

Case Study Based MCQ - 20

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By CA. Yashvant Mangal

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Neha Chemical Pvt. Ltd. (hereinafter referred to as NCPL), a registered taxpayer under in Surat, Gujarat, is engaged in manufacturing of chemical products. Poorva Fertilizers Pvt. Ltd. (hereinafter referred to as PFPL) of Dhule, Maharashtra approached NCPL for supply of chemical product.

NCPL supplied 20 tons of chemical product @ Rs. 1,00,000 per ton (taxable value) to PFPL on 1st October. The invoice for the supply has also been issued on the same date. Further, following additional amounts (in lump sum) are also charged from PFPL:

Particulars	Amount (Rs.)
Packing charges	25,000
Extra charges for removal of impurities from chemical product	50,000
Transit insurance for transportation	5,000
Taxes levied by Municipal Authority	4,500
Transportation charges	35,000

As per the terms of the contract of supply, NCPL is required to deliver the chemical at the premises of PFPL. Therefore, NCPL hires a transporter for transportation of chemical. The lorry receipt indicates that freight (ignoring taxes) is payable by the receiver of goods.

On 4th October, NCPL has also received Rs. 2,00,000 as subsidy from the State Government for setting up chemical manufacturing plant in Surat, Gujarat.

As per the contract, PFPL is required to make payment within 20 days of supply. However, PFPL delayed the payment of consideration and made the payment on 25th December alongwith Rs. 28,000 as interest.

On 5th October, NCPL hired a motor car from Mr. Mehul, resident of Surat, Gujarat for its management team at Mumbai, Maharashtra for a business meeting. Mr. Mehul issued bill of Rs. 10,000 (including cost of fuel) for the same. Mr. Mehul has not charged any GST in the invoice raised for the same.

On 9th December, NCPL received technical consultancy service from TikTak Inc., its subsidiary company located in Singapore, without consideration. TikTak Inc. provides similar consultancy service to other clients for Rs. 50,000 (converted into Indian rupees).

On 15th December, security office located at the entry gate of NCPL has been renovated for Rs. 1,50,000 and the same has been capitalized in the books of accounts.

Notes:

- (i) NCPL and PFPL are not related and price is the sole consideration for the supply.
- (ii) All the amounts given above including interest on delayed payment of interest received from PFPL are exclusive of GST, wherever applicable.
- (iii) Applicable rates of GST:

Particulars	CGST	SGST	IGST
Supply of chemical product	9%	9%	18%
Supply of service of hiring of motor car	2.5%	2.5%	5%
Supply of technical consultancy service	9%	9%	18%
Supply of construction services	6%	6%	12%

(iv) Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

1. What is the gross tax liability (total of CGST + SGST+ IGST) for the month of October?
- (a) Rs. 3,82,010 (b) Rs.2,50,640 (c) Rs.3,75,710 (d) Rs. 2,54,840

Answer : (a)

2. Which of the following statements is/are not correct in the given case?
- Subsidy received from the State Government will be included in the transaction value of the chemical product.
 - Service received from TikTak Inc. is not supply.
 - Service received from TikTak Inc. is supply.
 - GST is not payable on service received from Mr. Mehul.
- (a) Only 1,2 and 3 (b) Only 2,3 and 4
- (c) Only 1, 2 and 4 (d) Only 4

Answer : (c)

3. What is the time and place of supply for the interest paid on the delayed payment by PFPL?

- (a) 1st October and Surat, Gujarat
(b) 1st October and Dhule Maharashtra
(c) 25th December and Surat, Gujarat
(d) 25th December and Dhule, Maharashtra

Answer : (d)

4. Assuming that there are no other transactions carried out by NCPL during October to December apart from the ones as mentioned in the case scenario, total ITC available during such period is -
- (a) Rs. 27,500 (b) Rs. 9,500 (c) Rs. 9,000 (d) Nil

Answer : (b)

5. In the given case scenario, if TikTak Inc. is not subsidiary of NCPL and has supplied the technical consultancy service to NCPL without consideration,
- (a) it will be an exempt supply. (b) it will be a zero-rated supply.
(c) it will not be a supply. (d) it will be a taxable supply.

Answer : (c)