

Case Study Based MCQ - 10

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ABC Pvt. Ltd., a company registered under GST, manufactures products which are used in laboratories. The products are manufactured in the company's factory located in Lucknow, Uttar Pradesh and sold in various parts of Uttar Pradesh. The company also provides repair and maintenance services for its products. The details of turnover of the company are as under:

Particulars	F.Y. - 1 (Rs.)	F.Y.- 2 (Rs.)
Turnover from supply of goods	75,00,000	1,02,00,000
Turnover from supply of services	7,10,000	9,25,000
Interest income from extending loans to others	5,25,000	6,26,000

The company procures service of M/s Ram Enterprises, a Goods Transport Agency, having its place of business in Lucknow, Uttar Pradesh, for transport of goods from its factory to customers' location. M/s Ram Enterprises prepares a regular consignment note containing the details of consignor and consignee and other prescribed details. The services provided by M/s Ram Enterprises are chargeable to tax @ 5%.

Following details are provided by ABC Pvt. Ltd. for the month of July of FY-3 (current FY):

S.No.	Particulars	Amount (Rs.)
(i)	Turnover of supply of goods	10,20,000
(ii)	Turnover of supply of services	92,550
(iii)	Interest income from extending deposit to others	5,000
(iv)	Amount charged for services received from M/s Ram Enterprises	50,000
(v)	Raw material received from other States	5,26,000

(vi)	Input services received	7,80,900
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Following additional information is also provided:

- (i) The raw material received by ABC Pvt. Ltd. mentioned in point (v) above includes goods amounting to Rs. 2,26,000 received from M/s Aakash Enterprises on the instructions received from M/s Abhijaat Enterprises. M/s Aakash Enterprises has its principal place of business in Uttar Pradesh whereas M/s Abhijaat Enterprises has its principal place of business in Gujarat.
- (ii) Vidhata Foundation, a Charitable Trust, registered under section 12AA of the Income Tax Act, 1961 has been set up by the founders of ABC Pvt. Ltd. for conducting charitable activities in the State of Uttar Pradesh. The Trust organises sessions on yoga and spirituality in the State of Uttar Pradesh and charges participation fees for the same. The total fees collected from participants for the month of July of current FY is Rs. 2,50,000. The input services received by the Trust during the said month amount to Rs. 1,25,260. The Trust is also analysing the proposal of granting rights to ABC Pvt. Ltd. to advertise on its premises.

Following GST rates are applicable on the inward and outward supplies unless otherwise specified:

Particulars	CGST	SGST	IGST
Outward supply	9%	9%	18%
Inward supply	6%	6%	12%

1. Whether the service provided by M/s Ram Enterprises to ABC Pvt. Ltd. is chargeable to tax. If yes, who will discharge the tax liability?
- (a) The service is chargeable to tax and M/s Ram Enterprises will bear the tax liability.
- (b) The service is chargeable to tax and ABC Pvt. Ltd. will discharge the tax liability.
- (c) The service is exempt under the CGST Act, 2017.
- (d) The service is chargeable to tax and M/s Ram Enterprises and ABC Pvt. Ltd. will discharge the tax liability in the ratio of 1:1.

Answer : (b)

2. Whether ABC Pvt. Ltd. could have opted for composition levy under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 for current financial year?
- (a) Yes. However, it could have provided services up to a value of Rs. 11,12,500 under composition levy during the current financial year.
- (b) No, it could not have opted for composition levy.
- (c) Yes. However, it could have provided services up to Rs. 5,00,000 under composition levy during the current financial year.
- (d) Yes. However, it could have provided services up to Rs. 11,75,100 under composition levy during the current financial year.

Answer : (a)

3. Assuming ABC Pvt. Ltd. has opted for composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017, what shall be the total GST liability of ABC Pvt. Ltd. in the State of Uttar Pradesh for the month of July?

- (a) No liability, ITC of 1,56,828 will be carried forward. (b) Rs. 45,931
 (c) Rs. 13,626 (d) Rs. 2,02,759

Answer : (c)

4. Which of the following statement is incorrect in case of Vidhata Foundation?

- i. Services provided to charitable or religious trusts are not outside the ambit of GST. Unless specifically exempt, they are chargeable under GST.
- ii. All the activities of Vidhata Foundation are exempt from GST since it is a charitable trust registered under section 12AA of the Income-tax Act, 1961.
- iii. Fees charged for sessions on yoga and spirituality are exempt since the objective of such programmes is advancement of yoga and spirituality.

- (a) i & ii (b) i (c) iii (d) ii

Answer : (d)

5. What shall be the place of supply (POS) for the supply transaction(s) between ABC Pvt. Ltd., M/s Abhijaat Enterprises and M/s Aakash Enterprises and the nature of tax leviable thereon?

- (a) POS for transaction between M/s Abhijaat Enterprises and M/s Akash Enterprises is the location of principal place of business of M/s Abhijaat Enterprises, i.e. Gujarat and IGST is leviable on such supply. POS for transaction between M/s Abhijaat Enterprises and ABC Pvt. Ltd. is the location of principal place of business of ABC Pvt. Ltd., i.e. Lucknow, Uttar Pradesh and IGST is leviable on such supply.
- (b) POS for transaction between M/s Abhijaat Enterprises and M/s Akash Enterprises is the location of principal place of business of M/s Akash Enterprises, i.e. Uttar Pradesh and IGST is leviable on such supply. POS for transaction between M/s Abhijaat Enterprises and ABC Pvt. Ltd. is the location of principal place of business of M/s Abhijaat Enterprises, i.e. Gujarat and CGST and SGST are leviable on such supply.
- (c) POS for transaction between M/s Abhijaat Enterprises and M/s Akash Enterprises is the location of principal place of business of ABC Pvt. Ltd., i.e. Uttar Pradesh since goods are delivered there and CGST and SGST are leviable on such supply.
- (d) POS for transaction between M/s Abhijaat Enterprises and M/s Akash Enterprises is the location of principal place of business of ABC Pvt. Ltd., i.e. Uttar Pradesh since goods are delivered there and IGST is leviable on such supply.

Answer : (a)