Case Study Based MCQ - 5

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Varun Associates is a supplier registered under GST in Delhi. It is engaged in manufacture of Product A and Product B. Product A is a taxable product whereas Product B is an exempt product. It is also engaged in manufacture of Product C, a taxable product, which is exported by it to other countries without payment of tax under Letter of Undertaking.

It has furnished following information regarding purchase of the machineries for his manufacturing business:

Date of purchase	Machinery	Amount (Rs.) (exclusive of taxes)	
1st April, 2018	Machinery X	10,00,000	Exclusively used for manufacturing Product A
1st October, 2019	Machinery Y	15,00,000	Exclusively used for manufacturing Product B
1st May, 2020	Machinery Z	20,00,000	Exclusively used for zero-rated supply of Product C

From 1st April, 2021, Varun Associates started using Machinery Y for manufacturing Product A as well.

All the purchases and sales are inter-State and rate of IGST applicable on all purchases and sales is 18%. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

1. The amount of input tax which has been credited to electronic credit ledger during the financial year 2018-19-

(a) Rs. 1,80,000 (b) Rs. 3,60,000

(c) Rs. 8,10,000 (d) Rs. 5,40,000

Answer : (a)

2. The amount of GST, paid on purchase of a machinery, which has not been credited to electronic credit ledger during the financial years 2018-19, 2019-20 and 2020-21 -

   (a) Rs. 6,30,000 (b) Rs. 3,60,000

   (c) Rs. 8,00,000 (d) Rs. 2,70,000

   Answer : (d)

3. Amount of ineligible ITC in respect of Machinery Y, i.e. 'Tie', as per rule 43 of the CGST Rules, 2017, to be added to the output tax liability is-

   (a) Rs. 4,81,000 (b) Rs. 1,89,000

   (c) Rs. 81,000 (d) Rs. 72,000

   Answer : (c)

4. What is the time-period up to which common credit needs to be computed for Machinery Y?

   (a) 31st March, 2026 (b) 30th September, 2024

   (c) 31st March, 2028 (d) 30th September, 2028

   Answer : (b)

5. The amount of common credit for the month of April, 2021 is-

   (a) Rs. 2,02,500 (b) Rs. 2,70,000

   (c) Rs. 6,30,000 (d) Rs. 4,90,500

   Answer : (b)

6. How is the amount of common credit attributable to exempt supplies treated under rule 43 of the CGST Rules, 2017?

   (a) It shall be added to output tax liability of Varun Associates.

   (b) It shall be reversed by Varun Associates.

   (c) 50% of common credit attributable to exempt supplies shall be reversed by Varun Associates and remaining 50% shall be added to output tax liability.

   (d) It shall lapse.

   Answer : (a)