

INTERMEDIATE COURSE

GROUP – I

REVISION TEST PAPERS

MAY, 2026



BOARD OF STUDIES (ACADEMIC)
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)
New Delhi

©THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form, or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior permission, in writing, from the publisher.

Edition : February, 2026

Website : www.icaai.org

E-mail : bosnoida@icaai.in

Department/Committee : Board of Studies (Academic)

Price :

ISBN No. :

Published by : The Publication & CDS Directorate on behalf of
The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No. 7100, Indraprastha
Marg, New Delhi- 110 002, India.

Typeset and designed at Board of Studies(A)

Printed by :

Contents

	<i>Page Nos.</i>
Objective & Approach	<i>i – vii</i>
Objective of RTP.....	<i>i</i>
Planning & Preparing for Examination.....	<i>ii</i>
Subject-wise Applicability.....	<i>iii</i>
Paper-wise RTPs	
Paper 1: Advanced Accounting	1 – 48
Paper 2: Corporate and Other Laws	49 – 72
Paper 3: Taxation.....	73 – 107
Section A: Income-tax Law.....	73 – 92
Section B: Goods and Services Tax	93 – 107
Applicability of Standards/Guidance Notes/Legislative Amendments etc. for May, 2026 – Intermediate Examination	108 – 111

REVISION TEST PAPER, MAY, 2026–OBJECTIVE & APPROACH

(Students are advised to go through the following paragraphs carefully to derive maximum benefit out of this RTP)

I. Objective of Revision Test Paper

Revision Test Papers are one among the many educational inputs provided by the Board of Studies (Academic) to its students. Popularly referred to as RTP by the students, it is one of the very old publications of the BOS (A) whose significance and relevance from the examination perspective has stood the test of time.

The primary objectives of the RTP are:

- To help students get an insight of their preparedness for the forthcoming examination;
- To update them on the latest developments relevant for the forthcoming examination in select subjects;
- To enhance the confidence level of the students adequately.

Students must bear in mind that the RTP contains a variety of questions based on different topics of the syllabi and thus a comprehensive study of the entire syllabus is a pre-requisite before answering the questions of the RTP. In other words, in order to derive maximum benefit out of the RTPs, it is advised that before proceeding to solve the questions given in the RTP, students ought to have thoroughly read the Study Materials and Statutory Update, wherever applicable.

The topics on which the questions are set herein have been carefully selected and meticulous attention has been paid in framing different types of questions. Detailed answers are provided to enable the students to do a self-assessment and have a focused approach for effective preparation.

Live Virtual Classes by renowned subject experts conducted free of charge for the students of Foundation, Intermediate and Final levels provide the students much required support in preparing for their exams conveniently at home as these classes can be accessed live or viewed later as recorded lectures through hand-held devices such as smart phones, laptops, I-pads, tablets, etc. anytime anywhere. Further,

students are advised to attempt the Multiple-Choice Questions (MCQs) at MCQ Paper Practice Portal which is a holistic platform for self-assessment within the stipulated timeframe.

Students are welcome to send their suggestions for fine tuning the RTP to the Joint Director, Board of Studies (Academic), The Institute of Chartered Accountants of India, A-29, Sector-62, Noida 201309 (Uttar Pradesh). RTP is also available on BOS Knowledge Portal at <https://boslive.icai.org> for downloading.

II. Planning and preparing for examination

Ideally, when the RTP reaches your hand, you must have finished reading the relevant Study Materials of all the subjects (along with the Statutory Update in case of Paper 3A and Paper 3B) available at the BoS Knowledge Portal. Get a good grasp of the concepts/ provisions/ amendments/ cases discussed therein.

After reading the Study Materials alongwith Statutory Update thoroughly, then, proceed to solve the questions given in the RTP on your own. RTP is an effective tool to revise and refresh the concepts and provisions discussed in the Study Material. RTPs are provided to you to help you assess your level of preparation. Hence you must solve the questions given therein on your own and thereafter compare your answers with the answers given therein.

Examination tips

How well a student fares in the examination depends upon the level and depth of his preparation. However, there are certain important points which can help a student better his performance in the examination. These useful tips are given below:

- Reach the examination hall well in time.
- As soon as you get the question paper, read it carefully and thoroughly. You are given separate 15 minutes for reading the question paper.
- Plan your time so that appropriate time is awarded for each question.

- First impression is the last impression. The question which you can answer in the best manner should be attempted first.
- Always attempt to do all questions. Therefore, it is important that you must finish each question within allocated time. Keep sometime for checking the answers as well.
- Read the question carefully more than once before starting the answer to understand very clearly as to what is required.
- Answer all parts of a question one after the other; do not answer different parts of the same question at different places.
- Write in a neat and legible hand-writing.
- Always be concise and write to the point and do not try to fill pages unnecessarily.
- There must be logical expression of the answer.
- In case a question is not clear, you may state your assumptions and then answer the question.
- Check your answers carefully and underline important points before leaving the examination hall.
- In case of case scenario based MCQs, read the facts given in the case attentively. Also, read each MCQ based thereon and all the options carefully, before choosing the correct answer.

III. Subject-wise Applicability

PAPER – 1 : ADVANCED ACCOUNTING

The July, 2024 edition of the Study Material, comprising of three modules, is applicable for the students appearing for May, 2026 Examination. For understanding the coverage of syllabus, it is important to read the Study Material carefully.

You must read the study material thoroughly to attain conceptual clarity. The tables, diagrams and flow charts in study material have been extensively prepared to facilitate easy understanding of concepts. Likewise, examples and illustrations given in the Study Material would enable you to grasp the application of theoretical concepts in real-world scenarios. After covering the concepts and illustrations, work out the

exercise questions at the end of each chapter and then compare your answers with the answers given to test your level of understanding. Also, solve the MCQs and case scenario based MCQs uploaded in MCQ Practice Dashboard. This will help you to maximize your speed and accuracy in solving independent MCQs and case scenario based MCQs in the Examination.

The RTP consists of twenty questions together with their answers on different topics discussed in the study material. Answers to the questions have been given in detail along with the working notes for easy understanding and comprehending the steps in solving the problems. Moreover, the answers have been presented in the same manner as expected from the students in the examination. The students are expected to solve the questions under examination conditions and then compare their solutions with the solutions given in the RTP. This will facilitate them to further strategize their preparation for scoring good marks in the examination.

PAPER – 2: CORPORATE AND OTHER LAWS

The July 2024 edition-Reprint August 2025 and onwards of the Study Material is applicable for Intermediate Course Paper 2: Corporate and Other Laws. The Study Material has been divided into three modules (Modules 1, 2 & 3) for ease of handling by students.

The Study Material is based on the provisions of the Companies Act, 2013, the Limited Liability Partnership Act, 2008, the General Clauses Act, 1897 and the Foreign Exchange Management Act, 1999, as amended upto 31st July, 2025.

The amendments in the Companies Act, 2013 for the period 1st May, 2025 to 31st October, 2025 are given under the Part I of the RTP. These amendments have been uploaded on the website at <https://resource.cdn.icai.org/90715bos-aps4085.pdf>

The students are advised to read the Study Material thoroughly to attain conceptual clarity. Tables, diagrams and flow charts have been extensively used to facilitate easy understanding of concepts. Examples and Illustrations given in the Study Material would help the students to understand the application of concepts. Work out the exercise questions

at the end of each chapter and then compare your answers with the answers given to test your level of understanding. Thereafter, solve the MCQs and case scenarios based MCQs uploaded in MCQ Paper Practice Dashboard and given in the Case scenarios booklet and assess your level of understanding.

Finally, solve the questions given in this RTP independently and compare the same with the answers given to assess your level of preparedness for the examination.

PAPER – 3: TAXATION

Section A: Income-tax Law (50 Marks)

The Income-tax law, as amended by the Finance Act, 2025 and significant notifications, circulars and other legislative amendments upto 31.10.2025 are relevant for May, 2026 Examination. The relevant assessment year for May, 2026 examination is A.Y. 2026-27.

The July, 2025 edition of the Study Material, comprising of two modules (Modules 1 & 2), is based on the provisions of income-tax law, as amended by the Finance Act, 2025 and significant notifications and circulars issued upto 15.07.2025. Hence, the same is applicable for May, 2026 Examination. Further, a list of topic-wise exclusions from the syllabus and inclusions with reference to section 10 in the syllabus has been specified by way of “**Study Guidelines**” and the same forms part of initial pages of the July, 2025 edition of the Study Material.

The above referred study material has to be read along with Statutory Update for May, 2026 Examination webhosted at <https://resource.cdn.icai.org/89998bos-aps2378-int-p3a-statutory-may2026.pdf> at BoS Knowledge Portal, which contains the significant notifications/circulars issued and legislative amendments made upto 31.10.2025 but not covered in the July, 2025 edition of the Study Material.

You have to read the Study Material along with the Statutory Update thoroughly to attain conceptual clarity. Tables, diagrams and flow charts have been extensively used to facilitate easy understanding of concepts. The amendments made by the Finance Act, 2025 and latest notifications and circulars have been given in *italics/bold italics*. Examples and

Illustrations given in the Study Material would help you understand the application of concepts. Work out the exercise questions at the end of each chapter and then compare your answers with the answers given to test your level of understanding. Thereafter, solve the MCQs and case scenarios based MCQs uploaded in MCQ Paper Practice Dashboard and assess your level of understanding.

After that solve the questions given in this RTP independently and compare the same with the answers given to assess your level of preparedness for the examination.

Section B: Goods and Services Tax (50 Marks)

For Section B: Goods and Services Tax of Paper 3: Taxation, the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2025, including significant notifications and circulars issued and other legislative amendments made, up to 31st October, 2025, are applicable for May, 2026 examination.

The amendments made by the Annual Union Finance Acts in the CGST Act, 2017 and IGST Act, 2017 are made effective from the date notified subsequently. Thus, only those amendments made by the relevant Finance Acts which have become effective till 31.10.2025 are applicable for May 2026 examination. Accordingly, all the amendments made by the Finance Act, 2025 are applicable for May 2026 examination since they have become effective till 31.10.2025.

Further, a list of topic-wise exclusions from the syllabus has been specified by way of **"Study Guidelines for May, 2026 Examination"**. The same is given as part of **"Applicability of Standards/Guidance Notes/Legislative Amendments etc. for May, 2026 - Intermediate Examination"** appended at the end of this Revision Test Paper.

The July, 2025 edition of the Study Material alongwith the Statutory updates for May, 2026 examination is applicable for Intermediate Course Paper 3: Taxation, Section B: Goods and Services Tax. The Study Material has been divided into two modules for ease of handling by students.

Study Material is based on the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended upto 30.04.2025. The amendments in the GST law made between 01.05.2025 and 31.10.2025 are covered in the Statutory Updates for May 2026 examination. For the ease of reference, the amendments have been grouped into Chapters which correspond with the Chapters of the Study Material.

You have to read the Study Material alongwith the Statutory Update thoroughly to attain conceptual clarity. You are advised to solve the questions given in this RTP independently and compare the same with the answers given to assess your level of preparedness for the examination.



PAPER – 1: ADVANCED ACCOUNTING

Announcements stating applicability for May 2026 Examination

I. Revised Criteria for classification of Non-company entities for applicability of Accounting Standards

The Council, at its 433rd meeting, held on August 13-15, 2024, considered the revised criteria for classification of Non-company entities for applicability of Accounting Standards issued by The Institute of Chartered Accountants of India (ICAI) to Non-company entities (Enterprises) and recommended to revise the same. The revised scheme for applicability of Accounting Standards to Non-company entities shall come into effect in respect of accounting periods commencing on or after April 1, 2024, which is as under:

1. For the purpose of applicability of Accounting Standards, Non-company entities are classified into two categories, viz., Micro, Small and Medium Sized Entities (MSMEs) and Large entities.
2. Micro, Small and Medium Sized Entity (MSME) means, a non-company entity:
 - (i) whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;
 - (ii) which is not a bank, financial institution or an insurance company;
 - (iii) whose turnover (excluding other income) does not exceed two hundred and fifty crore rupees in the immediately preceding accounting year;

- (iv) which does not have borrowings in excess of fifty crore rupees at any time during the immediately preceding accounting year; and
- (v) which is not a holding or subsidiary of an entity which is not a micro, small and medium-sized entity.

Explanation.- For the purposes of this clause, a non-company entity shall qualify as a Micro, Small and Medium Sized entity, if the conditions mentioned therein are satisfied as at the end of the relevant accounting period.

Large entity is a non-company entity that is not an MSME.

The terms 'Small and Medium Enterprise' and 'SME' used in Accounting Standards shall be read as 'Micro, Small and Medium size entity' and 'MSME', respectively. Further, the terms Level II, Level III and Level IV entities used in Accounting Standards shall be read as 'Micro, Small and Medium Sized Entity' and Level I entity shall be read as a 'Large' entity.

- 3. Large entities are required to comply in full with all the Accounting Standards.
- 4. Certain exemptions/relaxations have been provided to Micro, Small and Medium sized Entity (MSMEs). Applicability of Accounting Standards and exemptions/relaxations to such entities are given in Annexure 1.
- 5. This Announcement supersedes the earlier Announcement of the ICAI on 'Criteria for classification of Non-company entities for applicability of Accounting Standards issued in March 2021¹.

¹ The said announcement was hosted on ICAI website on March 31, 2021 and published in 'The Chartered Accountant', May 2021 and it superseded the earlier announcement of the ICAI on 'Harmonisation of various differences between the Accounting Standards issued by the ICAI and the Accounting Standards notified by the Central Government' issued in February 2008, to the extent it prescribed the criteria for classification of Non-company entities (Non-corporate entities) and applicability of Accounting Standards to non-company entities, and the Announcement 'Revision in the criteria for classifying Level II non-corporate entities' issued in January 2013.

6. This Announcement is not relevant for Non-company entities which may be required to follow Indian Accounting Standards (Ind AS) or Accounting Standards (AS) as per relevant regulatory requirements applicable to such entities.
7. The changes arising from this Announcement will be incorporated in the Accounting Standards while publishing the updated Compendium of Accounting Standards.

Additional requirements

- (1) An MSME which avails the exemptions or relaxations given to it shall disclose (by way of a note to its financial statements) the fact that it is an MSME and has complied with the Accounting Standards insofar as they are applicable to an MSME.
- (2) Where an MSME had qualified for any exemption or relaxation previously but no longer qualifies for the relevant exemption or relaxation in the current accounting period, the relevant standards or requirements become applicable from the current period and the figures for the corresponding period of the previous accounting period need not be revised merely by reason of its having ceased to be an MSME. The fact that it was an MSME in the previous period and it had availed of the exemptions or relaxations available to it shall be disclosed in the notes to the financial statements. The fact that previous period figures have not been revised shall also be disclosed in the notes to the financial statements.
- (3) An entity which was previously not an MSME and subsequently becomes an MSME, shall not be qualified for exemption/relaxation in respect of Accounting Standards available to an MSME until the entity remains an MSME for two consecutive years.
- (4) If an MSME opts not to avail of the exemptions or relaxations available to an MSME in respect of any but not all of the Accounting Standards, it shall disclose the Standard(s) in respect of which it has availed the exemption or relaxation.

- (5) If an MSME opts not to avail any one or more of the exemptions or relaxations available to it, it shall comply with the relevant requirements of the Accounting Standard.
- (6) An MSME may opt for availing certain exemptions or relaxations from compliance with the requirements prescribed in an Accounting Standard: Provided that such a partial exemption or relaxation and disclosure shall not be permitted to mislead users of financial statements.

Annexure 1

Applicability of Accounting Standards to Non-company Entities The Accounting Standards issued by the ICAI, as on April 1, 2024, and such standards as issued from time-to-time are applicable to Non-company entities subject to the relaxations and exemptions in the announcement. The Accounting Standards issued by ICAI as on April 1, 2024, are:

AS 1	Disclosure of Accounting Policies
AS 2	Valuation of Inventories
AS 3	Cash Flow Statements
AS 4	Contingencies and Events Occurring After the Balance Sheet Date
AS 5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
AS 7	Construction Contracts
AS 9	Revenue Recognition
AS 10	Property, Plant and Equipment
AS 11	The Effects of Changes in Foreign Exchange Rates
AS 12	Accounting for Government Grants
AS 13	Accounting for Investments
AS 14	Accounting for Amalgamations
AS 15	Employee Benefits
AS 16	Borrowing Costs
AS 17	Segment Reporting

AS 18	Related Party Disclosures
AS 19	Leases
AS 20	Earnings Per Share
AS 21	Consolidated Financial Statements
AS 22	Accounting for Taxes on Income
AS 23	Accounting for Investments in Associates in Consolidated Financial Statements
AS 24	Discontinuing Operations
AS 25	Interim Financial Reporting
AS 26	Intangible Assets
AS 27	Financial Reporting of Interests in Joint Ventures
AS 28	Impairment of Assets
AS 29	Provisions, Contingent Liabilities and Contingent Assets

- (1) Applicability of the Accounting Standards to Large Non- company entities.

Large entities are required to comply in full with all the Accounting Standards.

- (2) Applicability of the Accounting Standards and exemptions/ relaxations for Micro, Small and Medium sized Non-company entities

(A) Accounting Standards not applicable to Micro, Small and Medium sized entity (MSME) in their entirety

- (i) Accounting Standards not applicable to all MSMEs in their entirety:
- AS 3, Cash Flow Statements
 - AS 17, Segment Reporting
 - AS 20, Earnings per Share
 - AS 24, Discontinuing Operations

- (ii) AS 18, Related Party Disclosures and AS 28, Impairment of Assets not applicable in their entirety to MSMEs :
 - (a) whose turnover (excluding other income) does not exceed rupees fifty crore in the immediately preceding accounting year;
 - (b) which does not have borrowings in excess of rupees ten crore at any time during the immediately preceding accounting year; and
 - (c) which is not a Holding and subsidiary of an MSME not covered above.

(B) Relaxations/exemptions from certain requirements of Accounting Standards to Micro, Small and Medium sized Entities (MSMEs)

- (i) Accounting Standard (AS) 10, Property, Plant and Equipment MSMEs may not comply with paragraph 87 relating to encouraged disclosures.
- (ii) AS 11, The Effects of Changes in Foreign Exchange Rates MSMEs may not comply with paragraph 44 relating to encouraged disclosures.
- (iii) AS 15, Employee Benefits
 - (1) MSMEs may not comply with the following paragraphs:
 - (a) paragraphs 11 to 16 of the standard to the extent they deal with recognition and measurement of short-term accumulating compensated absences which are nonvesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving);
 - (b) paragraphs 46 and 139 of the Standard which deal with discounting of amounts

that fall due more than 12 months after the balance sheet date;

- (c) recognition and measurement principles laid down in paragraphs 50 to 116 and presentation and disclosure requirements laid down in paragraphs 117 to 123 of the Standard in respect of accounting for defined benefit plans. However, such entities may calculate and account for the accrued liability under the defined benefit plans by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year; and
 - (d) recognition and measurement principles laid down in paragraphs 129 to 131 of the Standard in respect of accounting for other long-term employee benefits. Such entities may calculate and account for the accrued liability under the other long-term employee benefits by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year.
- (iv) AS 19, Leases
- MSMEs may not comply with paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); 38; and 46 (b), (d) and (e) relating to disclosures.
- (v) AS 22, Accounting for Taxes on Income
- (a) MSMEs shall comply with the requirements of AS 22, Accounting for Taxes on Income, for Current tax defined in paragraph 4.4 of AS 22, with

recognition as per paragraph 9, measurement as per paragraph 20 of AS 22, and presentation and disclosure as per paragraphs 27-28 of AS 22.

- (b) Transitional requirements on the first occasion when an MSME avails this exemption, the accumulated deferred tax asset/liability appearing in the financial statements of immediate previous accounting period, shall be adjusted against the opening revenue reserves/owner's funds.
- (vi) AS 26, Intangible Assets MSMEs may not comply with paragraphs 90(d)(iii); 90(d)(iv) and 98 relating to disclosures.
- (vii) AS 28, Impairment of Assets (a) MSMEs that are otherwise not exempted from applying this standard [refer note 2(A)(ii)] are allowed to measure the 'value in use' on the basis of reasonable estimate thereof instead of computing the value in use by present value technique. Consequently, if such MSME chooses to measure the 'value in use' by not using the present value technique, the relevant provisions of AS 28, such as discount rate etc., would not be applicable to such an entity. Further, such an entity need not disclose the information required by paragraph 121(g) of the Standard. (b) MSMEs that are otherwise not exempted from applying this standard [refer note 2(A)(ii)] may not comply with paragraphs 121(c)(ii); 121(d)(i); 121(d)(ii) and 123 relating to disclosures.
- (viii) AS 29, Provisions, Contingent Liabilities and Contingent Assets

MSMEs may not comply with paragraphs 66 and 67 relating to disclosures.

- (C) In case of Micro, Small and Medium sized Non-company entities, generally there are no such transactions that are covered under AS 14, Accounting for Amalgamations, or

jointly controlled operations or jointly controlled assets covered under AS 27, Financial Reporting of Interests in Joint Ventures. Therefore, these standards are not applicable to Micro, Small and Medium size Non-company entities. However, if there are any such transactions, these entities shall apply the requirements of the relevant standard.

- (D) AS 21, Consolidated Financial Statements, AS 23, Accounting for Investments in Associates in Consolidated Financial Statements, AS 27, Financial Reporting of Interests in Joint Ventures (to the extent of requirements relating to Consolidated Financial Statements), and AS 25, Interim Financial Reporting, do not require a Non-company entity to present consolidated financial statements and interim financial report, respectively. Relevant AS is applicable only if a Non-company entity is required or elects to prepare and present consolidated financial statements or interim financial report.

II. Amendments to AS 22, Accounting for Taxes on Income

Paragraphs 2A, 32A–32D (including their related heading and example after paragraph 32D) and 35 are added.

Scope: 2A This Standard applies to taxes on income arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules. Such tax law, and the taxes on income arising from it, are hereafter referred to as 'Pillar Two legislation' and 'Pillar Two income taxes'. As an exception to the requirements in this Standard, an enterprise should neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Presentation and Disclosure: International tax reform—Pillar Two model rules 32A An enterprise should disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes (see paragraph 2A). 32B An enterprise should disclose separately its current tax expense

(income) related to Pillar Two income taxes. 32C In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an enterprise should disclose known or reasonably estimable information that helps users of financial statements understand the enterprise's exposure to Pillar Two income taxes arising from that legislation. 32D To meet the disclosure objective in paragraph 32C, an enterprise should disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. This information does not have to reflect all the specific requirements of the Pillar Two legislation and can be provided in the form of an indicative range. To the extent information is not known or reasonably estimable, an enterprise should instead disclose a statement to that effect and disclose information about the enterprise's progress in assessing its exposure.

Examples illustrating paragraphs 32C–32D Examples of information an enterprise could disclose to meet the objective and requirements in paragraphs 32C–32D include: (a) qualitative information such as information about how an enterprise is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist; and (b) quantitative information such as: (i) an indication of the proportion of an enterprise's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or (ii) an indication of how an enterprise's average effective tax rate would have changed if Pillar Two legislation had been in effect.

Provided that a Micro, Small and Medium-sized Enterprise (Levels IV, III and II non-company entities) may not apply the disclosure requirements laid down in paragraphs 32C and 32D. ... Effective date 35 International Tax Reform—Pillar Two Model Rules, added paragraphs 2A and 32A–32D. An enterprise should: (a) apply paragraphs 2A and 32A immediately upon the issue of these amendments and retrospectively; and (b) apply paragraphs 32B–32D for annual reporting periods beginning on or after 1 April 2024. An enterprise is not required to disclose the information required by these paragraphs for any interim period ending on or before 31 March 2025.

**QUESTIONS****PART – I: Multiple Choice Questions based on Case Scenarios**

1. Year 1 - A Company purchased a land from its own funds and started construction on two towers on the land. The Company for the construction borrowed funds of ₹ 60 lakhs each for both the towers. The Company is required to pay interest of ₹ 60,000 annually for each loan. During the first year the Company allotted the vacant area for parking purposes which fetched revenue of ₹ 15,000 in year 1 only. Tower 1 got ready at the end of year 2. The Company capitalised the same and started using the same for intended purpose.
- (i) How much borrowing cost should be charged to profit and loss at the end of year 1:
- (a) ₹ 60,000
 - (b) ₹ 1,20,000
 - (c) ₹ 1,05,000
 - (d) Nil
- (ii) How much borrowing cost is eligible for capitalisation at the end of year 1:
- (a) ₹ 60,000
 - (b) ₹ 1,20,000
 - (c) ₹ 1,05,000
 - (d) Nil
- (iii) How much borrowing cost should be charged to profit and loss at the end of year 3:
- (a) ₹ 60,000
 - (b) ₹ 1,20,000
 - (c) ₹ 1,05,000

- (d) Nil
- (iv) How much borrowing cost is eligible for capitalisation at the end of year 3:
 - (a) ₹ 60,000
 - (b) ₹ 1,20,000
 - (c) ₹ 1,05,000
 - (d) Nil

General MCQs

2. Suraj Ltd. (the lessee) acquires machinery on lease from Chand Ltd. (the lessor) on April 1, 2025 for 3 years. The economic life of machinery is also 3 years. The fair value of the machinery is ₹ 2,50,000 and the guaranteed residual value is ₹ 2,000. As per the lease agreement, the lessee is required to pay ₹ 1,00,000 per year from April 1, 2025. The lessor has guaranteed a residual value of ₹ 20,000. However, lessor estimates that it would have a value of 5,000 only after 3 years. At what value the machinery would be recognised.
 - (a) ₹ 2,50,000
 - (b) ₹ 2,24,500 approx
 - (c) ₹ 2,37,400 approx
 - (d) ₹ 2,27,700 approx
3. Which of the following is not an example of cash and cash equivalent balances held by the entity that are not available for use?
 - (a) balance in unpaid dividend account;
 - (b) balance in bank account as Fixed deposits
 - (c) earmarked bank balances for specific purposes. Examples: bank account for debenture redemption, dividend payment etc.
 - (d) balance in bank account subject to legal restrictions.
4. Following is the example of research activities as per AS 26 which is recognised as expense when it is incurred:

- (a) the design, construction and testing of pre-production or pre-use prototypes and models.
- (b) the search for alternatives for materials, devices, products, processes, systems or services.
- (c) the design of tools, jigs, moulds and dies involving new technology.
- (d) the design, construction and operation of a pilot plant that is not of a scale economically feasible for commercial production.

Part II - Descriptive Questions**Introduction to Accounting Standards**

5. Write a short note on International Accounting Standard Board (IASB).

Framework for Preparation & Presentation of Financial Statements

6. Giant Ltd. has entered into a binding agreement with Tiny Ltd. to buy a custom-made machine of ₹ 1,00,000 at the end of 2024-25, before delivery of the machine, Giant Ltd. had to change its method of production. The new method will not require the machine ordered and it will be scrapped after delivery. The expected scrap value is nil.

You are required to advise the accounting treatment and give necessary journal entry in the year 2024-25.

Applicability of Accounting Standards

7. Virat Traders, an unlisted partnership firm, had a turnover of ₹ 249.99 crore and borrowings of ₹ 25.01 crore during the financial year 2023-24. It is not a bank, financial institution, or insurance company, and also not a subsidiary of any other entity. The firm wishes to avail MSME exemptions for FY 2024—25. Is it eligible?

AS 3 "Cash flow statements "

8. The following are the summarised Balance Sheets of Dark Limited as at 31st March, 2025 and 31st March, 2024:

Particulars	31 st March, 2025 ₹ in Lakhs	31 st March, 2024 ₹ in Lakhs
Equity and Liabilities		
Equity Share Capital	250.00	195.00
Profit & Loss Account	15.00	10.00
8% Debentures	50.00	40.00
Trade Payables	75.00	82.00
Unpaid Interest on Debentures	2.00	---
Provision for Taxation	<u>8.00</u>	<u>5.00</u>
	400.00	332.00
Assets		
Property, Plant & Equipment	255.00	205.00
Goodwill	6.00	8.00
Inventories	28.00	42.00
Trade Receivables	52.00	50.00
Cash & Cash Equivalents	<u>59.00</u>	<u>27.00</u>
	400.00	332.00

Other Information:

Dividend paid during the year 2024-25 is ₹ 3,00,000,

- Depreciation charged during the year 2024-25 is ₹ 20,00,000.

Fresh debentures were issued on 1st April, 2024.

You are required to prepare the Cash Flow Statement for the year ended 31st March, 2025 using Indirect Method.

AS 4 "Contingencies and Events Occurring after the Balance Sheet Date"

9. While preparing its financial statements for the year ended 31st March, 2025, B Limited has come across the following events which took place after 31st March, 2025. The financial statements of the company were approved by the Board of Directors on 30th May, 2025:

- (i) B Limited started negotiations with S Limited during 2024-25 to acquire their Consumer Durables Business for ₹ 400 lakhs. The deal was finalized on 20th April, 2025 and B Limited invested ₹ 275 lakhs before 30th May, 2025.
- (ii) During the course of audit for the year ended 31st March, 2025, the auditor discovered a fraud of ₹ 1,25,000 done by the accountant of the company. The fraud was discovered on 20th April, 2025. The accountant of the company had left the job and absconded on 29th March, 2025.
- (iii) A fire engulfed the warehouse of B Limited on 13th April, 2025 and destroyed inventory worth ₹ 15 lakhs lying there.

You are required to state with reasons, whether, the aforesaid events are adjusting or non-adjusting events as per the provisions of the relevant AS.

AS 7 "Construction Contracts"

10. On 1st April, 2024, Y Limited purchased an industrial plot of land for ₹ 50,00,000 for the purpose of constructing a new factory. This cost of ₹ 50,00,000 included legal cost of ₹ 2,50,000 incurred for the purpose of acquisition of this plot. The construction of the factory commenced on 1st May, 2024. Y Limited provides you with the following details of the costs incurred in relation to the above construction:

Particulars	Amount (₹)
Preparation and levelling of the land	1,60,000
Employment costs of construction workers (per month)	58,000
Purchase of Raw materials for the construction	42,48,000
Cost of relocating the workers to new factory for work	75,000
Costs of inaugural function of the new factory on 1 st January, 2025	95,000
Overhead costs incurred directly on the construction of the factory (per month)	50,000

The construction of the factory was completed on 31st December, 2024 and production could commence on 1st February, 2025. The overall useful life of the factory building was estimated at 40 years from the date of completion. However, it was estimated that the roof would need to be replaced 20 years after the date of completion. The cost of replacing the roof at current prices would be 25% of the total cost of the building. The construction of the factory was partly financed by a loan of ₹ 56,00,000 raised from State Bank of India on 1st April, 2024 at an interest rate of 9% per annum. During the period when the loan proceeds had been fully utilized to finance the construction, Y Limited earned an income of ₹ 50,000 from the temporary investment of the proceeds. Assume that all of the net finance cost needs to be allocated to the cost of factory (excluding land) and interest cost to be capitalized based on eight months' period.

You are required to compute the carrying amount (i.e. value after charging depreciation) of the Factory in the books of Y Limited as at 31 March, 2025 as per the provisions of the relevant Accounting Standard.

AS 12 "Accounting for Government Grants"

11. Era Limited installed Plant and Machinery costing ₹ 100 lakhs on 1st April, 2023 and received a Government Grant of 40% towards its cost on the same day. The Grant was credited to Plant & Machinery Account. The life of the Plant & Machinery is 5 years and its residual value is ₹ 10 lakhs. The company charges depreciation on Straight Line Method. After one year, the Company had to refund the Grant to the extent of ₹ 25 lakhs on 1st April, 2024 due to non-compliance with certain conditions.

You are required to pass the necessary Journal entries in the books of Era Limited for the first two years for the above transactions.

AS 14 "Amalgamation"

12. A Limited and B Limited were amalgamated on 31st March, 2025 to form a new company named AB Limited. Prior to the amalgamation, the Balance Sheets of the two companies stood as under:

Balance Sheets of A Limited and B Limited as at 31.03.2025

Particulars	Note No.	A Limited (₹ lakhs)	B Limited (₹ lakhs)
I. Equity and Liabilities			
(1) Shareholders' Funds			
(a) Share Capital	1	1,188.00	1,026.00
(b) Reserves and Surplus	2	453.60	356.40
(2) Non- Current Liabilities			
Long Term Borrowings	3	90.00	48.00
(3) Current Liabilities			
Trade Payables		<u>428.40</u>	<u>189.60</u>
Total		2,160.00	1,620.00
II. Assets			
(1) Non – Current Assets			
(a) Property, Plant and Equipment		972.00	702.00
(b) Non-Current Investments		162.00	54.00
(2) Current Assets			
(a) Inventories		350.00	275.00
(b) Trade Receivables		360.00	380.00
(c) Cash and Cash Equivalents	4	<u>316.00</u>	<u>209.00</u>
Total		2,160.00	1,620.00

Notes to Accounts:

Particulars	A Limited (₹lakhs)	B Limited (₹lakhs)
1. Share Capital		
Equity shares of ₹ 100 each	864.00	810.00
8% Preference shares of ₹100 each	<u>324.00</u>	<u>216.00</u>

Total	1,188.00	1026.00
2. Reserves and Surplus		
Capital Reserve	162.00	108.00
General Reserve	183.60	162.00
Investment Allowance Reserve	---	54.00
Profit and Loss Account	<u>108.00</u>	<u>32.40</u>
Total	453.60	356.40
3. Long Term Borrowings		
8% Debentures of ₹100 each	<u>90.00</u>	<u>48.00</u>
Total	90.00	48.00
4. Cash and Cash equivalents		
Cash at Bank	316.00	209.00

Additional Information:(i) The Authorized Capital of AB Limited will be ₹ 100 lakhs Equity Shares of ₹ 10 each and 7.50 lakhs 9% Redeemable Preference Shares of 100 each.

- (ii) AB Limited will issue four Equity Shares for each Equity Share of A Limited. The face value of the equity share of AB Limited is ₹ 10 and the issue price is ₹ 25 per share.
- (iii) AB Limited will issue five Equity Shares for each Equity Share of B Limited. The face value of the equity share of AB Limited is ₹ 10 and the issue price is ₹ 25 per share.
- (iv) Preference shareholders of A Limited and B Limited are issued an equivalent number of 9% Redeemable Preference Shares of ₹ 100 each of AB Limited at an issue price of ₹ 200 per share.
- (v) Existing 8% Debenture holders of both the Companies will get two 9% Redeemable Preference Shares of ₹ 100 each for three debentures held by them at an issue price of ₹ 150 per share.
- (vi) All Current assets and Current liabilities of A Limited and B Limited are taken over by AB Limited at book value except Inventory which is taken over at 4% lesser than their book value and Trade

Receivables for which a provision for doubtful debts is created at 5%.

- (vii) AB Limited will be required to maintain the Investment Allowance Reserve for further 3 years.

Prepare the Balance Sheet of AB Limited as at 31st March, 2025, after amalgamation has been completed, on the basis of amalgamation in the nature of purchase, along with Notes to Accounts as per Schedule III of Companies Act, 2013.

AS 17 "Segment Reporting"

13. Whether interest expense relating to overdrafts and other operating liabilities identified to a particular segment should be included in the segment expense or not?

AS 19 "Leases"

- 14 Explain, in brief, the accounting treatment for an asset given under Operating Lease in the books of the Lessor.

AS 24 "Discontinuing Operation"

15. Arzoo Ltd. is in the business of manufacture of Passenger cars and commercial vehicles. The company is working on a strategic plan to shift from the Passenger car segment over the coming 5 years. However, no specific plans have been drawn up for sale of neither the division nor its assets. As part of its plan it will reduce the production of passenger cars by 20% annually. It also plans to commence another new factory for the manufacture of commercial vehicles plus transfer of employees in a phased manner.
- (i) You are required to comment if mere gradual phasing out in itself can be considered as a 'Discontinuing Operation' within the meaning of AS 24.
- (ii) If the company passes a resolution to sell some of the assets in the passenger car division and also to transfer few other assets of the passenger car division to the new factory, does this trigger the application of AS 24?

- (iii) Would your answer to the above be different if the company resolves to sell the assets of the Passenger Car Division in a phased but time bound manner?

AS 28 "Impairment of Assets"

16. A publisher owns 150 magazine titles of which 70 were purchased and 80 were self-created. The price paid for a purchased magazine title is recognised as an intangible asset. The costs of creating magazine titles and maintaining the existing titles are recognised as an expense when incurred. Cash inflows from direct sales and advertising are identifiable for each magazine title. Titles are managed by customer segments. The level of advertising income for a magazine title depends on the range of titles in the customer segment to which the magazine title relates. Management has a policy to abandon old titles before the end of their economic lives and replace them immediately with new titles for the same customer segment.

Whether it will be a cash-generating unit as per AS 28?

AS 29 "Provisions, Contingent Liabilities and Contingent Assets"

- 17 Galaxy Limited is in the process of finalization of its accounts for the year ended 31st March, 2025 and needs your advice on the following issues in line with the provisions of AS 29:
- (i) Galaxy Limited is selling cosmetic products under its brand name "Angel" but is getting these products manufactured from X Limited. It has an understanding (enforceable agreement) with X Limited that if the company becomes liable for any damage claims, due to any injury or harm to the customer of the cosmetic products, 40% shall be reimbursed to it by X Limited. During the year 2024-25, an estimate of the claim of ₹ 25 lakhs may be payable to the customers by Galaxy Limited. How should Galaxy Limited account for the claim that becomes payable?
 - (ii) Galaxy Limited has been sued by one of its competitor for alleged infringement of trademark and a notice for levy of penalty of ₹ 50 lakhs has been received by it. The company has appointed a law firm to defend its case for a fee of ₹ 5 lakhs. 60% of the fees has been paid in advance and the rest 40% would be paid after

finalization of the case. There are 70% chances that the penalty may not be imposed.

Financial statements of companies

- 18 The following is the Trial Balance of Anmol Limited as on 31st March, 2025:

Debit Balance	Amount (₹)	Credit Balances	Amount (₹)
Purchases	82,95,000	Sales	1,25,87,000
Wages and Salaries	12,72,000	Commission	72,500
Rent	2,20,000	Equity Share Capital	10,00,000
Rates and Taxes	50,000	General Reserve	10,00,000
Selling & Distribution Expenses	4,36,000	Surplus (P&L A/c) 01.04.2024	8,75,500
Directors Fees	32,000	Securities Premium	2,50,000
Bad Debts	38,500	Term Loan from Public Sector Bank	1,02,00,000
Interest on Term Loan	8,05,000	Trade Payables	55,08,875
Land	24,00,000	Provision for Depreciation:	
Factory Building	36,80,000	On Plant	9,37,500
Plant and Machinery	62,50,000	On Furniture and Fittings	82,500
Furniture and Fittings	8,25,000	On Factory Building	1,84,000
Trade Receivables	64,75,000	Provision for Doubtful Debts	25,000
Advance Income Tax Paid	37,500	Bills Payable	1,25,000
Stock (1 st April, 2024)	9,25,000		
Bank Balances	9,75,000		
Cash on Hand	1,31,875		
Total	3,28,47,875	Total	3,28,47,875

Following information is provided:

- (1) The Authorized Share Capital of the Company is 2,00,000 Equity Shares of ₹ 10 each. The Company has issued 1,00,000 Equity Shares of ₹ 10 each.
- (2) Rent of ₹ 20,000 and Wages of ₹ 1,56,500 are outstanding as on 31st March, 2025.
- (3) Provide Depreciation @ 10% per annum on Plant and Machinery, 10% on Furniture and Fittings and 5% on Factory Building on written down value basis.
- (4) Closing Stock as on 31st March, 2025 is ₹ 11,37,500.
- (5) Make a provision for Doubtful Debt @ 5% on Debtors.
- (6) Make a provision of 25% for Corporate Income Tax
- (7) Transfer ₹ 1,00,000 to General Reserve.
- (8) Term Loan from Public Sector Bank is secured against Hypothecation of Plant and Machinery. Installment of Term Loan falling due within one year is ₹ 17,00,000.
- (9) Trade Receivables of ₹ 85,600 are outstanding for more than six months.
- (10) The Board declared a dividend @10% on Paid up Share Capital on 5th April, 2025.

You are required to prepare Balance Sheet as on 31st March 2025 and Statement of Profit and Loss with Note to Accounts for the year ending 31st March, 2025 as per Schedule III of the Companies Act, 2013. Ignore previous years' figures.

Internal reconstruction

19. Following is the Balance Sheet of Ellora Limited as at 31st March, 2025:

Particulars	Note	Amount (₹)
Equity and Liabilities		
Shareholders' Funds		
Share Capital	1	46,00,000

Reserves and Surplus	2	(21,40,000)
Non-current Liabilities		
Long Term borrowings	3	15,00,000
Current Liabilities		
Trade Payables		12,00,000
Short Term Borrowings – Bank Overdraft		7,80,000
Other Current Liabilities	4	4,90,000
Short Term Provisions-Provision for Taxation		<u>4,00,000</u>
Total		68,30,000
Assets		
Non-current Assets		
Property, Plant and Equipment	5	23,00,000
Intangible Assets	6	6,70,000
Non-current Investments	7	2,20,000
Current Assets		
Inventories		17,00,000
Trade Receivables		<u>19,40,000</u>
Total		68,30,000

Notes to Accounts

	Particulars	Amount (₹)
1	Share Capital	
	Equity Share Capital	
	3,00,000 Equity Shares of ₹10 each, fully paid up	30,00,000
	Preference Shares Capital	
	16,000 6% Cumulative Preference Shares of ₹ 100 each, fully paid up	<u>16,00,000</u>
	Total	46,00,000

2	Reserves and Surplus	
	Debit balance of Profit and Loss Account	(21,40,000)
3	Long Term Borrowings	
	Secured	
	6% Debentures (secured on the freehold property)	15,00,000
4	Other Current Liabilities	
	Loan from Directors	4,00,000
	Interest Payable on Debentures	<u>90,000</u>
	Total	4,90,000
5	Property, Plant and Equipment	
	Freehold Property	17,00,000
	Plant and Machinery	<u>6,00,000</u>
	Total	23,00,000
6	Intangible Assets	
	Goodwill	5,20,000
	Patents and Trademarks	<u>1,50,000</u>
	Total	6,70,000
7	Non-current Investments	
	Investments in Marketable Securities – valued at Cost (Market Value ₹5,40,000)	2,20,000

Due to continued losses and liquidity constraints, it was decided to reconstruct the company. The following scheme of internal reconstruction was approved by the shareholders and sanctioned by the Tribunal:

1. The Equity Shares shall be written down to ₹ 2 each and the Preference Shares shall be written down to ₹ 75 each.
2. Of the Preference Shares' Dividends which are in arrears for four years, the Preference Shareholders have agreed to forego their claim for arrears of dividends for three years and accept allotment of Equity Shares of ₹ 2 each towards dividend for the fourth year.
3. Interest payable on Debentures is paid in cash.

4. The Debenture holders have agreed to take over freehold property, book value ₹ 4,00,000 at a valuation of ₹ 4,80,000 in part repayment of their holdings. Besides they have agreed to provide additional funds of ₹ 5,20,000 secured by a floating charge on the company's assets at an interest rate of 9%.
5. Inventory is to be written down by ₹ 2,60,000
6. Provision for bad and doubtful debts is to be created for ₹ 2,74,000.
7. Intangible Assets and Debit balance of Profit and Loss Account are to be written off.
8. The remaining freehold property after giving to Debenture holders is to be revalued at ₹ 15,50,000,
9. The Non-current Investments are sold off for ₹ 5,60,000.
10. A contingent liability of ₹ 1,00,000 is payable, which has arisen due to the wrong action of one of the Directors. He has agreed to compensate this loss out of the loan given by him to the company. For the remaining loan of ₹ 3,00,000, the Directors have agreed to accept a cash payment of ₹ 20,000 and allotment of ₹ 1,30,000 Equity Shares of ₹ 2 each in full settlement.
11. There is a capital commitment of ₹ 10,00,000. The contract is cancelled on payment of 5% of the contract price as a penalty.
12. The company issued 2,00,000 new Equity shares of ₹ 2 each at par, payable in full on allotment. The issue was underwritten for a commission of 5%. Shares were fully taken up.
13. The taxation liability of the company is settled at ₹ 3,00,000 and the same is paid immediately.
14. The expenses of reconstruction amounted to ₹ 15,000,

You are required to:

- (a) Pass the Journal Entries to record the above transactions (including cash transactions) in the books of the company.
- (b) Prepare Capital Reduction Account.

Accounting for Branches

20. Following is the Trial Balance as on 31st December, 2025 of the Cambridge Branch of Harry Limited whose Head Office is situated at Pune, India.

	Dr €	Cr €
Furniture	80,000	
Stock as on 1 st January, 2024	36,000	
Debtors	16,000	
Cash at Bank	3,000	
Head Office A/c		80,000
Creditors		12,000
Sales		2,80,000
Expenses		
Goods sent from Head Office	<u>12,000</u>	
Total	3,72,000	3,72,000

In the books of Head Office, the Branch Account stood as under:

Cambridge Branch Account

	₹ in Lakhs		₹ in Lakhs
To Balance b/d	27.00	By Bank	146.00
To Goods sent to Branch	<u>180.00</u>	By Balance c/d	<u>61.00</u>
	207.00		207.00

Additional Information:

1. Goods are sent to the branch at cost plus 10% and the branch sells goods at invoice price plus 25%.
2. Furniture was acquired on 1st April, 2023 when ₹ 1.00 = ₹ 84. Furniture is depreciated at 10%.
3. The Branch Manager is entitled to a commission of 10% on the profits of the branch before charging such commission.

4. Rates of Exchange were on 1st January, 2025 € 1.00 ₹ 91, on 31st December, 2025 € 1.00 = ₹ 89 and Average € 1.00 = ₹ 86.

You are required to:

- (i) Prepare the Branch Trading and Profit & Loss Account in Euros.
- (ii) Convert the Trial Balance of the Branch in Indian Currency.



SUGGESTED ANSWERS/HINTS

Answer to Case Scenario and MCQ

Q. No.		Hints
1.	(i)	(d)
	(ii)	(b)
	(iii)	(a)
	(iv)	(a)
2.		(c)
3.		(b)
4.		(b)

Descriptive Answers

5. With a view of achieving the objective of setting global standards, the London based group namely the International Accounting Standards Committee (IASC), responsible for developing International Accounting Standards (IAS), was established in June, 1973.
- It is presently known as International Accounting Standards Board (IASB).
 - Between 1973 and 2001, the IASC released IASs. Between 1997 and 1999, the IASC restructured their organisation, which resulted in formation of IASB. These changes came into effect on 1st April, 2001. Subsequently, IASB issued statements about current and future standards.

- IASB publishes its Standards in a series of pronouncements called International Financial Reporting Standards (IFRS).
 - The standards issued by IASB till 31.03.2001 are known as IASs and the standards issued by IASB since 01.04.2001 are known as IFRSs.
- 6.** A liability is recognized when outflow of economic resources in settlement of a present obligation can be anticipated and the value of outflow can be reliably measured.

When flow of economic benefit to the enterprise beyond the current accounting period is considered improbable, the expenditure incurred is recognised as an expense rather than as an asset.

In the given case, Giant Ltd. should recognise a liability of ₹1,00,000 to Tiny Ltd.

Also, the flow of future economic benefit from the machine to the enterprise is improbable.

Thus, the entire amount of purchase price of the machine should be recognised as an expense.

Journal Entries

Loss on Change in Production Method	Dr	1,00,000
To Tiny Ltd.		1,00,000

(Being loss due to change in production method)

Profit & Loss A/c	Dr	1,00,000
To Loss on Change in Production Method		1,00,000

(Being loss transferred to P&L)

- 7.** Company qualifies as an MSME if following conditions are satisfied:
- (a) whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;
 - (b) which is not a bank, financial institution or an insurance company;
 - (c) whose turnover (excluding other income) does not exceed 250 crore rupees in the immediately preceding accounting year;

- (d) which does not have borrowings in excess of 50 crore rupees at any time during the immediately preceding accounting year; and
- (e) which is not a holding or subsidiary of an entity which is not a MSME entity.

Yes, Virat Traders qualifies as an MSME since it meets all five criteria.

Further, it has been assumed that Virat Traders is not newly qualifying as an MSME in FY 2024-25 because a non-company entity that newly qualifies as an MSME can avail exemptions only after it remains as MSME for two consecutive years.

Until then, full AS compliance is required.

8. Cash Flow statement of Dark Limited for the year ended 31st March, 2025

Particulars	₹ in Lakhs	₹ in Lakhs
Net Cash Flow from Operating Activities		
Closing Net Profit	15.00	
Less: Opening Net Profit	(10.00)	
Add: Dividend Paid	3.00	
Provision for Tax	8.00	
Interest on Debentures	4.00	
Amortization of Goodwill	2.00	
Net Profit before Taxation and extraordinary items	22.00	
Depreciation	20.00	
Operating Profit before working capital changes		42.00
Decrease in Trade Payable	(7.00)	
Decrease in Inventories	14.00	
Increase in Trade Receivables	<u>(2.00)</u>	
Changes in working capital		5.00
Cash generated from Operations		47.00

Less: Tax paid		(5.00)
Net cash from Operating Activities		42.00
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(70.00)	
Net Cash used in Investing Activities		(70.00)
Cash Flow from Financing Activities		
Issue of Shares	55.00	
Issue of Debentures	10.00	
Dividend Paid	(3.00)	
Interest Paid	(2.00)	
Net Cash from Financing Activities		60.00
Net Increase in Cash and Cash Equivalents		32.00
Cash and Cash Equivalents as on 31.03.2024		27.00
Cash and Cash Equivalents as on 31.03.2025		59.00

9. AS 4 (Revised) defines Events Occurring after the Balance Sheet Date" as those significant events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the financial statements are approved by the Approving Authority in the case of a company.

Accordingly,

- (i) The acquisition of Consumer Durables Business of S Limited by B Limited is an event occurring after the balance sheet date. However, it is a non-adjusting event as it does not affect the determination and the condition of the amounts stated in the financial statements for the year ended 31st March, 2025. The disclosure should be made in the report of the approving authority about the investment of ₹ 275 lakhs to enable the users of financial statements to make proper evaluations and decisions.
- (ii) This is an adjusting event. If a fraud of the accounting period is detected after the balance sheet date but before approval of the financial statements, it is necessary to recognize the loss of

₹ 1,25,000 and adjust the accounts of the company for the year ended 31st March, 2025.

- (iii) This is a non-adjusting event. The destruction of warehouse due to fire did not exist on the balance sheet date i.e. 31st March, 2025. Therefore, loss occurred due to fire is not to be recognized in the financial year 2024-25. Considering that the going concern assumption is still valid, the fact of fire together with a loss of ₹ 15 lakhs should be disclosed in the report of the approving authority for 2024-25 to enable the users of financial statements to make proper evaluations and decisions.

10. Cost of construction of the factory

Particulars	Amount (₹)
Cost of Industrial Plot	50,00,000
Preparation and levelling of the land	1,60,000
Employment costs of construction workers (₹ 58,000 per month) for 8 months	4,64,000
Purchase of Raw materials for the construction	42,48,000
Overhead costs incurred directly on the construction of the factory (50,000 per month) for 8 months	4,00,000
Interest on ₹ 56,00,000 for 9 months @ 9% = ₹ 3,78,000 less ₹ 50,000	3,28,000
Total Cost (A)	1,06,00,000
Depreciation (B) (W.N.)	<u>43,750</u>
Carrying amount of the factory (A-B)	1,05,56,250

Working Note:

(1) Calculation of Depreciation

- (a) On land of ₹ 50,00,000 Nil
- (b) On remaining cost of Building i.e.
₹ 1,06,00,000 – 50,00,000 = ₹ 56,00,000
- (a) Building ₹ 56,00,000 x 75% / 40 yrs x 3/12 = ₹ 26,250

(b) On roof ₹ 56,00,000 x 25% / 20 yrs x 3/12 = ₹ 17,500

Total Depreciation charged ₹ 43,750

- (2) Cost of relocating the workers to new factory for work and cost of inaugural function of the new factory is not directly attributable to construction cost, hence not considered.

11. Journal Entries in the books of Era Limited

Date	Particulars	₹ in Lakhs	₹ in Lakhs
01/04/2023	Plant & Machinery A/c Dr. To Bank A/c (Being Machinery Purchased)	100.00	100.00
01/04/2023	Bank A/c Dr. To Plant & Machinery A/c (Being Grant received from the Government Credited to Plant and Machinery Account)	40.00	40.00
31/03/2024	Depreciation A/c Dr. To Plant & Machinery A/c (Being Depreciation charged)	10.00	10.00
31/03/2024	Profit & Loss A/c Dr. To Depreciation A/c (Being Depreciation transferred to Profit & Loss A/c)	10.00	10.00
01/04/2024	Plant & Machinery A/c Dr. To Bank A/c (Being Government Grant on asset partly refunded with a corresponding increase in cost of asset)	25.00	25.00

31/03/2025	Depreciation A/c Dr. To Plant & Machinery A/C (Being Depreciation charged on SLM on revised value of Plant & Machinery prospectively)	16.25	16.25
31/03/2025	Profit & Loss A/c Dr. To Depreciation A/c (Being Depreciation transferred to Profit & Loss A/c at the end of Year 2)	16.25	16.25

Working Notes:

- Depreciation for the year ended 31.03.2024
(Cost of Machinery – Grant Received – Residual value) / Useful life
= (100-40-10)/ 5 Lakhs = ₹ 10 Lakhs
- Depreciation for the year ended 31.03.2025

Particulars	₹ in Lakhs
Cost of Asset	100.00
Less: Government Grant Received	<u>40.00</u>
	60.00
Less: Depreciation for first year i.e. 31.03.24	<u>10.00</u>
	50.00
Add: Government Grand Refunded	<u>25.00</u>
Depreciation for second year (75-10) /4 i.e. 31.03.25	<u>75.00</u>
	16.25

12. Calculation of shares and debentures to be issued

	A Ltd. (₹ in Lakhs)	B Ltd. (₹ in Lakhs)
(i) Equity shares $8,64,000 \times 4 = 34,56,000$ equity shares $\times ₹ 25$	864.00	

8,10,000 × 5 = 40,50,000 equity shares × ₹ 25		1012.50
(ii) Preference shares 3,24,000 × 1 = 3,24,000 Preference shares × 200 2,16,000 × 1 = 2,16,000 Preference shares × 200	648.00	432.00
Purchase Consideration (i + ii)	1512.00	1444.50

Balance Sheet of AB Limited as at 31st March 2025

Particulars	Note No.	₹ in Lakhs
I. Equity and Liabilities		
(1) Shareholders' Funds		
(a) Share capital	1	1,382.60
(b) Reserves & Surplus	2	1,809.50
(2) Non- Current Liabilities		
(3) Current Liabilities		
Trade Payables	3	<u>618.00</u>
Total		3,810.10
II. Assets		
(1) Non-Current Assets		
(a) Properly Plant & Equipment	4	1,674.00
(b) Intangible Assets (Goodwill)		92.10
(c) Non-Current Investments	5	216.00
(2) Current Assets		
(a) Inventories	6	600.00
(b) Trade Receivables	7	703.00
(c) Cash & Cash equivalents	8	<u>525.00</u>
Total		3,810.10

Notes to Accounts

	Particulars		₹ in Lakhs
1	Share Capital		
	Authorized share capital		
	100,00,000 Equity shares of ₹ 10 each		1,000.00
	7,50,000 9% Redeemable Preference share of ₹ 100 each		<u>750.00</u>
	Issued, subscribed and Paid- up Share Capital		
	75,06,000 Lakhs Equity shares of ₹ 10 each (Out of the above 75,06,000 shares have been issued for Consideration other than cash)		750.60
	6,32,000 9% Redeemable Preference shares of ₹ 100 each (Out of the above 6,32,000 shares have been issued for consideration other than cash)		632.00
2	Reserves & Surplus		
	Securities Premium Account	1711.90	
	Investment Allowance Reserve	54.00	
	Amalgamation Adjustment Reserve	(54.00)	
	Capital Reserve	<u>97.60</u>	<u>1,809.50</u>
3	Trade payable (428.40 + 189.60)		618.00
4	Property, Plant & Equipment (972 + 702)		1,674.00
5	Non-Current Investments (162 + 54)		216.00
6	Inventories (336 + 264)		600.00
7	Trade Receivables (342 + 361)		703.00
8	Cash & Cash Equivalents (316 + 209)		525.00

Working Notes:

- Calculation of 9% Redeemable Preference Shares to be issued to existing 8% debenture holders of A Ltd. and B Ltd.**

	A Ltd. (₹ in Lakhs)	B Ltd. (₹ in Lakhs)
90,000 debentures / $3 \times 2 = 60,000$ 9% Redeemable Preference share @ ₹ 150 each	90.00	-
48,000 debentures / $3 \times 2 = 32,000$ 9% Redeemable Preference shares @ ₹ 150 each	-	48.00
	90.00	48.00

- Computation of Net Assets as on 31.03.2025**

Particulars	A Ltd. (₹ in Lakhs)	B Ltd. (₹ in Lakhs)
Assets taken over		
Property, Plant & Equipment	972.00	702.00
Non-current Investments	162.00	54.00
Inventory less Provision	336.00	264.00
Trade Receivables less Provision	342.00	361.00
Cash at Bank	<u>316.00</u>	<u>209.00</u>
Total (a)	<u>2,128.00</u>	<u>1,590.00</u>
Liabilities		
8% Debentures	<u>90.00</u>	<u>48.00</u>
Trade Payables	<u>428.40</u>	<u>189.60</u>
Total (b)	<u>518.40</u>	<u>237.60</u>
Net Assets (a – b)	1,609.60	1,352.40

3. Calculation of Goodwill / Capital Reserve

Particulars	A Ltd (₹ in Lakhs)	B Ltd (₹ in Lakhs)
Purchase Consideration paid	1,512.00	1,444.50
Less: Net Assets	<u>1,609.60</u>	<u>1,352.40</u>
Goodwill / (Capital Reserve)	<u>(97.60)</u>	<u>92.10</u>

- 13.** The interest expense relating to overdrafts and other operating liabilities identified to a particular segment should not be included as a part of the segment expense unless the operations of the segment are primarily of a financial nature or unless the interest is included as a part of the cost of inventories.
- 14.** The accounting treatment for an asset given under Operating Lease in the books of the Lessor is given as under
- The Lessor should present an asset given under Operating Lease as PPE in its balance sheet.
 - Lease income from operating leases should be recognized in the Statement of Profit and Loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the use of the leased asset is diminished.
 - Depreciation should be recognized in the books of the lessor. The depreciation of leased assets should be on a basis consistent with the normal accounting policy of the lessor for similar assets, and the depreciation charge should be calculated on the basis set out in AS 10.
 - The impairment loss on assets given on operating leases are determined and treated as per AS 28.
- 15.** Mere gradual phasing out is not considered as discontinuing operation as defined under para 3 of AS 24, 'Discontinuing Operations'.

Examples of activities that do not necessarily satisfy criterion of the definition, but that might do so in combination with other circumstances, include:

- (1) Gradual or evolutionary phasing out of a product line or class of service;
- (2) Discontinuing, even if relatively abruptly, several products within an ongoing line of business;
- (3) Shifting of some production or marketing activities for a particular line of business from one location to another; and
- (4) Closing of a facility to achieve productivity improvements or other cost savings.

In view of the above the answers are:

- (i) No, the companies' strategic plan has no final approval from the board through a resolution and there is no specific time bound activities like shifting of assets and employees. Above all, the new segment i.e. commercial vehicle production line in a new factory has not started.
 - (ii) No, the resolution is salient about stoppage of the Car segment in definite time period. Though, sale of some assets and some transfer proposal were passed through a resolution to the new factory, closure road map and new segment starting roadmap are missing. Hence, AS 24 will not be applicable.
 - (iii) Yes, phased and time bound programme resolved in the board clearly indicates the closure of the passenger car segment in a definite time frame and will constitute a clear roadmap. Hence, this action will attract compliance of AS 24.
- 16.** It is likely that the recoverable amount of an individual magazine title can be assessed. Even though the level of advertising income for a title is influenced, to a certain extent, by the other titles in the customer segment, cash inflows from direct sales and advertising are identifiable for each title. In addition, although titles are managed by customer segments, decisions to abandon titles are made on an individual title basis.

Therefore, it is likely that individual magazine titles generate cash inflows that are largely independent one from another and that each magazine title is a separate cash-generating unit.

- 17.** (i) Since the understanding results in an enforceable agreement, the reimbursement of ₹ 10,00,000 (40% of ₹ 25,00,000) shall be recognized as a reimbursement right and provision will be recognized for the full amount of the liability of ₹ 25,00,000.

The reimbursement right shall be treated as a separate asset and shall not be offset with the provision.

In the Statement of Profit and Loss, the expense may be presented as ₹ 15,00,000 after offsetting the reimbursement right.

As per AS 29, an obligation is a present obligation if, based on the evidence available, its existence at the balance sheet date is considered probable, i.e. More likely than not. Liability is a present obligation of the enterprise arising from the past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

In the given case, there are 70% chances that the penalty may not be levied. Accordingly, Galaxy Limited should not make the provision for liability. The matter is disclosed as a contingent liability unless the probability of any outflow is considered as remote.

However, a provision should be made for the remaining 40% fees of the law firm amounting to ₹ 2,00,000 in the financial statements for 2024-25.

18. Balance Sheet of Anmol Ltd. as at 31st March, 2025

Particulars		Note No.	₹
Equity and Liabilities			
1	Shareholders' funds		
a	Share capital	1	10,00,000
b	Reserves and Surplus	2	24,76,462

2	Non-current liabilities		
a	Long-term borrowings	3	85,00,000
3	Current liabilities		
a	Short term borrowings (Installment of term loan falling due in one year)		17,00,000
b	Trade Payables	4	56,33,875*
c	Other current liabilities	5	1,76,500
d	Short term provisions (provision for tax)		<u>1,16,988</u>
	Total		1,96,03,825
ASSETS			
1	Non-current assets		
a	PPE	6	1,11,70,700
2	Current assets		
a	Inventories		11,37,500
b	Trade receivables	7	61,51,250
c	Cash and bank balances	8	11,06,875
d	Short term loans & advances (Advance tax paid)		<u>37,500</u>
			1,96,03,825

**Statement of Profit and Loss of Anmol Ltd.
for the year ended 31st March, 2025**

	Particulars	Notes	Amount
I.	Revenue from operations		1,25,87,000
II.	Other income (Commission income)		72,500
III.	Total Income (I + II)		1,26,59,500
IV.	Expenses:		
	Purchases of Inventory-in-Trade		82,95,000
	Changes in inventories of finished goods work-in-progress and Inventory-in-Trade	9	(2,12,500)

	Employee benefits expense	10	14,28,500
	Finance costs (interest on term loan)		8,05,000
	Depreciation		7,80,300
	Other operating expenses	11	<u>10,95,250</u>
	Total expenses		<u>1,21,91,550</u>
V.	Profit (Loss) for the period (III - IV)		4,67,950
VI.	(-) Tax (25%)		(1,16,988)
VII.	PAT		3,50,962

Notes to accounts

			₹
1	Share Capital		
	Equity share capital		
	Authorized		
	2,00,000 equity shares of ₹ 10 each		20,00,000
	Issued & subscribed		
	1,00,000 equity shares of ₹ 10 each		10,00,000
2	Reserves and Surplus		
	General Reserve	10,00,000	
	Add: current year transfer	1,00,000	11,00,000
	Profit & Loss balance		
	Opening balance: Surplus P & L A/c	8,75,500	
	Profit for the year	3,50,962	
	Less: Appropriations:		
	Transfer to General reserve	<u>(1,00,000)</u>	11,26,462
	Securities premium		<u>2,50,000</u>
			<u>24,76,462</u>
3	Long-term borrowings		
	Term loan from public sector bank (Secured by hypothecation)		1,02,00,000

	Less: Installment of Term loan falling due within one year		<u>(17,00,000)</u>
	Total		<u>85,00,000</u>
4	Trade payables		
	Trade payables*	55,08,875	
	Bills payable	<u>1,25,000</u>	56,33,875
5	Other current liabilities		
	Rent outstanding	20,000	
	Wages and Salaries Outstanding	<u>1,56,500</u>	1,76,500
6	PPE (W.N 2)		
	Land		24,00,000
	Factory Buildings		33,21,200
	Plant & Machinery		47,81,250
	Furniture & Fittings		<u>6,68,250</u>
	Total		1,11,70,700
7	Trade receivables		
	Debtors Outstanding for period exceeding 6 months	85,600	
	Other debts	63,89,400	
	Less: Provision for doubtful debt	<u>(3,23,750)</u>	61,51,250
8	Cash and bank balances		
	Cash and cash equivalents		
	Bank balance	9,75,000	
	Cash on hand	<u>1,31,875</u>	11,06,875
9	Changes in Inventories		
	Opening Inventory	9,25,000	
	Less: Closing Inventory	<u>(11,37,500)</u>	
	Change		(2,12,500)

10	Employee benefit expense		
	Wages and Salaries	12,72,000	
	Add: Wages and Salaries Outstanding	<u>1,56,500</u>	<u>14,28,500</u>
11	Other operating expenses		
	Rent	2,20,000	
	Add: outstanding	<u>20,000</u>	2,40,000
	Rates and Taxes		50,000
	Selling & Distribution expenses		4,36,000
	Bad debts		38,500
	Provision for Doubtful Debts (3,23,750 -25,000)		2,98,750
	Director's fee		<u>32,000</u>
	Total		<u>10,95,250</u>

Note: The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of the financial statements) as per Accounting Standards. Hence, it has not been recognized in the financial statements for the year ended 31 March, 2025. Such dividends will be disclosed in notes only.

Calculation of depreciation

	Book value	Accumulated depreciation	WDV	Current year Depreciation	Current year WDV
Land	24,00,000	-	24,00,000	-	24,00,000
Factory building	36,80,000	1,84,000	34,96,000	1,74,800	33,21,200
Plant & Machinery	62,50,000	9,37,500	53,12,500	5,31,250	47,81,250
Furniture & Fittings	8,25,000	82,500	7,42,500	<u>74,250</u>	<u>6,68,250</u>
Total				7,80,300	1,11,70,700

19. Journal Entries in the Books of Ellora Limited

		Amount (Dr) (₹)	Amount (Cr) (₹)
1	Equity Share Capital A/c (₹ 10) Dr. To Equity Share Capital A/c (₹ 2) To Capital Reduction A/c (Reduction of Share Capital of ₹ 10 each to Shares of ₹ 2 each as per the Scheme of Reconstruction)	30,00,000	6,00,000 24,00,000
2	6 % Cumulative Preference Share Capital A/c (₹ 100) Dr. To 6% Cumulative Preference Share Capital A/c (₹ 75) To Capital Reduction A/c (Reduction of Preference Shares of ₹ 100/- each to shares of ₹ 75 each as per the Scheme of Reconstruction)	16,00,000	12,00,000 4,00,000
3	Capital Reduction A/c Dr. To Equity Share Capital A/c (₹ 2) (Arrears of Preference Dividend satisfied by the issue of equity shares, 25 % of the amount due ₹ 3,84,000)	96,000	96,000
4	Freehold Property A/c Dr. To Capital Reduction A/c (Appreciation in the value of Property Book Value ₹ 4,00,000 Revalued figure ₹ 4,80,000 Book Value ₹ 13,00,000 Revalued figure ₹ 15,50,000, Total ₹ 17,00,000 Revalued figure ₹ 20,30,000)	3,30,000	3,30,000

5	6 % Debentures A/c To Freehold Property A/c (Claims of Debenture holders, in part, in respect of principal, discharged by transfer of freehold property vide Scheme of Reconstruction)	Dr.	4,80,000	4,80,000
6	Interest Payable A/c To Bank A/c (Debenture Interest paid)	Dr.	90,000	90,000
7	Bank A/c To 9 % Debentures A/c (9 % Debentures issued for cash)	Dr.	5,20,000	5,20,000
8	Bank A/c To Investment A/c To Capital Reduction A/c (Sale of Investment for ₹ 5,60,000/, cost being ₹ 2,20,000 Profit ₹ 3,40,000 credited to Capital Reduction A/c)	Dr.	5,60,000	2,20,000 3,40,000
9	Loan from Directors A/c To Provision for Contingent Liability A/c (Being provision for contingent liability as it is payable, and the same is adjusted against loan from Directors)	Dr.	1,00,000	1,00,000
10	Loan from Directors A/c To Equity Share Capital A/c (₹ 2) To Bank A/c To Capital Reduction A/c (Remaining loan from Directors discharged by issue of Equity Shares of ₹ 2,60,000, and cash of ₹ 20,000 in full settlement)	Dr.	3,00,000	2,60,000 20,000 20,000

11	Capital Reduction To Bank A/c (Penalty charges for cancellation of contract (5% of ₹ 10,00,000) paid in cash)	Dr.	50,000	50,000
12	Bank A/c To Equity Share Application A/c (Issue of 2,00,000 equity Shares of ₹ 2 each fully paid up)	Dr.	4,00,000	4,00,000
13	Equity Share Application A/c To Equity Share Capital A/c (₹ 2/-) (Share Application Money transferred to Share Capital A/c)	Dr.	4,00,000	4,00,000
14	Capital Reduction A/c To Bank A/c (Underwriting commission on fresh issue of equity share capital paid)	Dr.	20,000	20,000
15	Provision for Taxation A/c To Bank A/c To Capital Reduction A/c (Tax liability settled at ₹ 3,00,000 and the balance credited to Capital reduction A/c)	Dr.	4,00,000	3,00,000 1,00,000
16	Capital Reduction A/c To Bank A/c (Expenses on Scheme of reconstruction paid)	Dr.	15,000	15,000
17	Capital Reduction A/c To Inventory A/c To Provision for Bad and Doubtful Debts A/c To Goodwill A/c To Patents and Trademarks, A/c To Profit and Loss A/c	Dr.	34,09,000	2,60,000 2,74,000 5,20,000 1,50,000 21,40,000

To Capital reserve A/c (balancing figure)	65,000
(Writing off Inventory, Goodwill, Patents and Trademarks, Debit balance of Profit and Loss Account, making provision for Bad and doubtful debts and transferring the balance to Capital reserve A/c)	

Capital Reduction A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Equity Share Capital	96,000	By Equity Share Capital A/c (₹ 10)	24,00,000
To Bank A/c	50,000	By 6% Cumulative Preference Share Capital A/c (₹ 100)	4,00,000
To Bank A/c	20,000	By Freehold Property A/c	3,30,000
To Bank A/c	15,000	By Investments or Bank A/c	3,40,000
To Inventory A/c	2,60,000	By Loan from Directors A/c	20,000
To Provision for Bad and Doubtful Debts A/c	2,74,000	By Provision for Taxation A/c	1,00,000
To Goodwill A/c	5,20,000		
To Patents and Trademarks, A/c	1,50,000		
To Profit and Loss A/c	21,40,000		
To Capital Reserve A/c (balancing figure)	65,000		
Total	35,90,000	Total	35,90,000

20. **In the books of Head Office Harry Limited
Cambridge Branch Trading and Profit & Loss Account for the
year ended 31st December, 2025**

Particulars	€	Particulars	€
To Opening Stock	36,000	By Sales	2,80,000
To Goods sent from H.O.	2,25,000	By Closing Stock	37,000
To Gross Profit c/d	56,000		
	3,17,000		3,17,000
To Expenses	12,000	By Gross Profit b/d	56,000

To Depreciation	8,000		
To Manager's Commission	3,600		
To Net Profit c/d	32,400		
	56,000		56,000

**Converted Trial Balance (into Indian Currency) of
Cambridge Branch**

Particulars	Rate per €	Dr. (₹ in Lakhs)	Cr. (₹ in Lakhs)
Furniture	84	67.20	
Stock as on 1 st January 2024	91	32.76	
Debtors	89	14.24	
Cash at Bank	89	2.67	
Head Office A/c	Actual		61.00
Creditors	89		10.68
Sales	86		240.80
Expenses	86	10.32	
Goods from Head Office	Actual	180.00	
Exchange Difference in rate		5.29	
Total		312.48	312.48

Closing Stock € 37,000 @ 89	32.93
-----------------------------	-------

Working Notes:

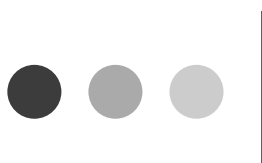
1. Calculation of Closing Stock and COGS

Particulars	€
Opening Stock	36,000
Add: Goods from Head Office	2,25,000
	2,61,000
Less: Cost of Goods sold (at invoice price)	
€ 2,80,000 x 100/125 = € 2,24,000	2,24,000
Closing Stock	37,000

2. Calculation of Manager's Commission @ 10% of Profit

10% of (Euro 56,000 - Euro 12,000 - Euro 8,000)

= 10% of Euro 36,000 = Euro 3,600



PAPER – 2: CORPORATE AND OTHER LAWS

PART – I: AMENDMENTS FOR MAY 2026 EXAMINATIONS

The Study Material (July 2024 edition-Reprint August 2025 and onwards) is applicable for May 2026 examinations. This study material is updated for all amendments till 31st July, 2025.

All relevant amendments/ circulars/ notifications etc. in the Company law part for the period 1st May, 2025 to 31st October, 2025 are mentioned below:

THE COMPANIES ACT, 2013

Chapter 9: Accounts of Companies

I. Notification G.S.R 357(E) dated 30th May, 2025

The Central Government has amended the Companies (Accounts) Rules, 2014, through the Companies (Accounts) Second Amendment Rules, 2025.

Amendment:

In the Companies (Accounts) Rules, 2014:

1. In rule 5, for the word, letter and figure "Form AOC-1" the word, letter and figure "e-Form AOC-1" shall be substituted.
2. In rule 8,-
 - (i) in sub-rule (2), for the word, letter and figure "Form AOC-2", the word, letter and figure "e-Form AOC-2" shall be substituted.
 - (ii) in sub-rule (5),-
 - (A) in clause (x), after the words and figures, "Act, 2013", the following shall be inserted, namely:
"along with the following details:

- (a) number of complaints of sexual harassment received in the year;
 - (b) number of complaints disposed off during the year; and
 - (c) number of cases pending for more than ninety days."
- (B) after clause (xii), the following clause shall be inserted, namely:
- "(xiii) a statement by the company with respect to the compliance of the provisions relating to the Maternity Benefit Act, 1961."
3. In rule 12, after sub-rule (1B), the following sub-rule shall be inserted, namely:
- "(1C) Every company, along with the relevant e-Form No. AOC-4, AOC-4 CFS, AOC-4 XBRL, AOC-4 NBFC (Ind AS) or AOC-4 CFS NBFC (Ind AS) and the respective attachments in portable document format as required, shall also file e-Form Extract of Board Report, Extract of Auditor's Report (Standalone) and Extract of Auditor's Report (Consolidated), as the case may be:
- Provided that a copy of signed financial statements duly authenticated as per section 134 of the Act (including Board's report, auditors' report and other documents) in portable document format shall also be attached with XBRL Forms."

[Enforcement Date: Amendments effective from 14th July, 2025]

Old Law

Pg 9.13 (for Pt 1.)

Salient features of financial statement of Subsidiaries, Associates and JVs- Form [First proviso to Sub-section 3 read with rule 5]

The statement containing the salient feature of the financial statement of a company's subsidiary or subsidiaries, associate company or companies and joint venture or ventures under the first proviso to

sub-section (3) of section 129 shall be in **Form AOC-1** as per Rule 5 of the Companies (Accounts) Rules, 2014.

Pg 9.36 [for Pt 2(i)]

Particulars of contracts or arrangements with related parties referred to in section 188 (1) (i.e., Related Party Transactions) in the **form AOC-2**.

Pg 9.36 [for Pt 2(ii)(A)]

The words are newly inserted in clause (x)

Pg 9.36 [for Pt 2(ii)(B)]

Clause (xiii) is newly inserted.

Pg 9.70 [for Pt 3]

Rule 12(1C) is newly inserted.

II. Notification G.S.R 371(E) dated 6th June, 2025

The Central Government has amended the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015, through the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Amendment Rules, 2025.

Amendment:

In the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015, in rule 3, after sub-rule (1), the following sub-rule shall be inserted, namely:

“(1A) The companies which have filed their financial statements under sub-rule (1), shall also attach a copy of signed financial statements duly authenticated as specified in section 134 of the Act (including Board’s report, auditors’ report and other documents) in PDF format in eForm AOC-4 XBRL.”

[Enforcement Date: Amendments effective from 14th July, 2025]

Old Law

Pg 9.70

Rule 3(1A) is newly inserted.

Chapter 10: Audit and Auditors**Notification G.S.R 359(E) dated 30th May, 2025**

The Central Government has amended the Companies (Audit and Auditors) Rules, 2014, through the Companies (Audit and Auditors) Amendment Rules, 2025.

In rule 13, in sub-rule (2),-

1. for clause (d), the following shall be substituted, namely:-
“(d) the report shall be filed electronically in form ADT-4.”
2. clauses (e) and (f) shall be omitted.

[Enforcement Date: Amendments effective from 14th July, 2025]

Old Law**Pg 10.38 [for Pt 1]**

- d. **The report shall be sent to the Secretary, Ministry of Corporate Affairs (MCA) in a sealed cover by Registered Post with Acknowledgement Due or by Speed Post followed by an e-mail in confirmation of the same;**

Pg 10.38 [for Pt 2]

- e. **The report shall be on the letter-head of the auditor containing postal address, e-mail address and contact telephone number or mobile number and be signed by the auditor with his seal and shall indicate his Membership Number; and**
- f. **The report shall be in the form of a statement as specified in Form ADT-4.**

PART – II: QUESTION AND ANSWERS

**QUESTIONS****DIVISION A: Multiple Choice Questions****Case Scenario 1**

Utkarsh, a brilliant student who was pursuing the degree course in Pharmacy at Modern College of Pharmacy, Bengaluru, was inspired and motivated to install and produce the generic medicine. Keeping in view this vision he underwent a twelve months training course in a famous pharmaceutical company at Pune and thereby learnt essential medicinal formulae which were essential in the production of generic medicines.

To convert his vision in reality, he constantly thought of establishing his very own company and the same he did by incorporating a pharmaceutical company which went by the name 'Utkarsh Pharmaceutical Private Limited' (One Person Company) with registered office at New Delhi having ₹ 40 lakh as authorised share capital.

As an essential requirement to designate a nominee for his One Person Company, Utkarsh requested to his elder brother, Yashwant, who was a doctor in general medicine, to seek his consent for becoming nominee on which he agreed to the proposal. After completing the necessary requirements and submitting requisite documents, the Jurisdictional Registrar of Companies sanctioned and registered the above named company by issuing the Certificate of Incorporation.

Utkarsh's company satisfactorily produced, distributed and supplied the generic medicines constantly during the span of seven years. By this time, the company had a grand team of medical representatives, distributors and retailers who built and transformed business by customising market. In order to keep pace with the changing technology, growing production and business opportunities, Utkarsh, along with his wife Divya is willing to convert Utkarsh Pharmaceutical Private Limited (One Person Company) into a Private Limited Company.

On the other side, his brother Yashwant, nominee in Utkarsh Pharmaceuticals Limited (One Person Company), also started his own hospital along with Raghu, a renowned medical practitioner by incorporating a private limited company namely, Vinayak Multicare Hospital Private Limited, with an authorised share capital of ₹ 10 crore and paid up share capital of ₹ 5 crore, having its registered office at Savarkar Place, Pune. The total number of shareholders in this company is sixty of which three shareholders are in employment of the company, whereas other two shareholders who purchased the shares of the company while in employment of the same company, left the company before six months.

Admiring the success of Utkarsh's Pharmaceuticals, Yashwant requested his brother Utkarsh to be a director (Production), but Utkarsh wants to carry out Non-banking financial activities including investment in securities of body corporates.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following Multiple Choice Questions based upon the provisions of the Companies Act, 2013:

1. Yashwant, the elder brother of Utkarsh agreed to become nominee in his Utkarsh Pharmaceutical Private Limited (One Person Company). Which of the following regarding the formalities must be completed by Utkarsh while making Yashwant nominee?
 - (A) Utkarsh must have obtained a written consent letter from Yashwant and stated his name as nominee in the Memorandum of Association under Nomination clause.
 - (B) Utkarsh must have obtained a written consent letter from Yashwant and stated his name as a nominee, in the Articles of Association, under Nomination clause.
 - (C) Utkarsh must have obtained a written consent letter from Yashwant and it should be filed without stating his name as a nominee either in Memorandum or Articles of Association, since there is no such requirement.
 - (D) Utkarsh must have obtained a written consent letter from Yashwant within fifteen days after incorporation and must be kept in the records maintained at the registered office of the company.

2. It is clear from the case scenario that Yashwant has formed Vinayak Multicare Hospital Private Limited with sixty shareholders of which two shareholders are ex-employee and the other three are still the employees of the company. Which of the following is the correct option relating to maximum shareholders to whom the shares may be allotted in the company?
- (A) Vinayak Multicare Hospital Private Limited can issue shares to maximum one hundred fifty persons.
 - (B) Vinayak Multicare Hospital Private Limited can issue shares to maximum one hundred forty persons.
 - (C) Vinayak Multicare Hospital Private Limited can issue shares to maximum one hundred forty five persons.
 - (D) Vinayak Multicare Hospital Private Limited can issue shares to maximum ninety persons.
3. Whether Utkarsh, the owner of Utkarsh Pharmaceutical Private Limited (One Person Company) can carryout Non-banking Financial Investment activities including investment in securities of anybody corporate?
- (A) Utkarsh, the owner of One Person Company can undertake to carry out such activities only when its paid up share capital is at least 1 crore.
 - (B) Utkarsh, the owner of One Person Company can carry out such activities only when its paid up share capital is at least 2 crore.
 - (C) Utkarsh, the owner of One Person Company can carry out such activities only when its paid up share capital is at least 5 crore.
 - (D) Utkarsh, the owner of One Person Company cannot undertake carrying out non-banking financial investment activities including investment in securities of any body corporates irrespective of the quantum of its paid up share capital.
4. Vinayak Multicare Hospital is incorporated as a private company with 60 shareholders and 5 employee-shareholders. For determining if it breaches the statutory limit on the number of members in a private company, how should the employee-shareholders be counted under the Companies Act, 2013?

- (A) All 60 shareholders plus the 5 employees must be counted, totaling 65 members for the limit calculation.
- (B) Only the 5 employee-shareholders are counted as members, since employees are considered distinct from regular shareholders.
- (C) Only the shareholders who are not employees are counted, because employee-shareholders are excluded.
- (D) Neither the 60 shareholders nor the 5 employee-shareholders are counted, as private companies have no statutory member limit.

Case Scenario 2

ABC Solutions LLP, registered under the Limited Liability Partnership Act, 2008, operates a software consultancy firm based in Punjab with two partners: Mr. X (as the Designated Partner) and Mr. Y. The LLP Agreement requires a 30-day notice for resignation, but Mr. Y skips notice to Mr. X and the firm and unilaterally files Form 6 with the Registrar of Companies (RoC) in January 2026, intimating cessation of his partnership interest with immediate effect.

The LLP fails to file the mandatory Form 4 with the Registrar within the prescribed time period, attracting a penalty of ₹100 per day for each designated partner.

Mr. X, having knowledge of Mr. Y's cessation since January 2026, continues to run the business as the sole remaining partner, enters into new client contracts, and incurs supplier debts amounting to ₹50 lakh over the next eight months without admitting any new partner.

Suppliers now pursue recovery from Mr. X's personal assets, including his family home in Ludhiana, claiming the LLP's limited liability shield no longer applies.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

5. Under the Limited Liability Partnership Act 2008, what is the general consequence when an LLP is reduced to only one partner because the other partner leaves, and no new partner is admitted within the prescribed period?

- (A) The LLP and the remaining partner may continue temporarily, but the remaining partner can become personally liable if a new partner is not admitted within the statutory period.
 - (B) The LLP may continue its business indefinitely as a single-partner entity with no additional consequences.
 - (C) The LLP is automatically converted into a traditional partnership with the remaining partner as sole proprietor.
 - (D) The LLP is required to immediately cease all business operations and is automatically dissolved on that day.
6. If the LLP continues business with only one partner beyond the statutory grace period without admitting a new partner, what is the typical nature of the remaining partner's liability for obligations incurred during that default period under the Act?
- (A) The remaining partner continues to enjoy full limited liability, with no change in protection.
 - (B) The remaining partner may be held personally liable, similar to a partner in a traditional unlimited liability partnership, for obligations incurred during the non-compliant period.
 - (C) The remaining partner becomes personally liable only if the leaving partner consents in writing to such liability.
 - (D) The remaining partner becomes liable only for intentional wrongs, but not for contractual debts incurred during the period.
7. Assume Mr. Y has resigned from ABC Solutions LLP, and his cessation has been duly filed and recorded. A creditor supplies goods two months later, relying on old stationery still showing Mr. Y as partner. What is the most likely legal position of Mr. Y regarding this new debt?
- (A) Mr. Y has no liability because he validly ceased to be a partner and proper notice was given.
 - (B) The remaining partner may be held personally liable, similar to a partner in a traditional unlimited liability partnership, for obligations incurred during the non-compliant period.

- (C) The remaining partner becomes personally liable only if the leaving partner consents in writing to such liability.
 - (D) The remaining partner becomes liable only for non-intentional wrongs, but not for contractual debts incurred during the period.
8. Can suppliers proceed against Mr. X's personal property for recovery of ₹ 50 lakh?
- (A) No, LLP liability is always unlimited
 - (B) Mr. Y and Mr. X share liability equally because partners are always jointly liable for LLP debts
 - (C) Mr. X is liable
 - (D) Mr. Y is liable as a partner for all such contracts where his name appeared on the stationery used for the transaction

Independent MCQ

9. XYZ Limited is a company with 51% of its equity shares held by the State Government of Maharashtra and 49% by private investors. The Board of XYZ Limited seeks to appoint an auditor for the upcoming financial year. As per the Companies Act, 2013, which of the following statements is correct regarding the appointment of the auditor?
- (A) The Board of XYZ Limited has the authority to appoint the auditor through a board resolution.
 - (B) The Comptroller and Auditor General (CAG) of India will appoint the auditor for XYZ Limited.
 - (C) The shareholders of XYZ Limited will appoint the auditor in the annual general meeting.
 - (D) The State Government of Maharashtra, holding the majority stake, will appoint the auditor.
10. A listed company has a net worth of ₹ 480 crore, turnover of ₹ 1200 crore, and net profit of ₹ 3 crore in the immediately preceding financial year. How does CSR provisions apply to this company?
- (A) CSR provisions applies because it satisfies the turnover threshold, even though the net worth and net profit thresholds are not met.

- (B) CSR provisions does not apply because the company must satisfy at least two of the three thresholds simultaneously.
- (C) CSR provisions applies only if the company's shares are listed on a recognized stock exchange and it meets all three thresholds cumulatively.
- (D) CSR provisions does not apply because the net worth is below ₹ 500 crore and net profit is below ₹ 5 crore

Descriptive Questions

11. XYZ Limited issued a prospectus to raise funds for a new manufacturing project. After successfully raising the funds, the company identified an investment opportunity in a different industry six months later, requiring a significant portion of the funds. The proposed investment involved trading in equity shares of other listed companies.

The board of directors suggested varying the original objectives for which the funds were raised to allow this new investment and recommended passing a special resolution in the company's general meeting. While the promoters and controlling shareholders supported this change, some shareholders expressed concerns, particularly regarding the deviation from the initially stated purpose of the funds.

Based on the provisions of the Companies Act, 2013, advise on the validity of the proposal to redirect the funds toward this new investment.

12. John Pvt Ltd. is an unlisted company incorporated in the year 2012. The company have share capital of rupees fifty crores. The company has decided to issue sweat equity shares to its directors and employees. The company decided to issue 10% sweat equity shares (which in total will add up to 30% of its paid up equity shares), with a locking period of five years, as it is a start-up company. Explain the provision for issue of sweat equity shares by a start-up company, with reference to the provision of the Company Act, 2013.

13. RS Ltd. received share application money of ₹ 50 Lakh on 01.06.2025 but failed to allot shares within the prescribed time limit. The share application money of ₹ 5 Lakh received from Mr. Khanna, a customer of the Company, was refunded by way of book adjustment towards the dues payable by him to the company on 30.07.2025. The Company Secretary of RS Ltd. reported to the Board that the entire amount of ₹ 50 Lakh shall be deemed to be 'Deposits' as on 31.07.2025 and the Company is required to comply with the provisions of the Companies Act, 2013 applicable to acceptance of deposits in relation to this amount. You are required to examine the validity of the reporting of the Company Secretary in the light of the relevant provisions of the Companies Act, 2013.

14. PQR Limited, a manufacturing company, is in the process of expanding its operations. To support this expansion, PQR Limited has acquired a plot of land along with the buildings on it from ABC Limited, another company in the same industry. The property, however, is subject to an existing charge, created in favor of a bank as security for a loan taken by ABC Limited. This charge had been registered by ABC Limited at that time. The directors of PQR Limited are of the opinion that as the charge for the property was already created, there is no further obligation to be fulfilled from the side of PQR Limited.

 After negotiations, the bank, as the charge holder, consents to the sale and transfer of the property to PQR Limited with the condition that PQR Limited must register a new charge over the acquired property as security for its own loan obligations.

 Advise whether the contention of directors of PQR Limited is correct. Give your answer in terms of the provisions of the Companies Act, 2013.

15. Discuss the following in the light of the provisions of the Companies Act, 2013:
 - (i) Mr. Prem and his wife, Mrs. Archana jointly hold shares of ABC Limited in a dematerialised (Demat) account. In such circumstances, which of the joint holders is entitled to exercise the voting right through the e-voting facility?

- (ii) The Annual General Meeting of the company is scheduled to be convened on 10th September, 2025. Determine the duration of the remote e-voting period and specify the time at which such e-voting shall conclude.
16. Prime Industries Ltd., a public limited company with 800 members, convenes its General Meeting at 11:00 AM on 15th March 2027. The Articles of Association do not prescribe a higher quorum.
- At the meeting, the following individuals are present:
- Rahul Sharma, Priya Patel, and Vikram Singh (three individual members, present in person).
- Arjun Mehta, authorized by Horizon Pvt. Ltd. (a corporate member) through a board resolution to represent it.
- Neha Kapoor, authorized by Summit Ltd. (another corporate member) through a board resolution to represent it.
- Karan Desai and Maya Reddy (two individual members, present only by proxy).
- Arjun Mehta arrives at 11:15 AM. Discuss the quorum requirements as per the provisions of the Companies Act, 2013, addressing:
- (i) Whether quorum is met at the start and during the meeting.
- (ii) Whether the meeting will be deemed to be validly conducted if Arjun Mehta arrived at the meeting at 11:15 AM.

The Limited Liability Partnership Act, 2008

17. Bright Consultants LLP is facing temporary financial difficulties and proposes a compromise with its unsecured creditors for payment of 70% of the outstanding dues in full settlement.
- An application is made before the Tribunal by one of the partners of the LLP seeking directions to convene a meeting of creditors. The Tribunal orders the meeting to be held.
- At the meeting, creditors representing 75% in value of the total outstanding debt vote in favour of the proposed compromise. The LLP thereafter approaches the Tribunal for sanction of the scheme. However:

1. The LLP fails to disclose in its application that an investigation proceeding is pending against it under the Limited Liability Partnership Act, 2008.
2. After obtaining the Tribunal's sanction order, the LLP does not file the order with the Registrar within 30 days.

A dissenting creditor challenges the validity of the compromise on these grounds.

Examine as per the provisions of the Limited Liability Partnership Act, 2008:

- (a) Whether the compromise can be sanctioned by the Tribunal despite non-disclosure of pending investigation proceedings?
- (b) Whether the compromise becomes effective and binding if the Tribunal's order is not filed with the Registrar within the prescribed time?

The General Clauses Act, 1897

18. The National Infrastructure Authority Act, 2005 (a Central Act enacted after the commencement of the General Clauses Act, 1897) provides that:

"The Chairperson of the National Infrastructure Authority shall have the power to grant licences for strategic highway projects."

In 2024, the designation of "Chairperson" was replaced by "Managing Director" through an amendment to the parent Act. The powers and functions earlier exercised by the Chairperson were formally vested in the Managing Director.

A dispute arose when a company challenged the validity of a licence granted by the Managing Director on the ground that the original provision of the Act referred only to the "Chairperson" and not to the "Managing Director."

The company contends that since the Act specifically mentions "Chairperson," only that office-holder could exercise the power and not any successor authority.

With reference to the provisions of the General Clauses Act, 1897 relating to "Successors," examine whether the licence granted by the Managing Director is valid.

Interpretation of Statutes

19. The Central Government enacted the Industrial Regulation Act, 1985. One of the provisions of the Act uses the term "processing unit", but the term is not specifically defined in the statute.

For the last 30 years, licensing authorities across the country have consistently treated small packaging units as "processing units" under the Act. Several industries have been granted licences on this basis. The Legislature has amended the Act multiple times over the years, but has never altered this interpretation. Further, in one case, a High Court also accepted this long-standing practice while deciding a dispute.

Recently, a new regulatory authority has taken a different view and denied licence to a packaging unit, arguing that the term "processing unit" should be interpreted strictly as per its dictionary meaning and not according to past administrative practice.

The affected company challenges the decision and contends that long-standing usage and practice should guide the interpretation of the statute.

While interpreting a statute, what is the effect of usage, customs and long-standing practice? Explain with reference to relevant principles and Latin maxims.

The Foreign Exchange Management Act, 1999

20. Golden Global Ltd. is a company incorporated and registered in Germany. On 1st April 2012, it established a branch office at Chennai, India. The Chennai branch subsequently began controlling the operations of another branch of Golden Global Ltd. situated in Dubai.

With reference to the provisions of the Foreign Exchange Management Act, 1999, determine the residential status of:

- (i) Golden Global Ltd.
- (ii) The Chennai branch
- (iii) The Dubai branch controlled by the Chennai branch.



SUGGESTED ANSWERS

Multiple Choice Questions

MCQ No.	Most Appropriate Answer
1.	(A)
2.	(C)
3.	(D)
4.	(C)
5.	(A)
6.	(B)
7.	(A)
8.	(C)
9.	(B)
10.	(A)

Descriptive Questions

- 11. (a)** According to section 27(1) of the Companies Act, 2013, the terms of a contract referred to in the prospectus or objects for which the prospectus has been issued can be varied, but only with the authority of the company given by it in general meeting by way of special resolution.

The second proviso to sub-section (1) prescribes that such company is not to use any amount raised by it through the prospectus for buying, trading or otherwise dealing in equity shares of any other listed company.

In the given question, XYZ Limited, is planning to use the amount initially raised for investing in a different industry, which also involves trading in equity shares of other listed companies.

Though XYZ Limited has passed a special resolution for the said proposal but it cannot use any amount raised by it through the prospectus for buying, trading or otherwise dealing in equity

shares of any other listed company. Hence, the said proposal for new investment is not valid.

- 12.** Sweat Equity Shares is governed by Section 54 of the Companies Act, 2013 and Rule 8 of Companies (Share capital and debentures) Rules, 2014. According to Section 54 the company can issue sweat equity shares to its director and permanent employees of the company.

According to rule 8 (4) proviso, a start up company, as defined by Ministry of Commerce and industry Government of India, may issue sweat equity share not exceeding 50% of its paid up share capital up to 10 years from the date of its incorporation or registration.

According to Rule 8(5), the sweat equity shares issued to directors or employees shall be locked in/non-transferable for a period of 3 years from the date of allotment and the fact that the share certificates are under lock-in too.

Hence, in the above case the company can issue sweat equity shares by passing special resolution at its general meeting. The company as a startup company is right in issue of 10% sweat equity share as it is overall within the limit of 50% of its paid-up share capital. But the lock in period of the shares is limited to maximum three years period from the date of allotment.

- 13.** According to Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014, the following category of receipt is not considered as deposit: Any amount received and held pursuant to an offer made in accordance with the provisions of the Companies Act, 2013 towards subscription to any securities, including share application money or advance towards allotment of securities, pending allotment, so long as such amount is appropriated only against the amount due on allotment of the securities applied for. It is clarified by way of Explanation that if the securities for which application money or advance for such securities was received cannot be allotted within 60 days from the date of receipt of the application money or advance for such, securities and such application money or advance is not refunded to the subscribers within 15 days from the date of completion of 60 days, such amount shall be treated as a deposit under these rules. Further, it is clarified that any

adjustment of amount for any other purpose shall not be treated as refund.

In the given question, RS Limited has received ₹ 50 Lakh as share application money on 01.06.2025. It failed to allot shares within the prescribed limit. Further, on 30.07.2025 the company adjusted the amount of ₹ 5 Lakh received from Mr. Khanna (a customer of the company), by way of book adjustment towards the dues payable by him to the company.

In the light of the facts of the question and provisions of Law:

- (1) If such application money or advance is not refunded to the subscribers within 15 days from the date of completion of 60 days, such amount shall be treated as a deposit. In the question, the prescribed limit of 60 days will end on 31.07.2025 and the company has 15 more days to refund such application money to the subscribers. Otherwise, after lapse of such 15 days, the amount not so refunded will be treated as deposit. Hence, the Company Secretary of RS Limited is not correct in treating the entire amount of ₹ 50 Lakh as 'Deposits' on 31.07.2025.
- (2) Any adjustment of the amount for any other purpose shall not be treated as refund. Thus, the amount of ₹ 5 Lakh adjusted against payment due to be received from Mr. Khanna, cannot be treated as refund.

14. The provisions of section 77 relating to registration of charges shall, so far as may be, apply to:

- a. a company acquiring any property subject to a charge within the meaning of that section; or
- b. any modification in the terms or conditions or the extent or operation of any charge registered under that section.

According to section 79(a) of the Companies Act, 2013, in case of a property where charge is already registered and if it is sold with the permission of the holder of charge, it shall be the duty of the company acquiring it to get the charge registered in accordance with section 77.

According to the provisions of section 77, when a company acquires property that is subject to an existing charge, it is the duty of the acquiring company (PQR Limited in this case) to register the charge as its own. This means that PQR Limited must create a fresh charge over the acquired property and register it with the Registrar of Companies (RoC) as per section 77.

Now upon acquisition, it is PQR Limited's responsibility to ensure that the previous charge is effectively discharged and that the new charge is registered in its name, reflecting PQR Limited as the current owner and debtor of the charge. Hence, the contention of directors of PQR Limited that since the charge for the property was already created, there is no further obligation on part of PQR Limited, is not correct.

15. (i) Joint shareholders must concur in voting unless the articles provide to the contrary.

The voting in case of joint shareholders is done in the order of seniority, which is determined on the basis of the order in which their names appear in the register of members/ shareholders. The joint- holders have a right to instruct the company as to the order in which their names are to appear in the register.

As per Rule 21 of the Companies (Management and Administration) Rules, 2014, the Scrutinizers shall arrange for Polling papers and distribute them to the members and proxies present at the meeting; in case of joint shareholders, the polling paper shall be given to the first named holder or in his absence to the joint holder attending the meeting as appearing in the chronological order in the folio.

Thus, in the given case, 'Mr. Prem' or his wife 'Mrs. Archna', whosoever names appear first in chronological order in the register of members/shareholders shall be entitled to vote.

- (ii) **Time period for e-voting:** The facility for remote e-voting shall remain open for not less than three days and shall close at 5.00 p.m. on the date preceding the date of the general meeting.

Thus, if the Annual General Meeting is going to be held on 10th September 2025, the facility for remote e-voting shall open on 7th September 2025 and close at 5.00 p.m. on 9th September 2025.

16. As per the provisions of 103 of the Companies Act, 2013, unless the articles of the company provide for a larger number, the quorum for the meeting of a Public Limited Company shall be 5 members personally present, if number of members is not more than 1000.

- (i) (1) Rahul Sharma, Priya Patel and Vikram Singh will be counted as three members.
- (2) If a company is a member of another company, it may authorize a person by resolution to act as its representative at a meeting of the latter company, then such a person shall be deemed to be a member present in person and counted for the purpose of quorum. Hence, Arjun Mehta and Neha Kapoor representing Horizon Pvt. Ltd. and authorized by Summit Ltd. respectively will be counted as two members.
- (3) Only members present in person and not by proxy are to be counted. Hence, proxies whether they are members or not will have to be excluded for the purposes of quorum. Thus, Karan Desai and Maya Reddy shall not be counted in quorum.

In the light of the provision of the Act and the facts of the question, it can be concluded that the quorum for General Meeting of Prime Industries Ltd. is 5 members personally present. Total 5 members were present. Hence, the requirement of quorum is fulfilled.

- (ii) The section further states that, if the required quorum is not present within half an hour, the meeting shall stand adjourned for the next week at the same time and place or such other time and place as decided by the Board of Directors.

Since, Arjun Mehta is an essential part for meeting the quorum requirement, and he reaches at 11:15 AM (i.e. within half an hour of the starting of the meeting), the meeting will be valid.

17. According to section 60 of the Limited Liability Partnership Act, 2008,

If a majority representing three-fourths in value of the creditors, or partners, as the case may be, at the meeting, agree to any compromise or arrangement, the compromise or arrangement shall, if sanctioned by the Tribunal, by order be binding on all the creditors or all the partners, as the case may be, and also on the limited liability partnership, or in the case of a limited liability partnership which is being wound up, on the liquidator and contributories of the limited liability partnership:

Provided that no order sanctioning any compromise or arrangement shall be made by the Tribunal unless the Tribunal is satisfied that the limited liability partnership or any other person by whom an application has been made has disclosed to the Tribunal, by affidavit or otherwise, all material facts relating to the limited liability partnership, including the latest financial position of the limited liability partnership and the pendency of any investigation proceedings in relation to the limited liability partnership.

An order made by the Tribunal shall be filed by the limited liability partnership with the Registrar within thirty days after making such an order and shall have effect only after it is so filed.

- (a) In the present case, Bright Consultants LLP failed to disclose the pendency of investigation proceedings. Such disclosure is mandatory.

Therefore, the Tribunal cannot validly sanction the compromise unless full and true disclosure of material facts is made.

The objection raised by the dissenting creditor is legally sustainable. Thus, the Tribunal cannot sanction the compromise without disclosure of all material facts, including pending investigations.

- (b) In this case, the LLP failed to file the order within 30 days.

Accordingly, even if the Tribunal sanctions the compromise, it will not become effective or binding until the order is duly filed with the Registrar. The compromise does not take effect unless the Tribunal's order is filed with the Registrar within 30 days.

- 18.** According to section 17 of the General Clauses Act, 1897, in any Central Act or Regulation made after the commencement of this Act, it shall be sufficient, for the purpose of indicating the application of a law to every person or number of persons for the time being executing the functions of an office, to mention the official title of the officer at present executing the functions, or that of the officer by whom the functions are commonly executed.

According to section 18 of the General Clauses Act, 1897, in any Central Act or Regulation made after the commencement of this Act, it shall be sufficient, for the purpose of indicating the relation of a law to the successors of any functionaries or of corporations having perpetual succession, to express its relation to the functionaries or corporations.

In the present case, the National Infrastructure Authority Act, 2005 is a Central Act enacted after the commencement of the General Clauses Act, 1897.

The Act originally conferred powers on the "Chairperson." Subsequently, the designation was changed to "Managing Director," and the same powers were vested in the new office.

By virtue of provisions of the General Clauses Act, 1897, the reference to "Chairperson" includes the successor office now designated as "Managing Director." Therefore, the licence granted by the Managing Director is legally valid, and the company's contention is untenable.

- 19. Effect of usage:** Usage or practice developed under the statute is indicative of the meaning recognized to its words by contemporary opinion. A uniform notorious practice continued under an old statute and inaction of the Legislature to amend the same are important factors to show that the practice so followed was based on correct understanding of the law. When the usage or practice receives judicial or legislative approval it gains additional weight.

In this connection, we have to bear in mind two Latin maxims:

- (i) '*Optima Legum interpret est consuetudo*' (the custom is the best interpreter of the law); and
- (ii) '*Contemporanea exposito est optima et fortissinia in lege*' (the best way to interpret a document is to read it as it would have been read when made).

Therefore, the best interpretation/construction of a statute or any other document is that which has been made by the contemporary authority. Simply stated, old statutes and documents should be interpreted as they would have been at the time when they were enacted/written.

Contemporary official statements throwing light on the construction of a statute and statutory instruments made under it have been used as *contemporanea expositio* to interpret not only ancient but even recent statutes in India.

Therefore, in the given case, the long-standing and uniform administrative practice, supported by legislative inaction and judicial approval, would carry significant persuasive value in interpreting the term "processing unit."

- 20.** According to section 2(u) of the Foreign Exchange Management Act, 1999, "Person" includes a company and any agency, office or branch owned or controlled by such person.

Section 2(v) defines a 'person resident in India'. As per this definition, the following shall be included in the definition of a person resident in India:

- (a) any person or body corporate registered or incorporated in India,
 - (b) an office, branch or agency in India owned or controlled by a person resident outside India,
 - (c) an office, branch or agency outside India owned or controlled by a person resident in India.
- (i) As per the facts of the question and provisions of the Act, Golden Global Ltd. as well as Chennai branch of Golden Global Ltd. is a 'person'. Golden Global Ltd. (a foreign company) does not fall under any of the clauses of the definition of a 'person resident in India'. Therefore, Golden Global Ltd. is a person resident outside India.
- (ii) The Chennai branch of Golden Global Ltd. is a 'Person resident in India' since it falls under the clause an office, branch or agency in India owned or controlled by a person resident outside India'.
- (iii) The Dubai branch of Golden Global Ltd., though not owned, is controlled by the Chennai branch. The Dubai branch is a 'Person resident in India' since it falls under the clause 'an office, branch or agency outside India owned or controlled by a person resident in India'.



PAPER – 3: TAXATION

SECTION A: INCOME TAX LAW

The Income-tax law, as amended by the Finance Act, 2025, including significant notifications/ circulars issued upto 31st October, 2025, is applicable for May, 2026 examination. The relevant assessment year for May, 2026 examination is A.Y.2026-27. The July, 2025 edition of the Study Material is based on the provisions of Income-tax law as amended by the Finance Act, 2025 and significant notifications/circulars issued upto 15.07.2025. The said study material has to be read along with the Statutory Update containing notifications and circulars issued upto 31.10.2025 but not covered in the study material webhosted at <https://resource.cdn.icai.org/89998bos-aps2378-int-p3a-statutory-may2026.pdf>.



QUESTIONS

Case Scenario

Mr. Roshan, aged 45 years, is employed as a finance manager in XYZ Ltd., Mumbai. During the F.Y. 2025-26, he receives the following:

- Basic Salary - ₹ 60,000 p.m.
- DA - ₹ 12,000 p.m. (50% is forming part for retirement benefits)
- Employer's contribution to PF – 15% of basic salary

He owns a house property which is let out during the P.Y. 2025-26. He has taken a loan for acquisition of this house and paid interest of ₹ 2.20 lakhs during the year. Details of house property are as follows:

- Municipal Value – ₹ 1,80,000 per annum
- Fair Rent – ₹ 1,95,000 per annum
- Standard Rent – ₹ 1,80,000 per annum
- Actual Rent received – ₹ 1,70,000 per annum
- Municipal Tax (paid by tenant) – 7.5% of municipal value
- Repair Expenses (paid by Mr. Roshan) – ₹ 9,000

Other transactions during the Financial Year 2025–26 are as under:

- (1) Household LED and refrigerator purchased in January 2017 for ₹ 56,000 were sold in February 2026 for ₹ 15,000.
- (2) Advance of ₹ 4,00,000 was received from Mr. Vanraj on 1st May 2025 against sale of urban agricultural land for ₹ 11,00,000 which was being used by his father for agricultural purposes during last 2 years and 8 months. However, due to non-payment of balance amount, advance was forfeited.
- (3) The same land was subsequently sold to Mr. Jain on 1st December 2025 for ₹ 10,50,000. The land was purchased on 20th January 2006 for ₹ 1,50,000. Mr. Roshan purchased new rural agricultural land on 10th March 2026 for ₹ 9,50,000.
- (3) Interest credited in PPF account during the year amounted to ₹ 40,500.
- (4) He paid ₹ 75,000 as premium towards life insurance cover for self and his wife and also contributed ₹ 1,00,000 towards PPF.

Cost Inflation Indices for the Financial Years are under:

2005-06: 117

2016-17: 264

2025-26: 376

Mr. Roshan wants to pay tax under default tax regime.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following multiple-choice questions:

1. What would be the amount chargeable to tax under the head "Salaries" of Mr. Roshan for the A.Y. 2026-27?
 - (a) ₹ 7,93,320
 - (b) ₹ 8,01,960
 - (c) ₹ 8,10,600
 - (d) ₹ 8,26,960
2. Compute the amount of capital gains chargeable to tax in the hands of Mr. Roshan for the A.Y. 2026-27.
 - (a) ₹ 9,00,000
 - (b) ₹ 5,26,948
 - (c) Nil
 - (d) ₹ 4,59,000
3. What would be the total income of Mr. Roshan for the A.Y. 2026-27?
 - (a) ₹ 12,01,960
 - (b) ₹ 11,07,960
 - (c) ₹ 20,16,600
 - (d) ₹ 21,51,100
4. What would be the tax liability of Mr. Roshan for the A.Y. 2026-27?
 - (a) ₹ 1,70,730
 - (b) ₹ 1,87,370
 - (c) Nil
 - (d) ₹ 2,040
5. What would be the tax liability of Mr. Roshan for the A.Y. 2026-27 if he opts out of the default tax regime?
 - (a) ₹ 1,13,460

- (b) ₹ 1,03,060
- (c) ₹ 2,35,990
- (d) ₹ 2,33,680
6. Mr. Subhash, an Indian citizen, is currently in employment with an overseas company located in Country X. During the previous year 2025-26, he comes to India for 135 days. He is in India for 100 days, 50 days, 76 days and 45 days in the financial years 2021-22, 2022-23, 2023-24 and 2024-25, respectively. His annual income for the previous year 2025-26 is as follows:

Particulars	Amount (₹)
Income from salary earned and received in Country X	2,00,000
Income earned and received from a house property situated in Country X	5,00,000
Income deemed to be accrued and arise in India	2,00,000
Income from retail business (accrued and received outside India, controlled from India)	10,00,000
Income accrued and arise in India	4,00,000

Determine the residential status of Mr. Subhash for the assessment year 2026-27. He is not liable to pay tax in Country X.

7. Ms. Nisha is a marketing manager in Rose Ltd. She gives you the following details for P.Y. 2025-26:
- Basic salary of ₹ 45,000 p.m.
 - Dearness Allowance of ₹ 10,000 p.m. (30% is for retirement benefits)
 - Bonus of one-month basic salary
 - She contributes 18% of her salary (Basic Pay + DA) towards recognised provident fund and the company contributes the same amount.
 - Motor car owned by the employer (cubic capacity of engine exceeds 1.6 litres) provided to Ms. Nisha from 1st November, 2025

which is used for both official and personal purposes. Repair and running expenses of ₹ 50,000 were fully met by Ms. Nisha. The motor car was self-driven by the employee.

- (vi) The company pays medical insurance premium of ₹ 18,000 to effect insurance on the health of Ms. Nisha.
- (vii) Her employer gave him a rent free accommodation in Mumbai from 1.4.2024. The house was taken on lease by Rose Ltd. for ₹ 12,000 p.m. The perquisite value of such accommodation for the P.Y. 2024-25 was ₹ 55,000.

CII – F.Y. 2024-25: 363; F.Y. 2025-26: 376

- (viii) Company incurred expenses on the treatment of her daughter abroad including stay expenses of ₹ 1,50,000 as permitted by the RBI.
- (ix) Company also incurred expenses in relation to the foreign travel for medical treatment of daughter of ₹ 80,000.

Compute the income chargeable to tax under the head "Salaries" in the hands of Ms. Nisha for the Assessment Year 2026-27 under optional tax regime.

8. Mr. Vipul furnished the following details for the previous year 2025-26:
 - (i) Loss from House Property (computed) in India – ₹ 2,60,000
 - (ii) Income from business in India – ₹ 8,60,000
 - (iii) Short Term Capital Gain on sale of equity shares listed in recognized stock exchange (STT paid) – ₹ 1,99,800
 - (iv) Income from card game (Gross) – ₹ 1,02,500
 - (v) Loss from betting (Gross) – ₹ 87,500
 - (vi) Expenses of Lottery Income – ₹ 7,500
 - (vii) Income from Lottery Income – ₹ 38,500 (Net of TDS)
 - (viii) Loss from the activity of owning and maintaining camels for races – ₹ 20,000

- (ix) Income from the activity of owning and maintaining race horses – ₹ 97,800
- (x) Long term capital gain on sale of land – ₹ 25,000
- (xi) Income of minor daughter Riya from script writing for Television series - ₹ 15,000
- (xii) Interest income of minor son Saurabh who suffers from disability specified in section 80U - ₹ 2,50,000

Following are the brought forward losses:

- Loss from Textile Business pertaining to A.Y. 2014-15 – ₹ 7,000
- Long-term capital loss pertaining to A.Y. 2017-18 – ₹ 1,12,500
- Short term capital loss pertaining to A.Y. 2018-19 – ₹ 90,200

Compute gross total income of Mr. Vipul as per optional tax regime and find out the amount of losses which can be carried forward.

9. Examine the applicability and determine the amount of tax deduction/ collection at source as per the Income-tax Act, 1961 for the A.Y. 2026-27 in the following situations:
 - (i) ABC Ltd. sells a flat to Mr. Jatin for ₹ 47 lakhs on 15.5.2025. The agreement to sell provides that in addition, Mr. Jatin has to pay maintenance charges of ₹ 10,000 per month for 24 months in advance, ₹ 3 lakhs for car parking, and ₹ 1 lakh for club membership fees to ABC Ltd. The stamp duty value of the flat is ₹ 48 lakhs.
 - (ii) State Government of Jharkhand grants a lease of coal mine to M/s XYZ Ltd. on 1.5.2025 and charged ₹ 7 crores for the lease. M/s XYZ Ltd. sold coal for ₹ 2 crores to M/s LMN, a public sector company, during the P.Y. 2025-26. The turnover of XYZ Ltd. and M/s LMN, PSU, for the F.Y. 2024-25 amounted to ₹ 5.5 crores and ₹ 11 crores, respectively.
10. Mr. Yuvaan, a resident individual, aged 45 years, is engaged in manufacturing of textile business, as a proprietor. He follows mercantile system of accounting. The net profit as per profit and loss account after debiting/crediting the following items was ₹ 20,00,000:

- (i) ₹ 25,000 paid to creditor for goods in cash.
- (ii) Gross interest received from saving bank account ₹ 15,000.
- (iii) Contribution to notified approved research association for scientific research ₹ 1,10,000.
- (iv) He paid a job charges for the value addition on the fabrics ₹ 1,10,000 without deduction of tax to job worker by an account payee cheque.
- (v) Normal depreciation of ₹ 4,50,000 as per Income-tax Rules, 1962 including depreciation on ₹ 15 lakhs, being the cost of new machinery purchased and put to use on 01-09-2025.
- (vi) Subsidy of 20% on new machinery under technology upgradation fund Scheme from the Central Government which was credited to profit and loss account.
- (vii) Insurance expenses include ₹ 50,000 deposited with life insurance Corporation of India for the maintenance of her mother aged 70 years depended upon him and suffering from severe disability.
- (viii) General expenses include revenue expenditure incurred for promoting family planning amongst its employees of ₹ 75,000.
- (ix) On 01-03-2026, Mr. Yuvaan purchased raw material for ₹ 30,000 from Kanha & Co., a medium enterprise as per MSMED Act, 2006, for which the payment was made on 18-04-2026. There was no agreement for payment period between them.

Additional Information:

- (a) Mr. Yuvaan repaid housing loan principal and interest of ₹ 75,000 and ₹ 80,000 respectively, availed for purchase of let-out house property.
- (b) He received rent of ₹ 3,50,000 from his let-out house property. The municipal taxes of ₹ 40,000 for this house was paid by him on 30-04-2026.

- (c) He received ₹ 75,000 by pre-mature withdrawals from deposit including interest ₹ 5,000, in post office time deposit, eligible for deduction under Section 80C.
- (d) He sold a gold bracelet on 01-05-2025 for ₹ 5,00,000, which was acquired for ₹ 40,000 on 01-03-2005. A diamond was embedded onto bracelet on 01-05-2007 of ₹ 50,000. (cost inflation index 2004-05:113, 2007-08:129 and 2025-26:376)

Required:

Compute the total income and tax liability of Mr. Yuvaan for the assessment year 2026-27 under default tax regime and optional tax regime.

The turnover of the business for the financial year 2024-25 is ₹ 250 lakhs and for F.Y. 2025-26 is ₹ 300 lakhs.


SUGGESTED ANSWERS

Question No.	Answer
1.	(b) ₹ 8,01,960
2.	(c) Nil
3.	(a) ₹ 12,01,960
4.	(d) ₹ 2,040
5.	(a) ₹ 1,13,460

6. Mr. Subhash is an Indian citizen in employment in Country X. He comes on a visit to India during the P.Y.2025-26 for 135 days. His stay in India in the four immediately preceding previous years is as follows:

P.Y. 2021-22 – 100 days

P.Y. 2022-23 – 50 days

P.Y. 2023-24 – 76 days

P.Y. 2024-25 – 45 days

Total – 271 days

Mr. Subhash, an Indian citizen, visiting India in the P.Y.2025-26, would be a resident in India for A.Y.2026-27, if he satisfies either of the following conditions –

- (i) He is in India for 182 days or more during the P.Y.2025-26 or
- (ii) He is in India for a period of 120 days or more during the P.Y.2025-26 and his stay in India in the four immediately preceding previous years is 365 days or more if his total income (excluding income from foreign sources) exceeds ₹ 15 lakhs.

Since he did not satisfy either of the conditions, Mr. Subhash is a non-resident in P.Y. 2025-26 as per section 6(1).

However, he would be deemed resident under section 6(1A) if his total income (excluding income from foreign sources) exceeds ₹ 15 lakhs irrespective of the period of his stay in India in the relevant previous year.

Computation of Total Income (excluding income from foreign sources) of Mr. Subhash

Particulars	Amount (₹)
Income from salary earned and received in Country X (income from a foreign source, hence, to be excluded)	-
Income earned and received from a house property situated in Country X (income from a foreign source, hence, to be excluded)	-
Income deemed to be accrued and arise in India	2,00,000
Income from retail business (to be included since the business is controlled from India, even though such income accrues and is received outside India)	10,00,000
Income accrued and arise in India	4,00,000
Total Income (excluding income from foreign sources) of Mr. Subhash	16,00,000

Since Mr. Subhash is an Indian citizen having total income (excluding income from foreign sources) exceeding ₹ 15 lakhs and not liable to tax in Country X, he would be a deemed resident in P.Y. 2025-26 as per section 6(1A). He would be treated as resident but not ordinarily resident.

7. Computation of income chargeable to tax under the head “Salaries” in the hands of Ms. Nisha for A.Y.2026-27

Particulars	₹
Basic Salary [₹ 45,000 x 12]	5,40,000
Dearness allowance [₹ 10,000 x 12]	1,20,000
Bonus	45,000
Employer's contribution to recognized provident fund in excess of 12% of salary = 18% x [(₹ 45,000 + ₹ 10,000) x 12] – 12% x {[(₹ 45,000 + ₹ 3,000 (being 30% of ₹ 10,000)) x 12]} = ₹ 1,18,800 – ₹ 69,120	49,680
[Salary = Basic Salary + Dearness allowance, to the extent it forms part of pay for retirement benefits]	
Perquisite value	
Provision of motor car (engine cubic capacity more than 1.6 litres) owned by employer to an employee without chauffeur for both official and personal purpose, where the expenses are fully met by the employee - the perquisite value would be ₹ 900 p.m. [₹ 900 x 5 months]	4,500
Medical insurance premium of ₹ 18,000 paid by the employer to effect an insurance on the health of an employee is an exempt perquisite	-

Value of rent free accommodation [Lower of ₹ 62,100 i.e., 10% of ₹ 6,21,000 (₹ 5,40,000, being salary + ₹ 36,000, being DA forming part of retirement benefit + ₹ 45,000, being bonus) or ₹ 1,44,000, being rent paid by the employer]	62,100	
As per Rule 3, value of perquisite in case of accommodation continued to be provided to an employee for more than one previous year, shall not exceed the amount calculated for first previous year, as multiplied by the amount which is a ratio of CII for the previous year for which the value is calculated and CII for the previous year in which accommodation was initially provided to the employee.		
Accordingly, value of perquisite for P.Y. 2025-26 to be restricted to = ₹ 55,000 x 376/363	56,970	56,970
Medical expenditure including stay expenses of ₹ 1,50,000 incurred by employer for treatment of her daughter outside India [Exempt since it is permitted under RBI guidelines]		-
Travel expense of ₹ 80,000 incurred by employer on foreign travel for medical treatment [Travel expenses would be exempt, since Ms. Nisha's gross total income before including travel expenditure does not exceed ₹ 8 lakhs.]		-
Gross Salary		8,16,150
Less: Standard deduction under section 16(ia)		50,000
Salary chargeable to tax		7,66,150

8. Computation of Gross total income of Mr. Vipul for the A.Y. 2026-27

	Particulars	Amount (₹)	Amount (₹)
(i)	Profits and gains of business or profession		
	Income from business in India	8,60,000	
	<i>Less:</i> Set-off of loss from activity of owning and maintaining camel for races	<u>20,000</u>	
		8,40,000	
	<i>Less:</i> Loss from house property of ₹ 2,60,000 can be set-off against any other head of income to the extent of ₹ 2,00,000.	<u>2,00,000</u>	
	Note – Loss from activity of owning and maintaining camel for races and loss from house property can first be set off against short term capital gains and then against business income.		
		6,40,000	
	<i>Less:</i> Unabsorbed loss from textile business pertaining to A.Y. 2014-15 cannot be set-off against the business income of the A.Y. 2026-27, since loss can be carried forward for a maximum of eight assessment years.	<u>-</u>	6,40,000
(ii)	Capital Gains		
	Short Term Capital Gain on sale of equity shares listed in a recognized stock exchange (STT paid)	1,99,800	
	<i>Less:</i> Short-term capital loss of A.Y. 2018-19	<u>90,200</u>	1,09,600

	Long term capital Gain on Sale of land	25,000	
	Less: Long-term capital loss pertaining to A.Y. 2017-18 cannot be set-off against LTCG of the A.Y. 2026-27, since such loss can be carried forward for a maximum of eight assessment years.	— -	25,000
(iii)	Income from other sources		
	Income from card game	1,02,500	
	Income from Lottery [Expenses of Lottery income are not allowed as a deduction] [₹ 38,500/(100-30)]	55,000	
	Income from the activity of owning and maintaining race horses	97,800	
	Income of ₹ 15,000 of minor daughter Riya from script writing for television serials [Income derived by a minor child from any activity involving application of his/her skill, talent, specialized knowledge and experience is not to be included in the hands of the parent]	-	
	Income of ₹ 2,50,000 of minor son Saurabh who suffers from disability specified in section 80U [Since minor child Saurabh is suffering from disability specified under section 80U, hence, his income would not be included in the income of the parent but would be taxable in the hands of the minor child]	— -	2,55,300
Gross Total Income			10,29,900

Item eligible for carried forward to A.Y. 2026-27

Particulars	Amount (₹)
Current year loss from House property	60,000
Loss from betting can neither be set off against any other income, nor can it be carried forward.	-

9. (i) Section 194-IA requires deduction of tax @1% of consideration for transfer or stamp duty value, whichever is higher, by every transferee responsible for paying any sum as consideration for transfer of immovable property (land, other than agricultural land, or building or part of building) to a resident transferor.

Tax is not required to be deducted at source where the total amount of consideration for the transfer of immovable property and the stamp duty value both are less than ₹ 50 lakhs. Consideration for transfer of any immovable property includes, *inter alia*, club membership fee, car parking fee, maintenance fee, which are incidental to transfer of the immovable property.

In the present case, since the consideration for transfer of flat by Mr. Jatin to ABC Ltd. is ₹ 53,40,000 (₹ 47 lakhs + ₹ 2,40,000, being ₹ 10,000 x 12 x 2 + ₹ 3 lakhs + ₹ 1 lakh) which is not less than ₹ 50 lakhs, Mr. Jatin is required to deduct tax @1% on ₹ 53,40,000, being higher of consideration and stamp duty value.

Tax deductible by Mr. Jatin would be ₹ 53,400.

- (ii) State Government is required to collect tax at source @ 2% u/s 206C(1C) on ₹ 7 crores, being the charges for lease of coal mine.

Accordingly, TCS = 2% x ₹ 7 crores = ₹ 14,00,000

Every person, being a seller, is required to collect at source @1% under section 206C(1) on sale of coal to a buyer. However, a public sector company is not covered within the definition of buyer.

Accordingly, M/s XYZ Ltd. is not required to collect tax at source on sale of coal to M/s LMN, a PSU.

However, since the turnover of M/s LMN, a PSU exceeds ₹ 10 crores during the P.Y. 2024-25, it is required to deduct tax at source under section 194Q @0.1% of sum exceeding ₹ 50 lakhs paid to M/s XYZ Ltd.

Accordingly, TDS = 0.1% x ₹ 1.50 crores = ₹ 15,000.

10. Computation of total income of Mr. Yuvaan for A.Y. 2026-27 under default tax regime

Particulars		₹	₹	₹
I	Income from house property			
	Rent received (GAV)		3,50,000	
	Less: Municipal taxes [Will be allowed only in the year of actual payment. Since it was paid on 30.4.2026 i.e., after the end of the relevant previous year, it will be allowed only in P.Y. 2026-27.		-	
	NAV		3,50,000	
	Less: Deduction under section 24			
	- 30% of NAV	1,05,000		
II	- interest on housing loan	80,000	1,85,000	
				1,65,000
	Income from business or profession			
	Net profit as per profit and loss account		20,00,000	
	Add: Items of expenditure not allowable while computing business income			
	- Payment to creditor in cash [Payment to creditor in cash is not allowable as business expenditure by virtue of	25,000		

	section 40A(3), since such amount exceeds ₹ 10,000 and paid in cash]			
-	Contribution to notified approved research association for scientific research [Not allowable under default tax regime]	1,10,000		
-	Job charges without deduction of tax [30% of ₹ 1,10,000] [Mr. Yuvaan's turnover for the P.Y. 2024-25 exceeds ₹ 1 crore, hence, he is liable to deduct tax at source u/s 194C on Job charges of ₹ 1,10,000. Since he has not deducted tax at source on ₹ 1,10,000, 30% would be disallowed under section 40(a)(ia)]	33,000		
-	Insurance deposited with LIC of India for the maintenance of her mother [Personal expenses not allowable under section 37]	50,000		
-	Revenue expenditure incurred for promoting family planning [Allowable only in case of company and not allowable for non-corporate assessee]	75,000		
-	Purchases made from Kanha & Co., a medium enterprise [Disallowance under section 43B(h) is not applicable on	-	2,93,000	

	payment to a medium enterprise. Accordingly, allowable on due basis during the P.Y. 2025-26]			
	Less: Items credited but not taxable or taxable under other heads		22,93,000	
	- Gross interest received from saving bank account	15,000		
	- Subsidy on new machinery [Subsidy on new machinery has to be reduced from actual cost of machinery]	3,00,000	3,15,000	
	Add: Depreciation claimed on subsidy received for new machinery [₹ 15 lakhs x 20% x 15%]		19,78,000	
	Less: Additional depreciation on new machinery [Not allowable under default tax regime]		45,000	
			-	20,23,000
III	Capital Gains			
	Long term capital gain on sale of gold bracelet since it is held for more than 24 months			
	Sale consideration		5,00,000	
	Less: Cost of acquisition		40,000	
	Less: Cost of improvement		50,000	
	Long term capital gains			4,10,000
IV	Income from other sources			
	- Gross interest received from saving bank account		15,000	

- Pre-mature withdrawal from post office time deposit [Amount including interest received on pre-mature withdrawal from post office time deposit, in respect of which deduction u/s 80C was claimed, would be deemed to be the income of Mr. Yuvaan]	75,000	90,000
Gross Total Income		26,88,000
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Housing loan repayment [Not allowed under default tax regime]	-	
Deduction under section 80DD		
Deposit with life insurance Corporation of India for the maintenance of her mother [Not allowed under default tax regime]	-	
Deduction under section 80TTA		
Interest on saving bank account [Not allowed under default tax regime]	-	-
Total Income		26,88,000

Computation of tax liability of Mr. Yuvaan for A.Y. 2026-27 under default tax regime

Particulars	₹	₹
Tax @12.5% on LTCG of ₹ 4,10,000 on sale of gold bracelet		51,250
Tax at slab rate on balance income of ₹ 22,78,000		

Upto ₹ 4,00,000	Nil	
₹ 4,00,001 – ₹ 8,00,000 [@5% of ₹ 4 lakhs]	20,000	
₹ 8,00,001 – ₹ 12,00,000 [@10% of ₹ 4 lakhs]	40,000	
₹ 12,00,001 – ₹ 16,00,000 [@15% of ₹ 4 lakhs]	60,000	
₹ 16,00,001 – ₹ 20,00,000 [@20% of ₹ 4 lakhs]	80,000	
₹ 20,00,001 - ₹ 22,78,000 [@ 25% of ₹ 2,78,000]	69,500	2,69,500
		3,20,750
Add: Health and education cess@4%		12,830
Tax liability		3,33,580

**Computation of total income of Mr. Yuvaan for A.Y. 2026-27
under optional tax regime**

Particulars	₹
Gross Total Income as per default tax regime	26,88,000
Less: Contribution to notified approved research association for scientific research [Allowable as deduction under section 35(1)(ii) under optional tax regime]	1,10,000
Less: Additional depreciation on new machinery [(₹ 15,00,000 - ₹ 3,00,000) x 20%]	2,40,000
Gross Total Income as per optional tax regime	23,38,000
Less: Deduction under Chapter VI-A	
Deduction under section 80C	
Housing loan repayment	75,000
Deduction under section 80DD	
Deposit with life insurance Corporation of India for the maintenance of her mother	1,25,000
Deduction under section 80TTA	
Interest on saving bank account	10,000
Total Income as per optional tax regime	21,28,000

**Computation of tax liability of Mr. Yuvaan for A.Y. 2026-27
under optional tax regime**

Particulars	₹	₹
Tax @12.5% on LTCG of ₹ 4,10,000 on sale of gold bracelet		51,250
Tax at slab rate on balance income of ₹ 17,18,000		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001 - ₹ 17,18,000 [@ 30% of ₹ 7,18,000]	2,15,400	3,27,900
		3,79,150
Add: Health and education cess@4%		15,166
Tax liability		3,94,316
Tax liability (Rounded off)		3,94,320

SECTION B: GOODS AND SERVICES TAX

- (1) *All questions should be answered on the basis of the position of GST law as amended up to 31.10.2025.*
- (2) *The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. Further, GST compensation cess should be ignored in all the questions, wherever applicable.*

**QUESTIONS****Case Scenario**

Apex Learning Hub is a registered person under the Goods and Services Tax law and is engaged in providing coaching services. The aggregate turnover during the previous financial year was more than ₹ 5 crore.

During the course of internal review and compliance verification, the following facts were noted:

1. Apex Learning Hub provides coaching services for competitive examinations and charges a consolidated fee from students.
2. The fee structure includes tuition fee, study material charges, and access to recorded online lectures, which are not shown separately on the invoice. Study material and recorded online lectures are otherwise not available.
3. During the financial year, Apex Learning Hub received an advance of ₹ 2,50,000 from corporate clients for conducting customized training programs, against which services were rendered in the subsequent financial year.
4. Apex Learning Hub purchased diesel for an amount of ₹ 50,000 for running the emergency power back up facility at its centre. The supplier was located at a distance of 20 KM from the location of the centre.

5. Apex Learning Hub opened an additional place of business in another State during the year. The classroom coaching services were being provided from such place. However, the invoices were issued from the original GST registration without obtaining separate registration.
6. The annual return was filed on 15 December of the succeeding financial year. On the basis of the facts given above, you are required to choose the most appropriate answer to the Questions 1 to 5.
1. Which of the following statements is correct regarding taxability of consolidated fee charged from students as per the relevant provisions of the GST Law?
 - (a) The supply qualifies as a composite supply, and the entire consideration shall be taxed at the rate applicable to coaching services.
 - (b) The supply qualifies as a mixed supply, and the highest rate applicable to any individual component shall apply to the entire consideration.
 - (c) Tuition fee is exempt, and only study material and online lectures are taxable.
 - (d) Each component must be taxed separately even if a consolidated price is charged.
2. Whether GST is payable on the receipt of ₹ 2,50,000 received from corporate clients?
 - (a) GST is payable at the time of receipt of ₹ 2,50,000
 - (b) GST is payable only at the time of issuance of invoice
 - (c) GST is payable at the time of supply of services
 - (d) GST is not payable on coaching services at all
3. In case of diesel purchased by Apex Learning Hub, e-way bill is _____?
 - (a) required to be generated as the value is equal to ₹ 50,000
 - (b) not required to be generated as the consignment value is not more than ₹ 50,000

- (c) not required to be generated as the transport location was not more than 50 KM
- (d) not required to be generated at all irrespective of value of goods
4. Whether Apex Learning Hub was required to obtain separate GST registration for the additional place of business in another State?
- (a) No, a single registration is sufficient across India
- (b) Yes, as registration is State-specific under GST
- (c) Yes, only if turnover exceeds the threshold limit
- (d) Yes, only if goods are supplied from that State
5. What is the last date to avail input tax credit pertaining to the current financial year?
- (a) 15th December of the succeeding financial year
- (b) 30th November of the succeeding financial year
- (c) 31st March of the succeeding financial year
- (d) The due date of furnishing the return for September of the succeeding financial year
6. M/s. Nivedita Private Limited is a manufacturer of Televisions at Mohali, Punjab and has a Service center at Bhatinda, Punjab. The company has taken a single registration of GST. It provides the following information for the month of November 2025:

S. No.	Particulars	Amount (₹)
	Outward Supply	
1.	Supply of televisions to M/s. Shine Electronics Ltd. located at Ludhiana, Punjab.	20,00,000
2.	Raw material transferred to Service Centre located at Bhatinda branch.	1,80,000

3.	Received advance from M/s. New Electro Divine registered at Delhi for purchase of television	3,50,000
4.	Received advance from M/s. New Electro Divine registered at Delhi for payment of Annual Maintenance Charges (AMC) of television as M/s. New Electro Divine also undertook optional AMC of television	50,000
Inward Supply		Amount (₹)
1.	Purchase of raw material from M/s. Electro Enterprises Pvt. Ltd. registered at Ludhiana, Punjab.	25,00,000
2.	Freight paid for transportation of Television to a tempo owner registered as GTA at Mohali, Punjab. Tempo owner issued invoice without any GST.	50,000
3.	Paid rent of factory and service centre to Mr. Rakesh, who is an unregistered person	1,20,000
4.	Security services received from M/s. Safety-n-Security Services, sole proprietorship firm, registered under composition scheme at Jalandhar, Punjab.	25,000

M/s. Nivedita Private Limited provided the following additional information:

- (1) Purchase of raw materials includes the raw material of ₹ 1,20,000 which was purchased on 10-03-2025 but the invoices were uploaded in GSTR-1 on 18-11-2025 and such details have been communicated to the recipient in Form GSTR-2B.
- (2) Credit Note of ₹ 80,000 (excluding GST) was issued on 30-11-2025 to M/s. Shine Electronics Ltd. against invoice of ₹ 4,20,000 issued on 10-03-2024.
- (3) The annual return for FY 2024-25 was filed on 30-10-2025.
- (4) Turnover of M/s. Nivedita Private Limited for FY 2024-25 was ₹ 160 lakh.

(5) Rate of CGST, SGST and IGST is 2.5%, 2.5% and 5% in case of transporter and in other cases rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services.

(6) All figures are exclusive of taxes wherever applicable.

From the information given above, you are required to compute the GST payable on outward supply, GST payable under reverse charge mechanism and input tax credit (ITC) available for the month of November, 2025. Provide supporting explanatory notes for your conclusion wherever required.

7. Mr. Jitender engaged in providing various services is registered as a regular taxpayer under GST. He furnished the following information relating to various output transactions done for the financial year 2024-25:

S. No.	Particulars	Amount (₹)
(i)	Rent received for renting of land for fish farming.	6,00,000
(ii)	Received price linked subsidy from M/s Happy Days, a registered Charitable Trust.	2,00,000
(iii)	Provided services as National Testing Agency to M/s Fine Future Institute, a recognized educational institute for conducting an entrance examination for admission to educational institute.	1,80,000
(iv)	Provided services by way of pre-conditioning, pre-cooling, ripening and waxing of fruits. The essential characteristics of fruits remain same.	32,00,000
(v)	Providing rooms having room charges ₹ 4,500 per day to a person receiving health care services from his established health care clinic.	1,50,000

You are required to compute the amount of taxable supply of Mr. Jitender for FY 2024-25 showing each item separately. All amounts

given above are exclusive of taxes wherever applicable. Correct legal reasoning of each item should form part of your answer.

8. Examine the taxability of supplies in the following independent cases in terms of the relevant provisions of the CGST Act, 2017. Brief reason should form part of your answer:
 - (i) Services of health insurance business provided by Health & Bless Insurance Company to Mr. Krish Kinare and his family.
 - (ii) A1 Hotels provided supply of accommodation services having value of supply equal to twenty thousand rupees per month to a MBBS student, Mr. Pranav Sachdeva for a continuous period of 180 days.
9. Determine the time of supply in case of following transactions on individual basis by briefly stating the relevant provisions:
 - (i) M/s. Jhanvi Event Management, a registered firm, is engaged in the business of event management services. Mr. Jasbeer hired M/s. Jhanvi Event Management on 1st February, 2025 to organize Marriage Anniversary function to be held on 14th February, 2025 for a total consideration of ₹ 3,00,000. Mr. Jasbeer paid ₹ 25,000 as a booking amount on 4th February, 2025. M/s. Jhanvi Event Management issued a bill of ₹ 3,00,000 on 12th March, 2025. Mr. Jasbeer paid balance amount of ₹ 2,75,000 on 20th March, 2025.
 - (ii) Mr. Shrawan Kumar, a registered person undertook the service of transportation of goods from M/s Longway Tempo Services (a Goods Transport Agency (GTA), a registered person, on 1st January, 2025 to transport goods from Gurgaon to Faridabad, Haryana. M/s Longway Tempo Services issued invoice for ₹ 30,000 on 2nd January, 2025. Mr. Shrawan Kumar issued a cheque of ₹ 30,000 on 18th February, 2025 and entered in the books of account on the same day. But the cheque was debited from bank on 19th February, 2025. Determine the time of supply for Mr. Shrawan Kumar for transportation services received by him.

10. M/s Alpha Distributors (registered in Maharashtra) supplies goods to M/s Beta Retailers (registered in Gujarat). Due to urgency, Part A of the e-way bill is furnished by Beta Retailers on 5th March at 2:00 PM.

The goods are delivered on 7th March at 10:00 AM. The details of the e-way bill are made available to Alpha Distributors on the common portal immediately upon generation.

Alpha Distributors does not communicate acceptance or rejection of the consignment.

Examine:

- (a) To whom were the details of the e-way bill made available under relevant provisions of the e-way bill?
- (b) What is the last date and time for communication of acceptance or rejection?
- (c) When will deemed acceptance apply?



SUGGESTED ANSWERS

MCQ No.		Most Appropriate Answer
1.	(a)	The supply qualifies as a composite supply, and the entire consideration shall be taxed at the rate applicable to coaching services. Reason: The services and goods supplied (tuition, study material, and access to recorded lectures) are naturally bundled and supplied in conjunction with each other in the ordinary course of business. Coaching service is the principal supply. As per section 8 of the CGST Act, 2017, a composite supply is taxed at the rate applicable to the principal supply. Hence, the entire consolidated fee is taxable at the rate applicable to coaching services.
2.	(a)	GST is payable at the time of receipt of ₹ 2,50,000 Reason: In case of supply of services, GST shall be paid at the

		time of receipt of advance. Unlike in case of goods, the GST in case of service is payable at the time of receipt of advance irrespective of provision of services or issuance of invoice.
3.	(d)	Not required to be generated at all irrespective of value of goods Reason: There is exemption from the requirement of generation of e-way bill in case of transport of specific goods like petroleum and diesel as per Rule 138(14) of the CGST Rules, 2017.
4.	(b)	Yes, as registration is State-specific under GST Reason: The registration requirement in GST is State specific. Once a person becomes liable to obtain registration, he is required to take registration in each State from where he makes a taxable supply.
5.	(b)	30th November of the succeeding financial year Reason: As per section 16 of the CGST Act, input tax credit for a financial year can be availed up to 30 November of the succeeding financial year or the date of filing of the annual return, whichever is earlier. Since the annual return was filed on 15 December, the earlier date is 30 th November.

6. (i) Computation of GST payable on outward supply

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Supply of televisions to M/s Shine Electronics Ltd. located at Ludhiana, Punjab [The credit note issued on 30.11.2025 is invalid as valid credit note can be issued till 30 th November 2024 and thus, GST Liability will not be reduced in	20,00,000	1,80,000 [20,00,000 x 9%]	1,80,000 [20,00,000 x 9%]	Nil

respect to such credit Note.]				
Transfer of raw material to Service Centre located at Bathinda branch. [Transfer of goods between branches having same GST registration is NOT a supply]	1,80,000	Nil	Nil	
Advance received from M/s New Electro Divine for purchase of television [GST on advance received for supply of goods of ₹ 3,50,000 will be payable at the time of issuance of invoice.]				
Received advance from M/s. New Electro Divine for undertaking optional Annual Maintenance Charges (AMC) of television [GST on advance received for supply of services will be payable at the time of receipt of advance. Since, the place of supply of services made to a registered person is location of recipient	50,000	Nil	Nil	9,000 [50,000 x 18%]

i.e. Delhi, it would be Inter-state Supply.]				
GST Payable on outward supplies		1,80,000	1,80,000	9,000

(ii) GST Payable under Reverse Charge Mechanism

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Freight paid for transportation of Television to a registered tempo owner who issued invoice without any GST. (RCM is applicable if GTA provides service of transportation of goods by road to a body corporate.)	50,000	1,250 [50,000 x 2.5%]	1,250 [50,000 x 2.5%]	Nil
Paid rent of factory and service centre to Mr. Rakesh who is an unregistered person (Renting of immovable property other than residential dwelling from an unregistered person to a registered person is taxable under reverse charge mechanism)	1,20,000	10,800 [1,20,000 x 9%]	10,800 [1,20,000 x 9%]	Nil
Security services received from M/s Safety-n-Security Services registered under composition scheme at Jalandhar, Punjab.	25,000	2,250 [25,000 x 9%]	2,250 [25,000 x 9%]	Nil

(Security services provided by any person other than a body corporate to a registered person is taxable under reverse charge mechanism (RCM)).				
Total GST payable under RCM		14,300	14,300	

(iii) Input Tax Credit

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Purchase of raw material from M/s Electro Enterprises Pvt. Ltd. [ITC on purchase of raw materials of ₹ 1,20,000 is not allowed as invoice for supply of goods uploaded after filing of Annual Return for FY 2024-25]	23,80,000	2,14,200 [23,80,000 x 9%]	2,14,200 [23,80,000 x 9%]	
ITC is available on rent paid under reverse charge mechanism	1,20,000	10,800 [1,20,000 x 9%]	10,800 [1,20,000 x 9%]	Nil
ITC is available on freight paid for transportation of television under reverse charge mechanism	50,000	1,250 [50,000 x 2.5%]	1,250 [50,000 x 2.5%]	Nil
ITC is available on receipt of security services	25,000	2,250 [25,000 x 9%]	2,250 [25,000 x 9%]	Nil
Total ITC Available		2,28,500	2,28,500	

7. Computation of taxable supplies for the financial year 2024-25

S. No.	Particulars	Amount (₹)
(i)	Rent received for renting of land for fish farming. (Renting of vacant land for agricultural activity is exempt.)	-
(ii)	Received price linked subsidy from M/s Happy Days, a registered Charitable Trust. (Since price linked subsidy is received from the non-Government body, same is included in the value of taxable supply.)	2,00,000
(iii)	Provided services as National Testing Agency to M/s Fine Future Institute, a recognized educational institute for conducting an entrance examination for admission to educational institute. (Service provides by National Testing Agency to conduct entrance examination for admission to educational institution is exempt from GST.)	-
(iv)	Provided services by way of pre-conditioning, pre-cooling, ripening and waxing of fruits. The essential characteristics of fruits remain same. (Services by way of pre-conditioning, pre-cooling, ripening and waxing of fruits where the essential characteristics of fruits remain same is an exempt supply.)	Nil
(v)	Providing rooms having room charges ₹ 4,500 per day to a person receiving health care services from his established health care clinic. (The services provided by a clinical establishment by way of providing having room charges upto ₹ 5000 per day to a person receiving health care services are exempt.)	Nil
	Total Taxable Value	2,00,000

8. (i) Services of health insurance business provided by an insurer to the insured, where the insured is not a group are exempt from GST.

Further, this exemption is applicable to a contract of insurance where the insured is an individual, or an individual and family of the said individual. Family includes all individuals insured as family in the contract of insurance.

Thus, services provided by Health & Bless Insurance Company to Mr. Krish Kinare and his family is exempt from GST.

- (ii) Supply of accommodation services having value of supply less than or equal to twenty thousand rupees per person per month provided that the accommodation service is supplied for a minimum continuous period of ninety days is exempt from GST.

Thus, supply of accommodation services provided by A1 Hotels having value of supply equal to twenty thousand rupees per month to a MBBS student, Mr. Pranav Sachdeva for a continuous period of 180 days is exempt from GST.

9. (i) The time for supply of services is the date of issue of invoice, if the same is issued within 30 days from the date of supply, OR the date of receipt of payment, whichever is earlier.

In the given case, time of supply for receipt of booking amount of ₹ 25,000 is the date of receipt of booking amount on 4th February 2025 as date of receipt of payment is earlier than date of issue of invoice.

The time of supply for ₹ 2,75,000 is the date of issue of invoice i.e. 12th March 2025 as the invoice is issued within 30 days of supply of service and date of issue of invoice is earlier than the date of receipt payment.

So, time of Supply is 4th February 2025 for ₹ 25,000 and 12th March 2025 for balance amount of ₹ 2,75,000.

- (ii) Supply of services by a Goods Transport Agency (GTA) in respect of transportation of goods by road to any person registered under the CGST Act is taxable under Reverse Charge Mechanism (RCM)

and the time for supply of services under RCM is earliest of the following dates:

- (a) The date of payment, or
- (b) The date immediately after 60 days from the date of issue of invoice by supplier, in case where the invoice is required to be issued by the supplier, or
- (c) Date of issue of Invoice by the recipient, in cases where invoice is to be issued by the recipient.

“Date of payment” refers to the date on which the payment is recorded in the books of account of the recipient of service, or the date on which the payment is debited from the recipient’s bank account, whichever is earlier.

Thus, date of payment is 18th February 2025.

In the given case, the time of supply is 18th February 2024.

- 10.** Part A of the e-way bill is furnished by Beta Retailers (recipient) on 5th March at 2:00 PM.

- (a) The details of the e-way bill generated shall be made available on the common portal to the -
 - (i) supplier, if registered, where the information in Part A has been furnished by the recipient/transporter; or
 - (ii) recipient, if registered, where the information in Part A has been furnished by the supplier/transporter,

Thus, in the given case, Part A is furnished by the recipient, the details of the e-way bill are made available to the supplier (if registered).

Since Alpha Distributors is a registered supplier, the details were made available to Alpha Distributors on 5th March at 2:00 PM.

- (b) The acceptance or rejection of the e-way bill must be communicated within:
 - (i) 72 hours of details being made available [8th March, 2:00 PM], OR

- (ii) Time of delivery of goods, [7th March, 10:00 AM]
whichever is earlier.

Since delivery of goods occurred earlier, the last date and time for communication of acceptance or rejection of the consignment covered by the e-way bill was 7th March at 10:00 AM.

- (c) In case, the person to whom the information in Part-A is made available, does not communicate his acceptance or rejection within the specified time, it shall be deemed that he has accepted the said details.

Since Alpha Distributors did not communicate acceptance or rejection of the consignment covered by the e-way bill before 7th March, 10:00 AM, the e-way bill details are deemed to have been accepted at 7th March, 10:00 AM.

**Applicability of Standards/Guidance Notes/Legislative Amendments etc. for
May, 2026 Examination**

Intermediate Level

Paper 2: Corporate and Other Laws

The provisions of the Companies Act, 2013 and the Limited Liability Partnership Act, 2008 along with significant Rules/ Notifications/ Circulars/ Clarification/ Orders issued by the Ministry of Corporate Affairs, and the laws covered under Part II: Other Laws, as amended by concerned authority, including significant notifications and circulars issued up to 31st October 2025 are applicable for May 2026 examination.

Paper 3: Taxation

Section A: Income-tax Law

The provisions of income-tax Act, 1961, as amended by **the Finance Act, 2025**, including significant circulars, notifications, press releases issued and legislative amendments made **upto 31.10.2025**, are applicable for May, 2026 examination. The relevant assessment year is **A.Y. 2026-27**.

The July 2025 edition of the Study Material for Intermediate Paper 3A, based on the provisions of income-tax law, as amended by the Finance Act, 2025 and Notifications and Circulars issued upto 15th July, 2025, is relevant for May, 2026 examination. The Study Material has to be read along with the **Statutory Update for May, 2026 examination** covering notifications and circulars issued upto 31.10.2025 but not covered in the study material.

Note –*The Study Guidelines specifying the list of topic-wise exclusions from the scope of syllabus and topic-wise inclusion of clauses of section 10 in the syllabus is given in the initial pages of the July 2025 edition of the Study Material.*

Section B: Goods and Services Tax

- (i) The provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2025 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2025, are applicable for May 2026 examination.

The amendments made by the Annual Union Finance Acts in the CGST Act, 2017 and IGST Act, 2017 are made effective from a date notified subsequently. Thus, those amendments made by the relevant Finance Acts which have become effective till 31.10.2025 are applicable for May 2026 examination. Accordingly, all the amendments made by the Finance Act, 2025 are applicable for May 2026 examination since they have become effective till 31.10.2025.

- (ii) **The Study Guidelines given below specify the exclusions from the syllabus for May 2026 examination.**

List of topic-wise exclusions from the syllabus

(1)	(2)	(3)
S. No. in the syllabus	Topics of the syllabus	Exclusions (Provisions which are excluded from the corresponding topic of the syllabus)
2(iii)	Charge of tax including reverse charge	CGST Act, 2017 (i) Rate of tax prescribed for supply of goods* (ii) Rate of tax prescribed for supply of services* (iii) Categories of supply of goods, tax on which is payable on reverse charge basis under section 9(3) IGST Act, 2017 (i) Rate of tax prescribed for supply of goods (ii) Rate of tax prescribed for supply of services (iii) Categories of supply of goods, tax on which is payable on reverse charge basis under section 5(3)
2(iv)	Exemption from tax	CGST Act, 2017 & IGST Act, 2017 Exemptions for supply of goods

3(ii)	Basic concepts of place of supply	IGST Act, 2017 & IGST Rules, 2017 (i) Place of supply of goods imported into, or exported from India (ii) Place of supply of services where location of supplier or location of recipient is outside India (iii) Special provision for payment of tax by a supplier of online information and database access or retrieval [OIDAR] services (iv) Refund of integrated tax paid on supply of goods to tourist leaving India (v) Special provision for specified actionable claims supplied by a person located outside taxable territory
3(iii)	Basic concepts of time of supply	CGST Act, 2017 & CGST Rules, 2017 Provisions relating to change in rate of tax in respect of supply of goods or services
3(iv)	Basic concepts of value of supply	CGST Act, 2017 & CGST Rules, 2017 Chapter IV: Determination of Value of Supply [Rules 27-35] of CGST Rules, 2017
3(v)	Basic concepts of input tax credit	CGST Act, 2017 read with CGST Rules, 2017 (i) Claim of credit by a banking company or a financial institution [Rule 38] (ii) Manner of determination of input tax credit in respect of inputs or input services and reversal thereof [Rule 42] (iii) Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases [Rule 43] (iv) Input tax credit provisions in respect of inputs and capital goods sent for job work.

		(v) Input tax credit provisions relating to distribution of credit by Input Service Distributor [ISD] (vi) Manner of recovery of credit distributed in excess (vii) Manner of reversal of credit of additional duty of customs in respect of Gold dore bar
--	--	--

***Rates specified for computing the tax payable under composition levy are included in the syllabus.**

Note: The syllabus includes select provisions of the CGST Act, 2017 and IGST Act, 2017 and not the entire CGST Act, 2017 and the IGST Act, 2017. The provisions covered in any topic(s) of the syllabus which are related to or correspond to the topics not covered in the syllabus shall also be excluded.

In the above table, in respect of the topics of the syllabus specified in column (2) the related exclusion is given in column (3). Where an exclusion has been so specified in any topic of the syllabus, the provisions corresponding to such exclusions, covered in other topic(s) forming part of the syllabus, shall also be excluded. For example, since provisions relating to ISD are excluded from the topics "Input tax credit", the provisions relating to (i) registration of ISD and (ii) filing of returns by an ISD are also excluded from the topics "Registration" and "Returns" respectively.

The entire content included in the July 2025 edition of the Study Material (except where it is expressly mentioned that the content is not relevant for the examination) and the Statutory Update for May 2026 examination shall ALONE be relevant for the said examination. The amendments in the GST law made after the issuance of the Study Material - to the extent covered in the Statutory Update for May 2026 examination shall only be relevant for the said examination.