) Manner of reversal of credit of additional duty of customs in respect of Gold dore bar

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

Note: The syllabus includes select provisions of the CGST Act, 2017 and IGST Act, 2017 and not the entire CGST Act, 2017 and the IGST Act, 2017. The provisions covered in any topic(s) of the syllabus which are related to or correspond to the topics not covered in the syllabus shall also be excluded.

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. For example, since provisions relating to ISD are excluded from the topics "Input tax credit", the provisions relating to (i) registration of ISD and (ii) filing of returns by an ISD are also excluded from the topics "Registration" and "Returns" respectively.

The entire content included in the July 2025 edition of the Study Material *(except where it is expressly mentioned that the content is not relevant for the examination)* and the Statutory Update for January 2027 examination shall ALONE be relevant for the said examination. The amendments in the GST law made after the issuance of the Study Material - to the extent covered in the Statutory Update for January 2027 examination shall only be relevant for the said examination.