

# Case Study Based MCQ – 27

## Listen Audio Solutions On Case Study Based MCQs



By CA. Yashvant Mangal

<https://www.ymconcepts.com/free-pdfs-and-amendment-notes/>

Join Our Telegram Group for Doubts and Queries :-

<https://t.me/cayashvantmangal>

Subscribe Our Youtube Channel For Amendments Lectures, Chapter Wise Revision Lectures, Last Day Revision Strategy For Exams, Past Attempts ICAI MTPs, RTPs Solutions :

<https://www.youtube.com/channel/UCuNLbpcz8few300kPpKsRw>

William & Sons (WS) is a partnership firm, registered under GST, engaged in manufacturing activity in the State of Rajasthan under GST. In the month of July following transactions were undertaken by WS:

- (i) Intra-State sale of goods worth Rs. 10,00,000. Out of such sale, Rs. 5,00,000 worth of goods were liable to GST at 28% and balance were liable to GST at 18%.
- (ii) Intra-State purchase of goods worth Rs. 10,00,000 which is liable to GST at 28%.
- (iii) WS intended to transfer the business as going concern to Morgan & Sons (MS) on 31st July. As per the terms of transfer, WS will transfer all the business assets worth Rs. 50,00,000 and all the liabilities valued at Rs. 20,00,000.
- (iv) WS, on account of such transfer, paid gift worth Rs. 50,000 to its 3 employees as a reward towards their services to the firm.

During the month of September, MS received the notice from the authorities for outstanding liability of GST for Rs. 5,00,000 pertaining to the period before transfer of business by WS. Such liability was determined after the transfer of business. For this purpose, assume that all the assets and liabilities were transferred by WS to MS.

The balance of input tax credit at the beginning of the relevant period for WS is nil. Further, subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

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

All the amounts given above are exclusive of GST, wherever applicable.

1. The gross GST liability (without set off of input tax credit) of WS for the month of July is\_.

- (a) Rs. 2,32,000      (b) Rs. 2,80,000      (c) Rs. 25,000      (d) Rs. 2,30,000

**Answer : (d)**

2. Suppose there is no transfer of business to MS, what is the amount of input tax credit lying in input tax credit ledger, if any, which can be claimed as refund by WS for the month of July?
- (a) Rs. 50,000 under inverted duty structure  
(b) Nil since WS is making outward supply of 28% also, the balance credit shall be carried forward  
(c) Rs. 23,000 under inverted duty structure  
(d) Rs. 25,000 under inverted duty structure

**Answer : (a)**

3. In case of transfer of business to MS, what is the amount of input tax credit which shall stand transferred to MS?
- (a) Rs. 25,000  
(b) Rs. 50,000  
(c) Nil. In case of partnership firm input tax credit cannot be transferred on account of transfer of business.  
(d) Nil as the value of liabilities is more than the value of assets.

**Answer : (b)**

4. Who is liable to discharge the liability of Rs. 5,00,000 on account of notice received by MS in the month of September?
- (a) MS as the business is transferred by WS in July and notice was received in September  
(b) WS as the notice pertains to liability before transfer of business  
(c) Liability on MS only up to the amount of input tax credit transferred by WS  
(d) MS and WS jointly and severally liable

**Answer : (d)**

5. Suppose WS transfers the business as a going concern and transfers all the assets and liabilities of such business for a lumpsum amount to MS, the transaction shall be:
- (a) treated as taxable supply liable to GST under forward charge as WS is a registered person under GST.  
(b) liable to GST in the hands of MS under reverse charge basis.  
(c) exempted from GST.  
(d) liable to GST only for assets on which input tax credit is availed.

**Answer : (c)**