

Case Study Based MCQ - 4

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XYZ Ltd. is registered with the jurisdictional GST authorities in the State of Rajasthan and operates in multiple businesses. The principal business of XYZ Ltd. is works contract service being provided to the customers by way of fabricating and installing the body for large transportation vehicles. The chassis of the vehicles are provided by the customers to XYZ Ltd. XYZ Ltd. procures the material for fabrication and installs the same on the chassis against a lumpsum agreed amount for material as well as services.

In addition to the above business, XYZ Ltd. is also engaged in providing transportation of goods by road through its own fleet of trucks. GST is chargeable on such services @ 5%.

During the month of January, XYZ Ltd. undertook the following transactions:

- (i) Provided transportation of goods services to A Ltd., a registered person under GST in the State of Gujarat and received an amount of Rs. 10,00,000 as consideration for the same.
- (ii) Purchased tyres for its own fleet of trucks and paid an amount of Rs. 1,00,000 for such purchases.
- (iii) Purchased a machinery with an advance technology for fabrication of body for luxury buses amounting to Rs. 50,00,000. The machinery is installed at XYZ Ltd.'s premises and the same was purchased from B Ltd., a registered person in the State of Rajasthan. B Ltd. procured such machinery from C Ltd., a registered person under GST in the State of Maharashtra. The delivery was made by C Ltd. directly at the premises of XYZ Ltd. and installation work was carried out by the engineers of C Ltd. The amount charged by C Ltd. from B Ltd. was Rs. 42,00,000.
- (iv) XYZ Ltd. procured certain engineering services for its fabrication business through electronic mode from Lummus Inc., a company located in Italy. The consideration paid to Lummus Inc. was Rs. 15,00,000. Further, certain goods were exported by XYZ Ltd. for carrying out repairs work on the same to Lummus Inc. The consideration paid for such goods was Rs. 5,00,000.
- (v) Provided transportation services to ABC Ltd., its related party and received an amount of Rs. 5,00,000. The arm's length amount of such services provided to third party unrelated customers was Rs. 7,00,000.
- (vi) XYZ Ltd. sold scrap relating to fabrication business amounting to Rs. 5,00,000.

(vii) Purchased goods relating to fabrication business for Rs. 10,00,000 out of which goods worth Rs. 1,00,000 were stolen from the premises of XYZ Ltd.

(viii) Received an advance of Rs. 10,00,000 for fabrication work on new chassis and Rs. 3,00,000 towards transportation services from W Ltd., a registered person under GST in the State of Madhya Pradesh.

The opening balance of input tax credit for the relevant tax period for XYZ Ltd. is nil. All the above amounts are exclusive of GST, wherever applicable.

The applicable GST rate on all inward and outward supplies is 18% unless specified otherwise. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

1. Determine the net outward GST liability, payable in cash, of XYZ Ltd. for the month of January.

- (a) Rs. 5,40,000 (b) Rs. 2,70,000 (c) Nil (d) Rs. 7,38,000

Answer : (b)

2. What shall be the total eligible input tax credit available to XYZ Ltd. for the month of January?

- (a) Rs. 10,80,000 (b) Rs. 10,62,000 (c) Rs. 13,32,000 (d) Rs. 9,00,000

Answer : (c)

3. Whether Lummus Inc. is required to obtain registration in India to discharge GST liability? If yes, compute the amount of GST liability to be discharged by it in the month of January?

- (a) Yes, as online information database access and retrieval service provider. GST payable is Rs. 3,60,000
 (b) Yes, as online information database access and retrieval service provider. GST payable is Rs. 2,70,000
 (c) No, GST liability of Lummus Inc. is nil.
 (d) Yes, as normal taxpayer. GST payable is Rs. 3,60,000

Answer : (c)

4. Determine the GST liability of XYZ Ltd. on transportation of goods services provided to ABC Ltd.

- (a) Nil (b) Rs. 90,000 (c) Rs. 1,26,000 (d) Rs. 36,000

Answer : (a)

5. In case of the machinery sold and fabricated by C Ltd., the place of supply and tax charged shall be:

- (a) Location of C Ltd.; IGST of Rs. 7,56,000
 (b) Location of XYZ Ltd.; IGST of Rs. 7,56,000
 (c) Location of B Ltd.; IGST of Rs. 9,00,000
 (d) Location of C Ltd.; CGST of Rs. 3,78,000 and SGST of Rs. 3,78,000

Answer : (b)