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Composition Scheme



1. The total composition rate of tax for manufacturers under composition scheme is:

- a. 0.5% of turnover
- b. 5% of turnover
- c. 1% of turnover
- d. 2.5% of turnover.

Ans:- (a) (b) (c) (d)

2. ABC Ltd., a manufacturer has got itself registered in Delhi on 1.2.2018 in composition scheme. It makes a supply to XYZ Ltd., a registered entity in Delhi. It is confused in respect to what is the GST rate applicable on it under CGST?

- a. 0.5%
- b. 1%
- c. 2%
- d. 2.5%

Ans:- (a) (b) (c) (d)

3. To be eligible for registration under Composition scheme it is required that the aggregate turnover of a registered tax-payer should not exceed _____ in the preceding financial year. (The limit is _____ for Special Category States (other than State of J&K & Uttarakhand))

- a. Rs. 1,00,00,000; Rs. 75,00,000
- b. Rs. 50,00,000; Rs. 75,00,000
- c. Rs. 50,00,000; Rs. 25,00,000
- d. None of the above

Ans:- (a) (b) (c) (d)

4. Mr. Fardeen Khan, is the owner of a proprietorship firm (located in the State of Jammu and Kashmir), which is engaged in trading of ice-cream (not containing cocoa) and supplies the same locally within the same State itself. The turnover details of his firm are as under:

- For the period April, 2016 to March, 2017: Rs. 80,00,000/-
- For the period April, 2017 to June, 2017: Rs. 25,00,000/-
- For the period July, 2017 to March, 2018: Rs. 75,00,000/-

He wants to opt for Composition Scheme. State the composition turnover limit for the State of Jammu and Kashmir and whether he is eligible to opt for Composition Scheme or not.

- a. Rs. 75,00,000/-: Yes
- b. Rs. 75,00,000/-: No
- c. Rs. 1,00,00,000/-: Yes
- d. Rs. 80,00,000/-: Yes

Ans:- (a) (b) (c) (d)

5. Mr. X, a registered supplier of Meghalaya wants to opt for composition levy. The turnover limit for composition levy is-

- a. Rs. 50 lakh
- b. Rs. 75 lakh

- c. Rs. 1 crore
- d. none of the above

Ans:- (a) (b) (c) (d)

6. According to Section 2 (6) of the CGST Act, 2017 "aggregate turnover" will include

- a. value of all taxable supplies
- b. value of all outward supplies – whether taxable or non-taxable, whether exempt or non-exempt, whether zero-rated or not, whether under forward charge or reverse charge
- c. value of outward supplies as well as inward supplies on which tax is payable on reverse charge basis
- d. value of outward supplies under forward charge and value of inward supplies with reverse charge

Ans:- (a) (b) (c) (d)

7. Which of the following will be excluded from the computation of turnover?

- a. Value of taxable supplies
- b. Value of exempt Supplies
- c. Non-taxable supplies
- d. Value of inward supplies on which tax is paid on reverse charge basis

Ans:- (a) (b) (c) (d)

8. In computation of aggregate turnover for composition levy, which of the following item should be excluded from the aggregate turnover?

- a. The value of exported goods/services
- b. Inter-state supplies between distinct persons having same PAN
- c. Compensation Cess
- d. Supply on own account and on behalf of principal.

Ans:- (a) (b) (c) (d)

9. Raj Ltd. is having 4 places of business – 2 in Delhi (Registered), 1 in Maharashtra (Registered) and 1 in Madras (Unregistered as selling Alcoholic liquor for human consumption) 'Aggregate Turnover' shall be

- a. Aggregate TO from all 4 places of business (having same PAN);
- b. Aggregate TO of all registered places – 2 places in Delhi and 1 in Maharashtra (registered with same PAN);

Ans:- (a) (b) (c) (d)

10. Rama Ltd. has provided following information for the month of September:

- (i) Intra-State outward supply ₹ 8,00,000/-
 - (ii) Inter-State exempt outward supply ₹ 5,00,000/-
 - (iii) Turnover of exported goods ₹ 10,00,000/-
 - (iv) Payment made for availing GTA services ₹ 80,000/-
- Calculate the aggregate turnover of Rama Ltd.

- a. ₹ 8,00,000/-
 - b. ₹ 23,80,000/-
 - c. ₹ 23,00,000/-
 - d. ₹ 18,00,000/-
- Ans:- (a) (b) (c) (d)

11 ABC Pvt. Ltd. is having place of business in 3 states namely Haryana, Punjab & Rajasthan each having turnover of Rs. 20 lacs, 60 lacs, 80 lacs respectively. Which State is eligible to opt for composition scheme?

- a. Haryana
- b. Punjab
- c. Rajasthan
- d. None of the above

Ans:- (a) (b) (c) (d)

12. As per the CGST Act, 2017, "exempt supply" means supply of any goods or services

- (i) Which attracts nil rate of tax
 - (ii) Which may be wholly exempt from tax u/Sec 11 or u/Sec 6 of the IGST Act
 - (iii) Which is non-taxable supply Select the correct answer from the options given below :
- a. (ii)
 - b. (I)
 - c. (iii)
 - d. All of the above

Ans:- (a) (b) (c) (d)

13. ABC Ltd., a trader has got itself registered in Delhi on 1.2.2018 in composition scheme. In the month of Aug'18, it make supply of taxable goods worth Rs. 3 lacs and exempted goods worth Rs. 1 lac. On what value it shall pay the GST to the Government?

- a. Rs. 1 lac
- b. Rs.3 lacs
- c. Rs.4 lacs
- d. Rs.2 lacs

Ans:- (a) (b) (c) (d)

14. Mr. Bala has made supply (within State) of a taxable goods which is of Rs. 17 lakh, export supplies of Rs. 3 lakh and intra-state supply of exempt services of Rs. 4 lakh. His aggregate turnover as per section 2(6) of the CGST / SGST Act, 2017 is :

- a. Rs. 17 Lakhs
- b. Rs. 20 Lakhs
- c. Rs. 24 Lakhs
- d. None of the above

Ans:- (a) (b) (c) (d)

15 ABC Pvt. Ltd., a registered entity in Delhi in composition scheme has received order from 4 states as specified below of Rs. 5 lacs, 6 lacs, 7 lacs & 2 lacs respectively. Being a composition dealer, which order can he accept?

- a. Delhi
- b. Haryana
- c. Rajasthan
- d. Maharashtra

Ans:- (a) (b) (c) (d)

16. Mr. A, a composition dealer who trades in garments has received an order from China of Rs 5 lacs. Can accept this order?

- a. Yes
- b. No
- c. Maybe
- d. Yes, with prior permission of Central Government

Ans:- (a) (b) (c) (d)

17. Mr. Kanjoos located in Delhi wants to opt for composition scheme for financial year 2018-19. He is engaged in trading of branded flour which is taxable @ 5% and unbranded flour which is taxable at 0%. Turnover of branded flour in FY 2017-18: Rs. 70,00,000 Turnover of unbranded flour in FY 2017-18: Rs. 20,00,000 He was also providing service in the previous year by way of renting of a residential unit for which he is charging Rs. 1,00,000 per month as rent. Calculate his aggregate turnover to determine his eligibility to opt for composition scheme?

- a. Rs. 90,00,000
- b. Rs. 70,00,000
- c. Rs. 1,02,00,000
- d. Rs. 91,00,000

Ans:- (a) (b) (c) (d)

Note:- ICAI has taken this answer but according to us it is (c) i.e. 1,02,00,000 as per the definition of aggregate turnover define in sec 2(6)

18. Which of the following manufacturer cannot opt for composition levy?

- a. Manufacturer of pan masala
- b. Manufacturer of ice cream
- c. Manufacturer of tobacco substitutes
- d. All of the above

Ans:- (a) (b) (c) (d)

19. Which of the following persons can opt for the composition scheme?

- 1) Registered person whose aggregate turnover in the preceding financial year did not exceed Rs. 75 lakh.
- 2) Registered person whose aggregate turnover in the preceding financial year did not exceed Rs. 1 crore.
- 3) A person engaged in business of Pan Masala, Tobacco and manufactured tobacco substitutes
- 4) A person engaged in the business of Ice Cream, other edible ice, whether or not containing Cocoa.
- 5) A person engaged exclusively in the providing restaurant service.
- 6) A person engaged exclusively in supply of medicines.

Which of the above are correct:-

- a. 1,2,3,5
- b. 1,2,5,6
- c. 2,3,4,5

d. 3,4,5,6

Ans:- (a) (b) (c) (d)

20. Which of the following statements is not correct for a tax payer who has opted for composition scheme?

- a. A registered person supplying goods under the composition scheme shall issue a bill of supply.
- b. Last date for payment of liability towards tax, interest, penalty, fee or any other sum is 20th day of each month.
- c. A composition dealer shall mention the words "Composition taxable person, not eligible to collect tax on supplies" at the top of the bill of supply issued by him.
- d. Last date for payment of liability towards tax, interest, penalty, fee or any other sum is 18th day of the month following each quarter.

Ans:- (a) (b) (c) (d)

21. Which of the following person cannot opt for composition scheme?

- a. Mr. B, a garment trader having turnover of Rs. 40 lacs. He further rents out his shop and charges Rs. 70,000 per month.
- b. Mr. C, manufacturer of hand bags having turnover upto Rs. 60 lacs
- c. Mr. D, selling hand bags through e – commerce portal which is not liable to collect tax at source U/s 52
- d. None of the above

Ans:- (a) (b) (c) (d)

22. In which of the following condition the person cannot pay tax under composition scheme?

- a. he was not engaged in the manufacture of goods as notified under clause (e) of sub-section (2) of section 10, during the preceding financial year.
- b. he shall mention the words "composition taxable person, not eligible to collect tax on supplies" at the top of the bill of supply issued by him.
- c. He is a casual taxable person
- d. the goods held in stock by him on the appointed day have not been purchased in the course of inter-State trade

Ans:- (a) (b) (c) (d)

23. Which of the following persons is not eligible for composition scheme even though their aggregate turnover does not exceed Rs. 1 crore in preceding FY, in Uttar Pradesh?

- a. A person supplying restaurant services
- b. A person supplying restaurant services and earning bank interest
- c. A person supplying restaurant services and warehousing of rice
- d. A person supplying restaurant services and warehousing of processed tea

Ans:- (a) (b) (c) (d)

24. Whether a restaurant serving alcohol along with other foods etc. to its customers can opt for composition scheme under Section 10?

- a. Yes
- b. No
- c. None of the above
- d. Maybe

Ans:- (a) (b) (c) (d)

25. Can a person paying tax under composition scheme make supplies of goods to SEZ located in same State?

- a. Yes
- b. No
- c. Yes, subject to prior approval of the Central Government
- d. Yes, subject to prior approval of the concerned State Government

Ans:- (a) (b) (c) (d)

26. ABC Pvt. Ltd., a Mumbai based manufacturer of the pan masala, has started manufacturing biscuits within same PAN. His threshold of Rs. 20 lacs is crossed but is expected to be below Rs. 80 lacs in the current financial year. Can he opt for composition scheme?

- a. Yes
- b. No
- c. Maybe
- d. Yes, with prior approval

Ans:- (a) (b) (c) (d)

27. Mr. A is a manufacturer of ice cream. If all other conditions satisfies, the total effective composition tax rate will be:

- a. 1%
- b. 5%
- c. 2%
- d. Not eligible for composition scheme.

Ans:- (a) (b) (c) (d)

28. ABC Ltd., a person registered in composition scheme, operating in 4 different states has filed the withdrawal intimation in one State. Will this intimation be applicable to all places of business?

- a. Yes
- b. No
- c. Yes, but with prior permission of Central Government
- d. No, but with prior permission of respective State Government

Ans:- (a) (b) (c) (d)

29. Can a registered person opt for composition scheme only for one out of his 3 business verticals having same Permanent Account Number?

- a. Yes
- b. No
- c. Yes, subject to prior approval of the Central Government
- d. Yes, subject to prior approval of the concerned State Government

Ans:- (a) (b) (c) (d)

30. Calculate the tax to be paid by Mr. A, a composition dealer who is involved in trading of garments. Details of his business is as below:

Purchases = Rs. 30,000 (including GST of 4,500)

Cost of products sold = Rs. 7,00,000

Invoice value = Rs. 9,00,000

- a. Rs. 3,000
- b. Rs. 7,000
- c. Rs. 9,000
- d. Rs. 2,542

Ans:- (a) (b) (c) (d)

31. ABC Pvt. Ltd., has started his business in Delhi and has got himself registered in Composition Scheme. He has purchased capital goods worth Rs. 1,28,000 (tax amount Rs. 28,000) and inputs worth Rs. 50,000 (tax amount Rs. 7,000). What is the eligible amount of ITC that it can claim?

- a. Rs. 28,000
- b. Rs. 7,000
- c. Rs. 35,000
- d. Zero

Ans:- (a) (b) (c) (d)

32. Will composition supplier make the payment of CGST & SGST in separate heads or shall make one combined payment?

- a. Yes, pay under separate heads
- b. No, pay a consolidate amount
- c. Maybe
- d. Make payment under IGST

Ans:- (a) (b) (c) (d)

33 Grand Foods is engaged in supplying restaurant service in Delhi. In the preceding financial year, it has an aggregate turnover of ₹ 90 lakh from restaurant service and ₹ 10 lakh from supply of farm labour and has earned a bank interest of ₹ 10 lakh. Which of the following statements are true in the given case?

- (1) Aggregate turnover of Grand Foods, for determining eligibility for composition scheme, in the preceding FY is ₹ 90 lakh.
- (2) Aggregate turnover of Grand Foods, for determining eligibility for composition scheme, in the preceding FY is ₹ 100 lakh.
- (3) Aggregate turnover of Grand Foods, for determining eligibility for composition scheme, in the preceding FY is ₹ 110 lakh.
- (4) Supply of farm labour and supply of service of

extending loans/deposits does not make Grand Foods ineligible for composition scheme.

(5) Supply of services other than restaurant service - supply of farm labour and supply of service of extending loans/deposits - by Grand Foods makes it ineligible for composition scheme.

- a. (1) and (4)
- b. (2) and (4)
- c. (1) and (5)
- d. (3) and (5)

Ans:- (a) (b) (c) (d)

34. Can the person operating in regular scheme shift to composition scheme in middle of the financial year?

- a. Yes
- b. No
- c. None of the above
- d.

Ans:- (a) (b) (c) (d)

35. Can a registered person opting for composition scheme collect GST on his outward supplies?

- a. Yes, in all cases
- b. Yes, only on such goods as may be notified by the Central Government
- c. Yes, only on such services as may be notified by the Central Government
- d. No

Ans:- (a) (b) (c) (d)

36. A Is composition dealer required to maintain books of account as per GST Laws?

- a. Yes
- b. No
- c. May be
- d. None of the above

Ans:- (a) (b) (c) (d)

37. In which form can the person file for withdrawal of composition scheme?

- a. Form GST CMP-01
- b. Form GST CMP-02
- c. Form GST CMP-03
- d. Form GST CMP-04

Ans:- (a) (b) (c) (d)

38. A person who has opted for composition levy is required to file quarterly return in Form GSTR-4 on or before:

- a. 18th day of the succeeding the quarter
- b. 20th day of the succeeding the quarter
- c. 25th day of the succeeding the quarter
- d. 30th day of the succeeding the quarter.

Ans:- (a) (b) (c) (d)

39. Which of the following information is not required to be furnished by a composition taxpayer for

quarter April to June in FORM GSTR-4?

- (i) import of service
 - (ii) invoice wise inter-State and intra-State inward supplies received from un-registered persons
 - (iii) invoice wise inter-State and intra-State outward supplies made to registered persons
 - (iv) invoice wise inter-State and intra-State outward supplies made to un-registered persons
- a. (I), (ii)
b. (iii), (iv)
c. (I), (ii), (iv)
d. All of the above

Ans:- (a) (b) (c) (d)

Answer:-

1	c	21	a
2	a	22	c
3	a	23	d
4	c	24	b
5	b	25	b
6	b	26	b
7	d	27	d
8	c	28	a
9	a	29	b
10	c	30	c
11	d	31	d
12	d	32	a
13	b	33	a
14	c	34	b
15	a	35	d
16	b	36	a
17	a	37	d
18	d	38	a
19	b	39	b
20	b		