

# Case Study Based MCQ - 26



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Advance Traders is a partnership firm in Jaipur, Rajasthan. The firm has obtained GST registration at its Head Office (HO) in Jaipur. Further, the firm is having its depot for storage for goods in other districts in Rajasthan. The depots are added as additional place of business in the GST registration obtained at HO. Following details are provided about the firm for the month of July:

- (i) Advance Traders received goods worth Rs. 5,00,000 for which GST is payable on reverse charge basis. The goods were received on 25th July. The supplier issued an invoice dated 24th July and payment for the same was made by Advance Traders on 30th July. Due to the absence of accountant, the transaction was recorded in the books of accounts on 1st August.
- (ii) In the month of July, Advance Traders issued vouchers worth Rs. 2,00,000 to its customers, which were eligible to be redeemed against identified goods. Also, certain set of customers were issued vouchers worth Rs. 5,00,000. The said vouchers were eligible to be redeemed against any supply of goods in next 6 months.
- (iii) Mr. X, a partner in the firm, booked a Hotel in Udaipur, Rajasthan for the wedding of his daughter in the month of October. The advance amount of Rs. 5,00,000 for booking the hotel was paid by way of online payment from the current account of Advance Traders in July. The hotel charged GST on such booking at the rate of 28% (CGST @ 14% and SGST @ 14% or IGST @ 28%, as the case may be) on the amount received as advance and issued a receipt voucher.
- (iv) Advance Traders made a supply of goods worth Rs. 25,00,000 during the month of July. Out of the aforesaid supply, goods worth Rs. 5,00,000 were not liable to GST. However, Advance Traders inadvertently charged GST on such goods and collected the same from the customers.
- (v) Due to clerical error, Advance Traders made a deposit in minor head penalty of the major head IGST for an amount of Rs. 3,00,000. There is no liability of interest on any IGST liability and the amount is lying as unutilized on GST portal.

The opening balance of input tax credit is nil for all the registrations. Further, subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. All the above transactions are exclusive of GST, wherever applicable.

GST is applicable on all inward and outward supplies at the following rates unless otherwise specified: CGST - 9%, SGST - 9%, IGST - 18%. (ICAI RTP Nov. 2020)

1. Compute the GST liability to be discharged from electronic cash ledger for the month of July by Advance Traders. For computing this liability, consider that there is no adjustment regarding amount provided in point e. above:

(a) Rs. 5,76,000                      (b) Rs. 4,36,000                      (c) Rs. 3,96,000                      (d) Rs. 4,86,000

**Answer : (d)**

2. Amount of input tax credit available to Advance Traders against the hotel booking expense shall be\_. Would there be any change if the hotel is located outside Rajasthan?

(a) Nil. There will be no change even if hotel is located outside Rajasthan.  
 (b) Rs. 70,000 as CGST and Rs. 70,000 as SGST. No credit would be available, had the hotel been located outside Rajasthan.  
 (c) Rs. 70,000 as CGST and Rs. 70,000 as SGST. IGST of Rs. 1,40,000 would be available, had the hotel been located outside Rajasthan.  
 (d) Nil. IGST of Rs. 1,40,000 would be available, had the hotel been located outside Rajasthan.

**Answer : (a)**

3. What is the time limit for issuance of show cause notice where GST is collected on supplies which are not liable to GST?

(a) Within 2 years and 9 months from due date of filing annual return for the financial year  
 (b) Within 4 years and 6 months from due date of filing annual return for the financial year  
 (c) No time limit to issue the show cause notice  
 (d) No show cause notice to be issued. The tax amount shall be refunded to the customers if the customer demands the same.

**Answer : (c)**

4. Advance Traders claimed refund of amount paid erroneously in the minor head penalty of major head IGST. The authorities rejected the refund claim. Advance Traders filed a civil suit before the jurisdictional magistrate. Choose the correct answer:

(a) The jurisdictional magistrate can direct the authorities to process the refund amount.  
 (b) The jurisdictional magistrate can redirect the matter for fresh assessment of refund claim.  
 (c) The jurisdictional magistrate can order provisional refund and initiate the re-assessment proceedings.  
 (d) The jurisdictional magistrate cannot pass any order regarding the refund claim.

**Answer : (d)**

5. Advance Traders wants to utilize the amount paid erroneously in the minor head penalty of the major head IGST against its tax liability to be discharged in cash. Please select the correct option assuming that all the procedural requirements for the same will also be duly complied with.
- (a) The amount can be utilized only for discharging penalty amount under any head.
  - (b) The amount can be utilized only for discharging liability of IGST under any minor head.
  - (c) The amount can be utilized for discharging liability under any minor head or major head.
  - (d) The amount can be utilized only for discharging penalty amount related to IGST.

**Answer : (c)**