

INTERMEDIATE COURSE

GROUP – I

REVISION TEST PAPERS

SEPTEMBER, 2026



BOARD OF STUDIES (ACADEMIC)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

New Delhi

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REVISION TEST PAPER, SEPTEMBER, 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.icaai.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 September, 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 28th February, 2026 are given under the Part I of the RTP. These amendments have been uploaded on the website at <https://resource.cdn.icai.org/91780bos-aps4085-sep2026.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 28.02.2026 are relevant for September, 2026 Examination. The relevant assessment year for September, 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 September, 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 September, 2026 Examination webhosted at <https://resource.cdn.icai.org/92919bos-aps2378-int-p3a-statutory-sep2026.pdf> at BoS Knowledge Portal, which contains the significant notifications/circulars issued and legislative amendments made upto 28.02.2026 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)

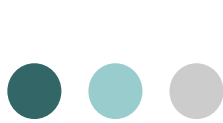
For Section B: Goods and Services Tax of Paper 3: Taxation, the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2025, including significant notifications and circulars issued and other legislative amendments made, up to 28.02.2026, are applicable for September, 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 28.02.2026 are applicable for September, 2026 examination. Accordingly, all the amendments made by the Finance Act 2025 are applicable for September 2026 examination since they have become effective till 28.02.2026.

Further, a list of topic-wise exclusions from the syllabus has been specified by way of **“Study Guidelines for September, 2026 Examination”**. The same is given as part of **“Applicability of Standards/Guidance Notes/Legislative Amendments etc. for September, 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 September, 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 28.02.2026 are covered in the Statutory Updates for September 2026 examination. For the ease of reference, the amendments have been grouped into Chapters which correspond with the Chapters of the Study Material.



PAPER – 1: ADVANCED ACCOUNTING



QUESTIONS

PART – I: Multiple Choice Questions based on Case Scenarios

1. The following is the Capital Structure of Mars Limited as on 31 March, 2025:

Sl. No.	Particulars	Amount (₹)
(I)	Equity Share Capital (Face Value 10 per Share)	24,00,000
(II)	Reserves:	
	General Reserve	21,60,000
	Securities Premium Reserve	8,00,000
	Statement of Profit and Loss	6,00,000
	Development Rebate Reserve	6,40,000
	Revaluation Reserve	2,00,000
(III)	Loan Funds: 14% Debentures	55,00,000
	Unsecured Loan (due within one year ₹ 5,00,000/-)	9,00,000

The shareholders of Mars Limited on the recommendation of the Board of Directors have approved a proposal to buy-back the maximum permissible number of shares 30/- per share.

Based on the information given in the above case scenario, answer the following Question:

- i. What will be the Future Equity Shareholders' Fund of Mars Limited as per the Debt Equity Ratio Test?

- (A) ₹ 43,20,000
 - (B) ₹ 51,20,000
 - (C) ₹ 52,80,000
 - (D) ₹ 51,60,000
- ii. What will be the minimum equity to be maintained by Mars Limited after the proposed buy-back of shares?
- (A) ₹ 32,00,000
 - (B) ₹ 27,50,000
 - (C) ₹ 29,50,000
 - (D) ₹ 30,00,000
- iii. What will be the maximum number of shares that can be bought back by Mars Limited as per Section 68 of the Companies Act, 2013?
- (A) 60,000 Shares
 - (B) 48,000 Shares
 - (C) 64,000 Shares
 - (D) 55,000 Shares
- iv. If Mars Limited buys-back its own shares out of free reserves, a sum equal to the nominal value of the shares so bought back shall be transferred to:
- (A) Revenue Redemption Reserve
 - (B) Capital Reserve
 - (C) Capital Redemption Reserve
 - (D) Shares Buy-Back Reserve
- v. Current maturity of Unsecured Loan as per Schedule III of the Companies Act, 2013 would be classified as:
- (A) Current Liabilities
 - (B) Short Term Borrowings

- (C) Long Term Borrowings
- (D) Other Current Liabilities

Independent MCQ

2. S Limited is engaged in the manufacture of Lithium-ion batteries for electric cars. It has developed a new technology which would enhance the operating efficiency of batteries. It has capitalized the development expenditure of ₹ 75,00,000/- for the same. It estimates the life of the technology developed to be 4 years. The net cash flows to be generated during these 4 years are estimated at ₹ 30,00,000, ₹ 40,00,000, ₹ 55,00,000 and ₹ 35,00,000 respectively.

What should be the amortization charge during the first year of the technology's life?

- (A) ₹ 25,78,125
 - (B) ₹ 18,75,000
 - (C) ₹ 16,40,625
 - (D) ₹ 14,06,250
3. Cropex Ltd. has the following property but is unsure about how to account for the same:

A Tennant House has costed ₹15,00,000 to the company five years ago. The property is freehold and is let out to private individuals for six-month periods. The current market value of the property is ₹17,50,000.

What is the correct accounting treatment for the above property?

- (A) The property is owned by Cropex Ltd. and it is to be accounted on cost model as per AS 10 Property, plant and equipment. Depreciation to be calculated at ₹3,00,000 as 5 years useful life. Revaluation of the property is done as per accounting policy.
- (B) Held for its investment potential and not for use by Cropex Ltd. Treat as investment property in accordance with AS 13 Accounting for Investments, where they are accounted for in accordance with cost model as prescribed in AS 10, Property, Plant and Equipment.

- (C) Treat as investment property in accordance with AS 13 Accounting for Investments, apply only fair value model. In case of Cropex Ltd., the current market value of ₹17,50,000 to be recorded.
 - (D) The property is accounted as per AS 10 'Property, plant and equipment'. Only fair value model is allowed. In case of Cropex Ltd., the current market value of ₹17,50,000 to be recorded.
4. One of your junior staff members has few queries on the recognition of a liability. He understands that 'A liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

Which of the following would be classified as liability?

- (A) X & Co, is planning to invest in new machinery and has received a quoted price of ₹4,60,000.
- (B) P & Co, has estimated a current tax charge of ₹ 2,25,000 on its profits for the year just ended.
- (C) R & Co's business manufactures a product under license. In 8 months' time the license is due to expire, and R will have to pay ₹1,54,000 to get the license renewed.
- (D) S & Co, purchased investments some 6 months ago for ₹12 lakhs. The market value of these investments has now fallen, and S's investments are now valued at ₹10.5 lakhs.

Part II - Descriptive Questions

Applicability of Accounting Standards

5. Any country can become IFRS compliant either through adoption or convergence.

You are required to:

- (a) Explain the adoption process of IFRS.
- (b) Explain the convergence process of IFRS.
- (c) Explain the benefits of being IFRS compliant.

Framework for Preparation & Presentation of FS

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 2025-26, 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 2025-26.

Applicability of AS**AS 1 "Disclosure of Accounting Policies"**

7. SS Ltd had made a Rights Issue of Shares 3 years back. In the Offer Document to its Members, it had projected a surplus of ₹ 40 Crores during the current Accounting Year. The draft results for the year, prepared on the hitherto followed accounting policies and presented for perusal of the Board of Directors showed a deficit of ₹ 10 Crores. The Board in consultation with the Managing Director, decided on the following:
- (a) Value year-end inventory at Works Cost (₹50 Crores) instead of the hitherto method of valuation of inventory at Prime Cost (₹30 Crores).
 - (b) Provide depreciation for the year on straight line basis on account of substantial additions in Gross Block during the year instead of on reducing balance method, which was hitherto adopted. As a consequence, the charge for depreciation at ₹ 27 Crores is lower than the amount of ₹ 45 Crores, which would have been provided had the old method been followed by ₹ 18 Crores.
 - (c) Not to provide for "After Sales Expenses" during the warranty period. Till the last year, provision at 2% of Sales used to be made under the concept of "matching of costs against revenue" and actual expenses used to be charged against the provision. The Board now decided to account for expenses as and when actually incurred. Sales during the year total to ₹ 600 Crores.

- (d) Provide for permanent fall in the value of Investments - which fall had taken place over the past five years - the provision being ₹ 10 Crores. As Chief Accountant of the Company, you are asked by the Directors to draft the Notes on Accounts for inclusion in the Annual Report for the year.

AS 2 "Valuation of Inventories"

8. (a) Sun Ltd. has fabricated special equipment (solar power panel) during 2024-2025 as per drawing and design supplied by the customer. However, due to a liquidity crunch, the customer has requested the company for postponement in delivery schedule and requested the company to withhold the delivery of finished goods products and discontinue the production of balance items.

As a result of the above, the details of customer balance and the goods held by the company as work-in-progress and finished goods as on 31.3.2026 are as follows:

Solar power panel (WIP)	₹ 85 lakh
Solar power panel (finished products)	₹ 55 lakh
Sundry Debtor (solar power panel)	₹ 65 lakh

The petition for winding up against the customer has been filed during 2025-2026 by Sun Ltd. Comment with explanation on provision to be made of ₹ 205 lakh included in Sundry Debtors, Finished goods and work-in-progress in the financial statements of 2025-2026 as per AS 2.

AS 3 "Cash Flow Statements "

9. From the following information, prepare Cash Flow Statement of Amex Limited for the year ended 31st March, 2026 by using indirect method:

Balance Sheets as on

	31.3.2025		31.3.2026	
Liabilities		₹		₹
Share Capital		5,00,000		6,00,000
Reserves		1,50,000		1,80,000
Profit and Loss Account		40,000		65,000

Debentures		3,00,000		2,50,000
Creditors for goods		1,70,000		1,60,000
Provision for Income Tax		<u>60,000</u>		<u>80,000</u>
		12,20,000		13,35,000
Assets				
Gross Block	10,00,000		11,20,000	
Less: Depreciation	<u>(3,70,000)</u>		<u>(4,60,000)</u>	
Net Block		6,30,000		6,60,000
Stock in trade		2,40,000		3,70,000
Book Debts		2,50,000		2,30,000
Cash in hand and at bank		80,000		60,000
Miscellaneous Expenditure				
Discount on issue of shares		10,000		7,500
Preliminary Expenses		<u>10,000</u>		<u>7,500</u>
		12,20,000		13,35,000

**Profit and Loss Appropriation Account for the year ended
31st March, 2026**

Particulars	Debit (₹)	Particulars	Credit (₹)
To Transfer to Reserves	30,000	By Balance b/d	40,000
To Interim dividend paid	80,000	By Net Profit for current year	1,35,000
To Balance carried to Balance Sheet	<u>65,000</u>		<u> </u>
	1,75,000		1,75,000

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

10. The Board of Directors of M/s. New Graphics Ltd. in its Board Meeting held on 18th April, 2026, considered and approved the Audited Financial results along with Auditors Report for the Financial Year ended 31st March, 2026 and recommended a dividend of ₹ 2 per equity share (on 2 crore fully paid up equity shares of ₹ 10 each) for the year ended

31st March, 2026 and if approved by the members at the forthcoming Annual General Meeting of the company on 18th June, 2026, the same will be paid to all the eligible shareholders.

Discuss on the accounting treatment and presentation of the said proposed dividend in the annual accounts of the company for the year ended 31st March, 2026 as per the applicable Accounting Standard and other Statutory Requirements.

AS 5 “Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies”

11. The company finds that the stock sheets of 31.3.2025 did not include two pages containing details of inventory worth ₹ 20 lakhs. State, how will you deal with this matter in the accounts of A Ltd., for the year ended 31st March, 2026 with reference to AS 5.

AS7 “Construction Contracts”

12. A Company has undertaken a contract to construct Railway Over Bridge (ROB), which is expected to be completed in three years. A summary of the financial data during construction period is as follows: (₹ in lakhs)

	Year -I	Year -II	Year-III
Initial amount of revenue agreed in contract	750	750	750
Variation	-	50	50
Contract cost incurred upto the reporting date	240	520	700
Contract cost to complete	460	180	-
Material at site to be used in subsequent year included in contract cost above	65	100	-

Ascertain the amount of revenue, expenses and profit recognised in the Statement of Profit and Loss in each of the three years.

AS 10 “Property, Plant and Equipment”

- 13 A newly set up Private Limited Manufacturing Company has incurred following expenditures for the acquisition of Plant and Machinery. The

Company intends to capitalize these expenses. Is the Company justified? State with reasons.

- (1) Foreign Tour Expenses of Directors for purchasing Plant and Machinery.
- (2) Technical Staff's Salary during the period of installation of Plant and Machinery.
- (3) Non-Technical Staff's Salary during the period of installation of Plant and Machinery.
- (4) Other Sundry Expenses such as Stationery, Printing, Postage, Telephone, and Local Conveyance, etc.

AS 13 "Accounting for Investments"

14. ABC Ltd. wants to re-classify its investments in accordance with AS 13. Decide and state on the amount of transfer, based on the following information:
 - (1) A portion of current investments purchased for ₹ 20 lakhs, to be reclassified as long term investment, as the company has decided to retain them. The market value as on the date of Balance Sheet was ₹ 25 lakhs.
 - (2) Another portion of current investments purchased for ₹ 15 lakhs, to be reclassified as long term investments. The market value of these investments as on the date of balance sheet was ₹ 6.5 lakhs.
 - (3) Certain long term investments no longer considered for holding purposes, to be reclassified as current investments. The original cost of these was ₹ 18 lakhs but had been written down to ₹ 12 lakhs to recognize permanent decline as per AS 13.

AS 17 "Segment Reporting"

15. Following details are given for Monish Ltd. for the year ended 31st March (₹ in Lakhs)

Particulars	Food Products	Plastics & Packaging	Health & Scientific	Others	Total
Sales (including Inter-Segment)	10,000	1,240	690	364	12,294
Expenses	7,170	800	444	400	8,814

Other items:					
General Corporate Expenses	–	–	–	–	1,096
Income from Investments	–	–	–	–	252
Interest Expenses	–	–	–	–	126
Identifiable Assets	15,096	4,000	1,400	1,364	21,860
General Corporate Assets	–	–	–	–	1,664
Other Information					
Inter-Segment Sales	120	168	36	10	
Operating Profit includes ₹ 66,000 on Inter-Segment Sale					

AS 18 “Related Party Disclosures”

16. A Limited has a corporate communications department, which centralises the public relations function for the whole group of A Limited and its subsidiaries. No charges are, however, levied by A Limited on its subsidiaries and accordingly, these transactions are not given accounting recognition. Would these constitute related party transactions requiring disclosure under AS 18 in the standalone financial statements of A Limited?

AS 19 “Leases”

17. On 1st April, 2025, Mansi Ltd. sold a plant for ₹ 8,52,800. The carrying amount of the plant on that date was ₹ 1,80,000. The sale was a part of the package under which Akash Ltd. leased the asset to Mansi Ltd. for eight years term.

The economic life of the asset is estimated as 8 years. The minimum lease rents payable by the lessee has fixed at ₹ 1,60,000 payable annually beginning from 31st March, 2026.

The incremental borrowing interest rate of Mansi Ltd. is estimated at 10% p.a.

Calculate the net effect on the Statement of profit and loss in the books of Mansi Ltd.

AS 20 "Earnings per share"

18. Would completely vested options to purchase shares of a company be included in the computation of Basic EPS? BC Limited has formulated a scheme for Employee Stock Options for its employees. During the year ended December 31, 2026, BC Limited has granted options to purchase 36,000 shares to its employees, out of which, options to purchase 15,000 shares have vested by December 31, 2026. However, no options have been exercised by December 31, 2026. Would such 15,000 shares that have vested be included in the computation of Basic EPS of BC Limited for the year ended December 31, 2026

AS 29 'Provisions, Contingent Liabilities and Contingent Assets'

19. Saharsh Ltd. is engaged in manufacturing of electric home appliances. The company is in the process of finalizing its accounts for the year ended 31.3.2025 and needs your expert advice on the following issues:
- (i) The company has its plants at 3 different locations. It has to shut down one of its plants due to internal reasons. The said plant site is under a rental agreement till 31.3.2026. The rent per month is ₹ 80,000. If the company cancels the agreement, it has to pay a penal amount equal to six month's rent. The company also has an option to sub-let the site at a rent of ₹ 45,000 per month.
 - (ii) A case has been filed against the company in the consumer court and a notice for levy of a penalty of ₹ 20 lakhs has been received. The company has appointed a lawyer to defend the case for a fee of ₹ 2 lakhs. 50% of the fees has been paid and balance 50% will be paid after finalisation of the case. There are 75% chances that the penalty may not be levied.
 - (iii) The company had committed to supply a consignment worth ₹ 1 crore to one of its dealers by the year-end. As per the contract, if delivery is not made on time, a compensation of 15% of the value is to be paid. While the consignment was in transit, one of the trucks carrying goods worth ₹ 30 lakhs met with an accident. It was however covered by Insurance. According to the surveyor's

report, the policy amount is collectable, subject to 10% deduction. Before closing the books of accounts, the company has received the information that the policy amount has been processed and the dealer has also claimed for the compensation.

Give your answers based on relevant Accounting standard.

Consolidated Financial Statements

20. Rose Ltd. holds 80% share in Marigold Ltd., its subsidiary. Share capital of Marigold Ltd. is ₹ 25,00,000 and reserves being ₹ 5,00,000 on the date of acquisition 31.3.2026.

Following is the results of Marigold Ltd.:

Year ended	Profit/(Loss)	Net worth (₹ in lakh)
31.3.2027	(15,00,000)	+15.00
31.3.2028	(20,00,000)	(5.00)
31.3.2029	4,00,000	(1.00)
31.3.2030	5,00,000	+4.00

Calculate minority interest for the period from 2025-2026 to 2029-2030 as per AS 21



SUGGESTED ANSWERS/HINTS

Answer to Case Scenario and MCQ

Q. No.		Hints
1.	i	(B)
	ii	(A)
	iii	(B)
	iv	(C)
	v	(B)
2.		(D)
3.		(B)
4.		(B)

Descriptive Answers

5. (a) Adoption would mean that the country sets a specific timetable when specific entities would be required to use IFRS as issued by the IASB.
- (b) Convergence means that the country will develop high quality, compatible accounting standards and there would be alignment of the standards of different standard setters with a certain rate of compromise, by adopting the requirements of the standards either fully or partially.

Ind AS are almost similar to IFRS but with few carve outs so as to make them suitable for Indian Environment.

- (c) Improves investor confidence across the world with transparency and comparability.

Improves inter-unit/ inter-firm/inter-industry comparison.

Group consolidation will be easy with same standard by all companies in group irrespective of their global location, Acceptability of financial statements by stock exchanges across the globe, which will facilitate listing of Indian companies to international stock exchanges.

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

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 present case, flow of future economic benefit from the machine to the enterprise is improbable. The entire amount of purchase price of the machine should be recognised as an expense. The accounting entry is suggested below:

		₹	₹
Loss on change in production Method To Gamma Ltd. (Loss due to change in production method)	Dr.	1,00,000	1,00,000

Profit and loss A/c	Dr.	1,00,000	
To Loss on change in production method (loss transferred to profit and loss account)			1,00,000

7. As per AS 1, any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have a material effect in later periods should be disclosed. In the case of a change in accounting policies which has a material effect in the current period, the amount by which any item in the financial statements is affected by such change should also be disclosed to the extent ascertainable. Where such amount is not ascertainable, wholly or in part, the fact should be indicated. Accordingly, the notes on accounts should properly disclose the change and its effect.

Notes on Accounts:

- (1) Change in Method of Valuation of Inventory: During the year, inventory has been valued at Works Cost, instead of valuing them at Prime Cost which was the practice till last year. This has been done to take cognizance of the more capital-intensive method of production on account of heavy capital expenditure during the year. Due to this change, the year-end inventory has been valued at ₹50 Crores (instead of ₹30 Crores at Prime Cost) and the profit for the year is greater by ₹20 Crores.
- (2) Change in Method of Providing Depreciation: Due to heavy capital-intensive method of production introduced during the year, the Company has decided to change the method of providing depreciation from Reducing Balance Method to Straight Line Method. Due to this change, depreciation has been provided at ₹27 Crores, which is lower by ₹18 Crores than the old method (WDV Method). Consequently, the profit is higher by ₹18 Crores.
- (3) Provision for After Sales Expenses during Warranty Period: The Company has been providing 2% of Sales, for meeting "After Sales Expenses" during the warranty period. With the improved method of production, the probability of defects occurring in the products has reduced considerably. Due to this change, the profit for the

year is greater by ₹ 12 Crores than would have been the case, if the old provisioning policy were to continue.

- (4) Fall in Investments: The Company has decided to provide ₹ 10 Crores for the permanent fall in the value of investments which has taken place over the period of last 5 years. The provision so made has reduced the profit disclosed in the accounts by ₹ 10 Crores.

8. From the fact given in the question it is obvious that Sun Ltd. is a manufacturer of solar power panel. As per AS 2 'Inventories', inventories are assets (a) held for sale in the ordinary course of business; (b) in the process of production for such sale; or (c) in the form of materials or supplies to be consumed in the production process or in the rendering of services. Therefore, solar power panel held in its stock will be considered as its inventory. Further, as per the standard, inventory at the end of the year are to be valued at lower of cost or NRV.

As the customer has postponed the delivery schedule due to liquidity crunch, the entire cost incurred for solar power panel which were to be supplied has been shown in Inventory. The solar power panel are in the possession of the Company which can be sold in the market. Hence company should value such inventory as per principles laid down in AS 2 i.e. lower of Cost or NRV. Though, the goods were produced as per specifications of buyer the Company should determine the NRV of these goods in the market and value the goods accordingly. Change in value of such solar power panel should be provided for in the books. In the absence of the NRV of WIP and Finished product given in the question, assuming that cost is lower, the company shall value its inventory as per AS 2 for ₹ 140 lakh [i.e solar power panel (WIP) ₹ 85 lakh + solar power panel (finished products) ₹ 55 lakh].

Alternatively, if it is assumed that there is no buyer for such fabricated solar power panel, then the NRV will be Nil. In such a case, full value of finished goods and WIP will be provided for in the books.

As regards Sundry Debtors balance, since the Company has filed a petition for winding up against the customer in 2025-2026, it is probable that amount is not recoverable from the party. Hence, the provision for doubtful debts for ₹ 65 lakh shall be made in the books against the debtor's amount.

9.

Amex LTD.

Cash Flow Statement for the year ended 31st March, 2026

	₹	₹v	₹
(i) Cash flow from Operating Activities			
Net Profit before tax		1,35,000	
<i>Add back:</i>			
Depreciation (4,60,000 – 3,70,000)	90,000		
Discount on issue of shares written off	2,500		
Preliminary expenses written off	2,500		
Provision for tax	80,000	1,75,000	
Operating Profit before working capital changes		3,10,000	
<i>Less:</i> Increase in stock	(1,30,000)		
Decrease in creditors	(10,000)	(1,40,000)	
		1,70,000	
<i>Add:</i> Decrease in book debts		20,000	
Cash generated from Operations		1,90,000	
<i>Less:</i> Income tax paid		(60,000)	
Net cash generated from Operating Activities			1,30,000
(ii) Cash flow from Investing Activities			
Fixed Assets purchased		(1,20,000)	
Net cash used in Investing Activities			(1,20,000)
(iii) Cash flow from Financing Activities			
Issue of shares		1,00,000	
Redemption of Debentures		(50,000)	
Interim Dividend paid		(80,000)	
Net cash used in Financing Activities			(30,000)
Net decrease in cash			(20,000)
Opening balance of cash and cash equivalents			80,000
Closing balance of cash and cash equivalents			60,000

10. As per the amendment in AS 4 "Contingencies and Events Occurring After the Balance Sheet Date" vide Companies (Accounting Standards) Amendments Rules, 2016 dated 30th March, 2016, the events which take place after the balance sheet date, are sometimes reflected in the financial statements because of statutory requirements or because of their special nature.

However, dividends declared after the balance sheet date but before approval of financial statements are not recognized as a liability at the balance sheet date because no statutory obligation exists at that time. Hence such dividends are disclosed in the notes to financial statements.

No, provision for proposed dividends is not required to be made. Such proposed dividends are to be disclosed in the notes to financial statements. Accordingly, the dividend of ₹ 4 crores recommended by New Graphics Ltd. in its Board meeting on 18th April, 2026 shall not be accounted for in the books for the year 2025-26 irrespective of the fact that it pertains to the year 2025-26 and will be paid after approval in the Annual General Meeting of the members / shareholders.

11. As per para 16 of AS 5 on 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies', omission of two pages containing details of inventory worth ₹20 lakhs in 31.3.2025 is a prior period item. As per para 19 of the standard, prior period items are normally included in the determination of net profit or loss for the current period. Accordingly, ₹20 lakhs must be added to opening stock of 1.4.2025. An alternative approach is to show such items in the statement of profit and loss after determination of current net profit or loss. In either case, the objective is to indicate the effect of such items on the current profit or loss.

- 12 **Calculation of the amount of Revenue, Expenses and Profit recognized in the Statement of Profit and Loss in each of the three years:** (₹ in lakh)

	Up to the reporting date	Recognized in previous years	Recognized in current year
<u>Year 1</u>			
Revenue (750 x 25%)	187.50	-	187.50

Expenses (700 x 25%)	<u>(175)</u>	-	<u>(175)</u>
Profit	<u>12.50</u>	-	<u>12.50</u>
<u>Year 2</u>			
Revenue (800 x 60%)	480	187.50	292.50
Expenses (700 x 60%)	<u>(420)</u>	<u>(175)</u>	<u>(245)</u>
Profit	<u>60</u>	<u>12.50</u>	<u>47.50</u>
<u>Year 3</u>			
Revenue (800 x 100%)	800	480	320
Expenses (700 x 100%)	<u>(700)</u>	<u>(420)</u>	<u>(280)</u>
Profit	<u>100</u>	<u>60</u>	<u>40</u>

Working Note:

Computation of percentage of completion

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>
Revenue before variations	750	750	750
Add: Variations Cost incurred till date	<u>-</u>	<u>50</u>	<u>50</u>
	<u>750</u>	<u>800</u>	<u>800</u>
Total Estimated cost :			
Actual cost incurred upto the reporting date	240	520	700
Further cost to be incurred	<u>460</u>	<u>180</u>	<u>-</u>
	<u>700</u>	<u>700</u>	<u>700</u>
Actual cost incurred up to the reporting date (excluding material to be used later year)	175 (240-65)	420 (520-100)	700
Percentage of completion	$\frac{175}{700} \times 100$ 25%	$\frac{420}{700} \times 100$ 60%	$\frac{700}{700} \times 100$ 100%

- 13.** As per AS 10, costs incurred to bring the asset to the location and condition necessary for it to be capable to be operated in the manner as intended by the management can be added to the cost of PPE. Other costs which are not directly attributable to the PPE are to be recognized in P&L.

Sr. No.	Particulars Treatment
(1) Foreign Tour Expenses of Directors for purchase of Plant and Machinery	Capitalize
(2) Technical Staff Salary for erection of Plant and Machinery	Capitalize
(3) Salary of Non-Technical Staff	P&L
(4) Administration and Other General Overhead Costs	P&L

- 14.** As per AS 13, where investments are reclassified from current to long-term, transfers are made at the lower of cost and fair value at the date of transfer.

- (1) In the first case, the market value of the investment is ₹ 25 lakhs, which is higher than its cost i.e. ₹ 20 lakhs. Therefore, the transfer to long term investments should be carried at cost i.e. ₹ 20 lakhs.
- (2) In the second case, the market value of the investment is ₹ 6.5 lakhs, which is lower than its cost i.e. ₹ 15 lakhs. Therefore, the transfer to long term investments should be carried in the books at the market value i.e. ₹ 6.5 lakhs. The loss of ₹ 8.5 lakhs should be charged to profit and loss account.

As per AS 13, where long-term investments are re-classified as current investments, transfers are made at the lower of cost and carrying amount at the date of transfer.

- (3) In the third case, the book value of the investment is ₹ 12 lakhs, which is lower than its cost i.e. ₹ 18 lakhs. Here, the transfer should be at carrying amount and hence this re-classified current investment should be carried at ₹ 12 lakhs.

15. Identification of Reportable Segments (Amounts in ₹ Lakhs)

Particulars	Food Products	Plastics & Packaging	Health & Scientific	Others	Total	Limit = 10% of Total
1. Segment Revenue						
External	9,880	1,072	654	354	11,960	
Inter-Segment	<u>120</u>	<u>168</u>	<u>36</u>	<u>10</u>	<u>334</u>	
Total Revenue	<u>10,000</u>	<u>1,240</u>	<u>690</u>	<u>364</u>	<u>12,294</u>	<u>1,229</u>
2. Segment Expenses	7,170	800	444	400	8,814	
3. Segment Result						
Profit	2,830	440	246	–	3,516	
(Loss)	–	–	–	(36)	(36)	10% of Higher of 3,516 or 36 = 352
4. Segment Assets	15,096	4,000	1,400	1,364	21,860	2,186
5. Reportable Segment	Yes	Yes	No	No		
6. Criteria Satisfied	Revenue, Result & Assets	Revenue, Result & Assets	Nil	Nil		

Now, we shall check the 75% Principle:

	Particulars	Computation	₹ in lacs
(i)	Total External Revenue of Reportable Segments (Food Products, Plastic & Packaging)	9,880 + 1,072	10,952
(ii)	Total Enterprise Revenue	Given	12,294
(iii)	Percentage of Revenue	i ÷ ii	89.08%

Thus, 75% Principle is satisfied and no other segments need to be reported.

- 16.** These transactions would require disclosure under AS 18 in the standalone financial statements of A Limited. As per paragraph 10 of AS 18, a related party transaction is "a transfer of resources or obligations between related parties, regardless of whether or not a price

is charged". In the given situation, there is a transfer of resources from A Limited to its subsidiaries, though no price is charged for the same. Hence, it will constitute as related party transaction and will require disclosure in the financial statements of A Ltd.

- 17.** Net effect on the Statement of Profit and Loss in the year of sale in the books of Lessee (Mansi Ltd.)

For calculation of net effect on the statement of profit and loss on sale of equipment, it has to be judged whether lease is an operating lease or finance lease.

The lease term is for 8 years which covers the entire economic life of the equipment. At the inception of the lease, the present value of the minimum lease payments (MLP) is ₹ 8,53,600 [$₹ 1,60,000 \times 5.335$ (Annuity factor of ₹ 1 @10% for 8 years)] and amounts to at least substantially all of the fair value (sale price i.e. ₹ 8,52,800) of the leased equipment. Thus, lease is a finance lease.

As per para 48 of AS 19 "Leases", if a sale and leaseback transaction results in a finance lease, profit of ₹ 6,72,800 (Sale value ₹ 8,52,800 less carrying amount ₹ 1,80,000) will not be recognized as income in the year of sale in the books of lessee i.e. Mansi Ltd. It should be deferred and amortised over the lease term in proportion to the depreciation of the leased asset.

Therefore, assuming that depreciation is charged on straight line basis, Mansi Ltd. will recognize depreciation of ₹ 1,06,600 per annum for 8 years ($₹ 8,52,800/8$) and amortise profit of ₹ 6,72,800 over the lease term of 8 years, i.e. ₹ 84,100 p.a.

The net effect is a debit of ($₹ 1,06,600 - 84,100$) ₹ 22,500 p.a. to the Statement of Profit and Loss, for 8 years as covered under the lease term.

- 18.** 15,000 shares that have vested at December 31, 2026 would not be included in the computation of Basic EPS of BC Limited for the year then ended.

Paragraph 15 of the Statement states that "For the purpose of calculating basic earnings per share, the number of equity shares should be the weighted average number of equity shares outstanding during the period." As the vesting of shares can not be considered as shares being outstanding, shares that have vested would not be included in the

computation of basic EPS. Paragraph 21 of the Statement also gives this indication since for inclusion of contingently issuable shares in the computation of basic earnings per share all necessary conditions under the contract should have been satisfied. As the employees are yet to exercise their option to purchase, which is one of the necessary condition of the contract, these shares would not be included in the computation of Basic EPS

However, the entire 36,000 shares should be considered for inclusion in the computation of Diluted EPS (refer paragraph 7 (c) of the Statement).

19. (i) As per AS 29, an 'onerous contract' is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract is the lower of net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

In the given case, Saharsh Ltd. is required to pay:

In case of cancellation of agreement:

$$= ₹ 80,000 \times 6 \text{ months} = ₹ 4,80,000$$

In case of continuance of agreement (in case of sub-let):

Net of rent paid over rent collected from sub-tenant (₹80,000-45,000) $\times$ 12 = ₹ 4,20,000.

Lower of the above is to be provided for i.e. ₹ 4,20,000 is to be provided for.

- (ii) 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 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 75% chances that the penalty may not be levied. Accordingly, Saharsh Ltd. should not make the provision for penalty.

However, a provision should be made for remaining 50% fees of the lawyer in the financial statements of financial year 2024-2025.

(iii) Loss due to accident ₹ 30,00,000

Insurance claim receivable by company
= ₹ 30,00,000 x 90% = ₹ 27,00,000

Loss to be recognised in the books
for 2024-2025 ₹ 3,00,000

Insurance claim receivable to be recorded
in the books ₹ 27,00,000

Compensation claim by dealer against company to be provided for
in the books

= ₹ 30,00,000 x 15% = ₹ 4,50,000*

***Note:** Alternatively, the compensation @ 15% can be computed on the whole contract amount of ₹ 1 crore. In such a situation, the compensation should be ₹ 15,00,000 (1 crore x 15%).

20. As per AS 21 "Consolidated Financial Statements", the losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are adjusted against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered. Accordingly,

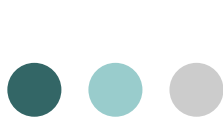
Year	Details	Minority Interest (MI) (20%)	Minority's Share of losses borne by Rose Ltd.
			Balance
Minority Interest at the time of acquisition i.e. on 31.3.2026		6,00,000 (W.N.)	
2026-2027	(15,00,000 x 20%)	(3,00,000)	

on 31.3.2027		3,00,000	
2027-2028	(20,00,000 x 20%)	<u>(4,00,000)</u>	
		(1,00,000)	
	Loss amounting ₹ 1,00,000 of minority borne by majority shareholders on application of AS 21	<u>1,00,000</u>	1,00,000
on 31.3.2028		Nil	
2028-2029	(4,00,000 x 20%)	80,000	
	On application of AS 21, profit transferred to majority shareholders	<u>(80,000)</u>	(80,000)
on 31.3.2029		Nil	20,000
2029-2030	(5,00,000 x 20%)	1,00,000	
	On application of AS 21, profit transferred to majority shareholders to the extent earlier loss was borne by majority share holders	<u>(20,000)</u>	(20,000)
on 31.3.2030		<u>80,000</u>	Nil

Working Note:

Calculation of Minority Interest as on 31.3.2026

	Total Amount (100%)	Minority Interest (20%)
	(₹)	(₹)
Share Capital (20%)	25,00,000	5,00,000
Add: Share in Reserves (20%)	5,00,000	<u>1,00,000</u>
		<u>6,00,000</u>



PAPER – 2: CORPORATE AND OTHER LAWS

PART – I: AMENDMENTS FOR SEPTEMBER 2026 EXAMINATIONS

The Study Material (July 2024 edition-Reprint August 2025) is applicable for September 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 28th February 2026 are mentioned below:

THE COMPANIES ACT, 2013

Chapter 1: Preliminary

I. Notification G.S.R 880(E) dated 1st December, 2025

The Central Government has amended the Companies (Specification of definition details) Rules, 2014, through the Companies (Specification of definition details) Amendment Rules, 2025.

Amendment:

In the Companies (Specification of definition details) Rules, 2014:

In **rule 2**, in sub-rule (1), for clause (t), the following clause shall be substituted, namely:-

"(t) For the purposes of sub-clause (i) and sub-clause (ii) of clause (85) of section 2 of the Act, paid up capital and turnover of the small company shall not exceed rupees ten crores and rupees one hundred crores respectively."

Old Law (Pg 1.24)

(85) Small company means a company, other than a public company,—

- (i) paid-up share capital of which does not exceed fifty lakh rupees or such higher amount as may be prescribed which shall not be more than ten crore rupees; and
- (ii) turnover of which as per profit and loss account for the immediately preceding financial year does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than one hundred crore rupees:

Provided that nothing in this clause shall apply to—

- (A) a holding company or a subsidiary company;
- (B) a company registered under section 8; or
- (C) a company or body corporate governed by any special Act.

As per the Companies (Specification of Definitions Details) Rules, 2014, for the purposes of sub-clause (i) and sub-clause (ii) of clause (85) of section 2 of the Act, paid up capital and turnover of the small company shall not exceed rupees four crore and rupees forty crore respectively.

	Capital- ₹ 4 crore
	Turnover- ₹ 40 crore

Chapter 9: Accounts of Companies**II. 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.

III. 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**IV. 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**

Indian real estate market has long been a cornerstone of nation's economic growth attracting not only local demand but is also seen as a global investment opportunity; in particular, Non-resident Indians (NRIs) are actively participating in this market, not just as investors but also as a way to stay connected with their motherland.

Keeping the above facts in view, in April 2015, Abhinandan, ably guided by his father Guru Narayan having in-depth experience of about fifty years in the same line of real estate, along with his wife Sumati and daughter Shipra, incorporated a real estate development company by the name Robust Builders & Developers Limited with Registered office situated in Gurugram and obtained RERA Registration from Haryana Government. The Authorised and

Paid-up Capital of the company was ₹ 20,00,00,000 divided into 20,00,000 equity shares of ₹ 100 each.

While Guru Narayan acted as mentor, Abhinandan was at the helm as the Chairman and Managing Director (CMD). Sumati and Shipra were whole-time directors looking after Accounts and Human Resources departments. In addition, Aniruddha (holding development portfolio as Director), Charu Vikram (Director – Sales and Marketing) and Neelkanth (Director – Property Management) played an equally important role in the growth of Robust Builders & Developers Limited. There were two independent, namely, Vaishali and Vishesh. Slowly and gradually, with their sustained efforts, the company covered enormous ground thereby establishing its place as a leading real estate developer in India. Its expanding portfolio consisted of over 80 lakh square feet of prime property carefully crafted across more than thirty exclusive projects that have served close to 26,000 satisfied customers belonging to every stratum of society till date.

Earlier in May 2025, the Board of Directors of Robust Builders & Developers Limited decided to repay the remaining outstanding amount of ₹ 5,50,000 (including interest) to Sarvpriya Commercial Bank Ltd. and to get released a plot of land situated in Hissar on which a charge was created by the company in favour of the bank on 1st May, 2019, in order to raise a term loan of ₹ 50 lakh. Rosalia, Company Secretary, ensured that the entries relating to the Charge were made in the Register of Charges which was maintained at the Registered Office. (It is informed that the charge was duly registered with the jurisdictional Registrar of Companies (ROC) on 16th May, 2019, by filing Form No. CHG-1 along with other requisite documents.) As decided, the full and final repayment of term loan was made on 15th May, 2025, and immediately thereafter, Rosalia filed Form No. CHG-4, which was duly signed by the holder of charge *i.e.* Sarvpriya Commercial Bank Ltd., with the jurisdictional ROC for satisfaction of charge. In due course of time, the company received from the ROC a Certificate of Registration of Satisfaction of Charge in Form CHG-5 which was dated 26th June, 2025 confirming that the charge had been duly removed from the company's record.

To continue with the expansion plans and to make available funds for this purpose, the directors were contemplating upon issuing 8% Debentures worth ₹ 2,00,00,000 (2,00,000 8% Debentures of ₹ 100 each). Being an important matter, Rosalia was directed to convene an Extra-ordinary General Meeting

(EGM) on 27th June, 2025, at 11:00 AM at the Registered Office of the company. As on the date of EGM, the company had 640 members. In addition to three proxies, the requisite number of members were present to constitute quorum. The resolution was duly passed paving way for issue of 8% Debentures.

Meanwhile, HR Manager Abheek had noticed marginal increase in 'employee turnover' in the past three years. To nip the bud, after due formalities, he suggested the company to develop a policy of demanding a non-interest-bearing security deposit, not exceeding employees' annual salary, from the prospective employees at the executive level under the contract of employment, which was duly accepted and implemented.

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. Robust Builders & Developers Limited created a charge on its Hissar land on 1st May, 2019 and filed Form CHG-1 on 16th May, 2019. Which of the following is correct?
 - (a) The charge was registered within the prescribed time limit of 30 days, hence no penalty arises.
 - (b) The company was required to register the charge within 7 days and therefore defaulted.
 - (c) Since registration happened 15 days after creation, it falls outside the prescribed time limit, and the charge is void against the company.
 - (d) Registration of charge is optional where the amount secured is less than ₹ 1 crore.
2. The company repaid the loan on 15th May, 2025 and Rosalia immediately filed Form CHG-4. Which of the following is correct regarding satisfaction of charge?
 - (a) The company is required to intimate ROC of satisfaction of charge within 30 days from the date of satisfaction.

- (b) Satisfaction of charge need not be reported if the loan is less than ₹ 1 crore.
 - (c) Only the bank, as holder of charge, can file Form CHG-4.
 - (d) Satisfaction of charge can be reported at any time before winding up.
3. According to the Case Scenario, Rosalia, filed Form No. CHG-1 along with other requisite documents and the charge was duly registered by the jurisdictional Registrar of Companies on 16th May, 2019. After the term loan was repaid, ROC issued a Certificate relating to Registration of Satisfaction of Charge in Form CHG-5 dated 26th June, 2025. Keeping in view the relevant provisions, for how long is the 'instrument' by which the charge was created required to be preserved?
- (a) It is not required to be preserved once the Certificate in Form CHG- 5 has been issued on 26th June, 2025.
 - (b) It must be preserved for eight years from the date of issue of the Certificate in form CHG- 5 (i.e. 8 years from 26th June, 2025).
 - (c) It must be preserved permanently, in the same manner as the Register of Charges.
 - (d) It must be preserved for eight years from 15th May, 2025 i.e. the date on which company made full and final repayment of the loan.
4. Robust Builders & Developers Limited implemented a policy requiring executive-level employees to furnish a non interest bearing security deposit, not exceeding their annual salary, under the contract of employment. Which of the following is correct?
- (a) Such deposits are treated as deposits accepted by the company under Chapter V and must comply with the deposit rules.
 - (b) Such deposits are exempted from the definition of "deposits" since they are non- interest bearing, received from employees and do not exceed their annual salary under the contract of employment.
 - (c) Employee security deposits are prohibited under all circumstances.
 - (d) Such deposits require prior approval of ROC.

5. The quorum for the EGM of Robust Builders & Developers Limited was constituted by members (excluding proxies). Given that the company is a public company, what is the minimum quorum required?
- (a) 2 members personally present
 - (b) 5 members personally present
 - (c) 15 members personally present
 - (d) 30 members personally present
6. Assume that on 27th June, 2025 (date of EGM), fewer members than required for quorum were present at the scheduled time of 11:00 AM. Under the Companies Act, 2013, what is the correct legal position?
- (a) The meeting stands cancelled permanently and must be re-convened by fresh notice.
 - (b) The meeting shall stand adjourned to the same day next week, at the same time and place; and if quorum is still not present within half-an-hour from the time appointed for that meeting, the members actually present shall constitute quorum.
 - (c) The Chairman and Managing Director can single-handedly conduct the meeting.
 - (d) The proxies present can constitute themselves as the quorum.

Case Scenario 2

Apex Green Energy LLP, engaged in the business of manufacturing solar-powered equipment, has been facing severe liquidity constraints due to a decline in demand and delays in recovery of receivables. As on 31st March 2026, the LLP owes ₹ 8 crore to its creditors and has accumulated losses, leading to disputes among certain partners regarding future capital commitments.

To revive the business, the designated partners proposed a compromise and arrangement under the Limited Liability Partnership Act, 2008 ("LLP Act"). Accordingly, one of the major creditors filed an application before the Tribunal under section 60 of the LLP Act, seeking an order for meetings of creditors and partners to consider a restructuring plan under which creditors

would accept 80% of their outstanding dues in full settlement, and partners would agree to defer their profit-sharing entitlements for the next two years.

After considering the application, the Tribunal ordered separate meetings of creditors and partners. At the creditors' meeting, creditors holding 78% in value of the debt represented at the meeting voted to approve the scheme. At the partners' meeting, partners holding 74% in value of the capital contribution represented at the meeting voted to approve the proposal.

During the proceedings, it was discovered that the LLP had failed to disclose to the Tribunal that an investigation by a regulatory authority concerning certain financial transactions was pending against it, although its latest financial position had been disclosed.

Subsequently, the LLP rectified the omission by filing a fresh affidavit disclosing all material facts, including the pending investigation. The partners' meeting was reconvened, and partners holding 76% in value of the capital contribution represented at the meeting voted to approve the proposal; the creditors' earlier approval of 78% in value continued to hold good. On this basis, the Tribunal sanctioned the compromise and arrangement on 1st August 2026.

The LLP, however, failed to file the Tribunal's order with the Registrar until 20th September 2026. During the pendency of the application before the Tribunal, one supplier had attempted to continue a recovery suit against Apex Green Energy LLP despite the restructuring proceedings being underway.

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 Limited Liability Partnership Act, 2008:

7. Considering the voting results at the first meetings, what would be the legal position of the proposed compromise and arrangement?
 - (a) It would automatically become binding without Tribunal sanction.
 - (b) It would be approved because both creditors and partners have approved it by a simple majority.
 - (c) It would fail because creditors did not approve it by 80% in value.

- (d) It would fail because partners representing only 74% in value approved the scheme.
- 8. Can the Tribunal sanction the scheme when the LLP failed to disclose the pending investigation proceedings, although it disclosed its latest financial position?
 - (a) Yes, because disclosure of financial statements alone is sufficient.
 - (b) No, unless all material facts, including pending investigations, are disclosed to the Tribunal.
 - (c) Yes, if creditors have approved the scheme by more than 75%.
 - (d) No, because compromise and arrangement is not permitted where investigations are pending.
- 9. The Tribunal sanctioned the scheme on 1st August 2026, but the LLP filed the order with the Registrar only on 20th September 2026. What was the last date by which the order should have been filed with the Registrar?
 - (a) 1st September 2026.
 - (b) 30th August 2026.
 - (c) 31st August 2026.
 - (d) 20th September 2026.
- 10. What power does the Tribunal possess regarding the supplier's recovery suit during the pendency of the compromise proceedings?
 - (a) The Tribunal may stay the commencement or continuation of any suit or proceeding against the LLP until disposal of the application.
 - (b) The Tribunal has no power to interfere with civil proceedings.
 - (c) The Tribunal may permanently dismiss all suits against the LLP.
 - (d) The Tribunal may transfer the suit to arbitration.

Descriptive Questions

11. The following securities are issued by different companies:-

Company	Securities Issued
Preshth Ltd.	Listed non-convertible redeemable preference shares issued on private placement basis in terms of SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013.
Module Ltd.	Listed non-convertible debt securities issued on private placement basis in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008.
Perfect (P) Ltd.	Listed non-convertible debt securities issued on private placement basis on a recognized stock exchange in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008.

It is also informed that equity shares issued by the Preshth Ltd. and Module Ltd. are not listed in any of the recognized stock exchanges.

In the context of aforesaid facts, analyse, whether the companies mentioned in the table can be considered as listed company(ies)?

12. White Ltd. is an unlisted public company, having five directors in its board which includes two independent directors.

Black (P) Ltd., is subsidiary company of White Ltd., actively carrying on its business, having paid up capital of ₹ 3 crore with 30 members and turnover of ₹ 50 crore, respectively and the said company is not a start-up company.

In the context of aforesaid case-scenario, please answer to the following question(s):-

Whether Black (P) Ltd. is mandatorily required to prepare cash flow statement for the financial year as a part of its financial statements?

Provide your answer by analyzing Black (P) Ltd. into following category of companies:-

- (i) One person company, (ii) Small company and (iii) Private company, respectively.
13. The dividend amounts received or receivable on equity shares held by Mr. Sharma for the financial year 2024-25 was as follows:

Name of the Company	Dividend Declaration Date	Dividend Amount (₹)	Remarks
Purple Limited	25.08.2025	800	Dividend was paid on 23.10.2025.
Brown Nidhi Limited	04.09.2025	100	Dividend was not paid within the stipulated time period.

Decide as per the provisions of the Companies Act, 2013, what could be the punishment to the company(ies) aforesaid in the table, with respect to delayed payment of dividend amount(s).

14. Mitrah Services Private Limited received a sum of ₹ 7,50,000 from Ms. Kavita, who is the sister of one of the Directors of the company. At the time of providing the amount, Ms. Kavita submitted a declaration stating that the funds had been received by her as a gift from her grandfather and were not borrowed or accepted from any other person.
- Decide, with reference to the relevant provisions of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014, whether the amount of ₹ 7,50,000 received by Mitrah Services Private Limited will be treated as a deposit.
15. The Articles of Association of Blue Limited provided that documents upon the company may be served only through email. Mr. Karan sent document to the company by registered post. The company did not accept the document on the ground that sending documents to the company by post was in violation of the Articles. As a result, Mr. Karan suffered loss. Decide the validity of arguments of the company and claim of Mr. Karan for damages in the light of provisions of the Companies, Act, 2013.

16. (i) Yellow Banana Limited, an unlisted company furnishes the following data :
- (a) Paid-up share capital as on 31st March, 2025 ₹ 45 Crore.
 - (b) Turnover for the year ended 31st March, 2025 ₹ 175 Crore
 - (c) Outstanding loan from bank as on 3rd March, 2025 ₹ 105 crore (₹ 110 Crore loan obtained from bank) and the outstanding balance as on 31st March, 2025 ₹ 90 crore after repayment.

Whether as per provision of the Companies Act, 2013 the company is required to appoint Internal Auditor during the year 2025-2026?

- (ii) State the provisions of the Companies Act, 2013 relating to appointment of First Auditor of a Government Company.

The Limited Liability Partnership Act, 2008

17. Mira and Raman are college friends and intend to do trading in musical instruments. They have met Mr. Aka and Ms. Pihu who are non-resident Indians and they all have decided to form a Limited Liability Partnership (LLP) under the name and style of Mira Aka LLP, with an initial capital contribution of ₹ 1,00,000 each. It is further informed that Mr. Aka has stayed in India for 135 days and Ms. Pihu stayed in India for 110 days during the financial year 2023-24. The LLP was incorporated on 15th October, 2024. The LLP intends to appoint Mr. Aka and Ms. Pihu as designated partners and consults its CA regarding the same. You as the CA advise the LLP on the appointment of Mr. Aka and Ms. Pihu as the only designated partners of the LLP.

The General Clauses Act, 1897

18. The Community Development Incentives Act, 2010 provides certain tax benefits to organizations engaged in charitable and social welfare activities. Section 3(12)(b) of the Act states that an organization shall be eligible for such benefits if it is registered under section 40 of the Social Organizations Act, 1980.

In 2024, the Social Organizations Act, 1980 was repealed and replaced by the Social Organizations Act, 2024. The provisions relating to registration of charitable organizations were kept same under section 52

of the new Act. However, no corresponding amendment was made in section 3(12)(b) of the Community Development Incentives Act, 2010, which continued to refer to section 40 of the repealed Act.

Sunrise Welfare Foundation obtained registration under section 52 of the Social Organizations Act, 2024 and claimed tax benefits under the Community Development Incentives Act, 2010. The tax authorities denied the claim on the ground that the Foundation was not registered under section 40 of the Social Organizations Act, 1980.

With reference to the provisions of the General Clauses Act, 1897, examine whether the Sunrise Welfare Foundation is entitled to the tax benefits.

Interpretation of Statutes

19. Prior to 2024, the State Environmental Protection Act imposed penalties only on factories that directly discharged untreated waste into rivers. Over time, several industries began outsourcing waste disposal activities to third-party contractors. Although these industries were the ultimate source of the waste, they escaped liability because they were not the direct polluters under the existing law.

To address this issue, the legislature amended the Act by inserting the following provision:

"Any person who causes or contributes to the pollution of a river, whether directly or indirectly, shall be liable for the prescribed penalty."

Subsequently, Green Earth Ltd. engaged an independent contractor for waste disposal. The contractor illegally discharged hazardous waste into a river. Green Earth Ltd. contended that since it did not directly release the waste, the amended provision should not apply to it.

In the light of the principles laid down in Heydon's Case, discuss how the court should interpret the provision. Would Green Earth Ltd. be liable?

The Foreign Exchange Management Act, 1999

20. Ms. Rashida Qureshi is an Indian national. The following events occurred in sequence:

- 5th April, 2025: Ms. Rashida departed India to take up full-time employment with a luxury fashion house in Milan, Italy.
- September 2025: Ms. Rashida returned to India briefly (12 days) to attend her sister's wedding and thereafter re-joined her employment in Milan.

What is Ms. Rashida's residential status under the provisions of the Foreign Exchange Management Act, 1999, from 5th April, 2025 onwards, during the period of her employment in Milan? Does her 12 day visit to India for the wedding in September 2025 affect this status?


SUGGESTED ANSWERS
Multiple Choice Questions

MCQ No.	Most Appropriate Answer
1.	(A) The charge was registered within the prescribed time limit of 30 days, hence no penalty arises.
2.	(A) The company is required to intimate ROC of satisfaction of charge within 30 days from the date of satisfaction.
3.	(D) It must be preserved for eight years from 15 th May, 2025 i.e. the date on which company made full and final repayment of the loan.
4.	(B) Such deposits are exempted from the definition of "deposits" since they are non- interest bearing, received from employees and do not exceed their annual salary under the contract of employment.

5.	(B) 5 members personally present
6.	(B) The meeting shall stand adjourned to the same day next week, at the same time and place; and if quorum is still not present within half-an-hour from the time appointed for that meeting, the members actually present shall constitute quorum.
7.	(D) It would fail because partners representing only 74% in value approved the scheme.
8.	(B) No, unless all material facts, including pending investigations, are disclosed to the Tribunal.
9.	(C) 31 st August 2026
10.	(A) The Tribunal may stay the commencement or continuation of any suit or proceeding against the LLP until disposal of the application.

Descriptive Questions

- 11.** According to section 2(52) of the Companies Act, 2013, listed company means a company which has any of its securities listed on any recognised stock exchange;

Provided that such class of companies, which have listed or intend to list such class of securities, as may be prescribed in consultation with the Securities and Exchange Board, shall not be considered as listed companies.

According to rule 2A of the Companies (Specification of definitions details) Rules, 2014, the following classes of companies shall not be considered as listed companies, namely:-

- (a) Public companies which have not listed their equity shares on a recognized stock exchange but have listed their –

- (i) non-convertible debt securities issued on private placement basis in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008; or
 - (ii) non-convertible redeemable preference shares issued on private placement basis in terms of SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013; or
 - (iii) both categories of (i) and (ii) above.
- (b) Private companies which have listed their non-convertible debt securities on private placement basis on a recognized stock exchange in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008;
- (c) Public companies which have not listed their equity shares on a recognized stock exchange but whose equity shares are listed on a stock exchange in a jurisdiction as specified in sub-section (3) of section 23 of the Act.

In view of the facts of the question and the provisions of the Act,

Company Name	Analysis and Conclusion
Preshth Ltd.	Equity shares issued by the company are not listed. However, the company has issued listed non-convertible redeemable preference shares issued on private placement basis in terms of relevant SEBI Regulations, which falls in the exceptions to the listed company, and accordingly, Preshth Ltd. shall not be considered as a listed company.
Module Ltd.	Equity shares issued by the company are not listed. However, the company has issued listed non-convertible debt securities issued on private placement basis in terms of relevant SEBI Regulations which falls in the exceptions to the listed company, and accordingly, Module Ltd. shall not be considered as a listed company.

Perfect (P) Ltd.	The company has issued listed non-convertible debt securities issued on private placement basis on a recognised Stock Exchange in terms of relevant SEBI Regulations which falls in the exceptions to the listed company and accordingly, Perfect (P) Ltd. shall not be considered as a listed company.
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12. According to section 2(40) of the Companies Act, 2013,

Financial statement in relation to a company, includes:

- (i) a balance sheet as at the end of the financial year;
- (ii) a profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure account for the financial year;
- (iii) cash flow statement for the financial year;
- (iv) a statement of changes in equity, if applicable; and
- (v) any explanatory note annexed to, or forming part of, any document referred to in sub-clause (i) to sub-clause (iv):

Provided that the financial statement, with respect to one person company, small company, dormant company and private company (if such private company is a start-up) may not include the cash flow statement.

To determine the applicability of preparation cash flow statement in case of Black (P) Ltd., it is required first to be analyzed that Black (P) Ltd. does not fall in any of the categories of companies mentioned under proviso to section 2(40) of the Companies Act, 2013:

- (i) One person company– It is given that the company is having 30 members, so it is not a one person company.
- (ii) Small company– As per section 2(85), small company means a company, other than a public company, having paid up capital not exceeding ₹ 10 crore and turnover not exceeding ₹ 100 crore. Further, a company which is a subsidiary company cannot be categorized as a small company [as per proviso to section 2(85)]. Thus, even though the paid up capital and turnover of the company are within the prescribed limits (to be categorized as

small company), it cannot be considered as small company, as Black (P) Ltd. is a subsidiary company of White Ltd.

- (iii) Private company (which is a start-up)– It is given that Black (P) Ltd. is not a start-up company and also, as per proviso to section 2(71) of the Act, a company which is a subsidiary of a company, not being a private company, shall be deemed to be public company for the purposes of this Act even where such subsidiary company continues to be a private company in its articles.

Black (P) Ltd. is structured as a private company, but section 2(40) exemption only reaches a private company that is also a start-up, and the facts expressly say it is not a start-up.

So, Black (P) Ltd. shall be deemed to be a public company as it is subsidiary of White Ltd., an unlisted public company and so it will not fall into this category of exemption as well.

Thus, it can be concluded that Black (P) Ltd. is mandatorily required to prepare cash flow statement for the financial year as a part of its financial statements as it does not fall in any of the categories of companies mentioned under proviso to section 2(40) of the Companies Act, 2013.

13. According to section 127 of the Companies Act, 2013,

In case a company fails to pay declared dividends or fails to post dividend warrants within 30 days of declaration, then the company shall be liable to pay simple interest at the rate of 18% p.a. during the period for which such default continues.

Further, in terms of Notification No. GSR 465 (E), dated 05-06-2015, section 127 dealing with punishment shall apply to the Nidhis, subject to the following modification:

In case the dividend payable to a member is ₹ 100 or less, it shall be sufficient compliance of the provisions of section 127, if the declaration of the dividend is announced in the local language in one local newspaper of wide circulation and announcement of the said declaration is also displayed on the notice board of the Nidhi company for at least 3 months.

- (i) In case of Purple Limited

Dividend was declared on 25th August, 2025 but was paid on 23rd October, 2025 to Mr. Sharma (shareholder).

The dividend declared should have been paid or dividend warrants should have been posted, to each of its shareholder, within 30 days of dividend declaration i.e. by 24th September, 2025.

Accordingly, the interest payable by Purple Limited would be calculated as follows:

Dividend Amount (₹)	Dividend Declaration Date	Interest @ 18% to be calculated from 25.09.2025 to 23.10.2025	Interest (₹)
800	25.08.2025	$800 \times 18\% \times 29/365$	11

- (ii) In case of Brown Nidhi Limited

Here, Brown Nidhi Limited is a Nidhi company and the dividend payable to Mr. Sharma was ₹ 100.

So, in such a case, it would have been sufficient compliance of the provisions of section 127, if the dividend declared was announced by the company in local language in one local newspaper of wide circulation and announcement of the said declaration was also displayed on the notice board of the company for at least 3 months i.e. till 4th December, 2025 (3 months from 4th September, 2025).

Accordingly, if the aforesaid compliances have been made by Brown Nidhi Limited then no punishment could be imposed upon it, otherwise, it would be liable to pay interest for default.

- 14. Deposit:** According to section 2(31) of the Companies Act, 2013, the term 'deposit' includes any receipt of money by way of deposit or loan or in any other form, by a company, but does not include such categories of amount as may be prescribed in consultation with the Reserve Bank of India.

As per Rule 2(1)(c)(viii) of the Companies (Acceptance of Deposits) Rules, 2014, the following amount shall not be considered as deposits- Any amount received from a person who, at the time of the receipt of the amount, was a director of the company or a relative of the director of the private company.

However, the director of the company or relative of the director of the private company, as the case may be, from whom money is received, is required to furnish to the company at the time of giving the money, a declaration in writing to the effect that the amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and the company shall disclose the details of money so accepted in the Board's report.

In the given question, ₹ 7,50,000 is received by Mitrah Services Private Limited (a private company) from one of the relatives of a Director. Thus, when the relative furnishes a declaration that the said amount was received by her from her grandfather as a gift, then it will not be considered as deposit in terms of sub-clause (viii) of Rule 2(1)(c).

As an additional requirement, the company shall disclose the details of money so accepted in the Board's report. Further, according to Rule 16(A)(2), it shall also disclose in its financial statement, by way of notes, about the money received from the directors, or relatives of directors.

Thus, the ₹ 7,50,000 received by Mitrah Services Private Limited from Ms. Kavita does not constitute a deposit under section 2(31) read with Rule 2(1)(c)(viii), subject to the company complying with the Board's report and financial statement disclosure requirement.

15. Section 20 of the Companies Act, 2013, provides the mode in which documents may be served on the company, on the members and also on the Registrars.

Serving of document to company: A document may be served on a company or an officer thereof by sending it to the company or the

officer at the registered office of the company by registered post, speed post, courier service, leaving it at its registered office, or means of such electronic or other mode as may be prescribed.

However, where securities are held with a depository, the records of the beneficial ownership may be served by such depository on the company by means of electronic or other mode.

In the given instance, even though the Articles of Blue Limited has specifically provided that documents may be served upon the company only through email; this is invalid on the ground that the provisions of the Articles cannot be inconsistent with the provisions of the Companies Act, 2013. Therefore, the argument of the company is not valid. The company was bound to accept the document sent by Mr. Karan by registered post. Since, the company did not accept the documents, Mr. Karan may seek appropriate legal remedies and may claim damages if he suffered loss due to company's wrongful refusal.

16. (i) According to the Companies (Accounts) Rules, 2014, every unlisted public company having-
- (A) paid up share capital of 50 crore rupees or more during the preceding financial year; or
 - (B) turnover of 200 crore rupees or more during the preceding financial year; or
 - (C) outstanding loans or borrowings from banks or public financial institutions exceeding 100 crore rupees or more at any point of time during the preceding financial year; or
 - (D) outstanding deposits of 25 crore rupees or more at any point of time during the preceding financial year;

shall be required to appoint an internal auditor which may be either an individual or a partnership firm or a body corporate.

In the given question, Yellow Banana Limited has outstanding loan from bank exceeding 100 crore rupees i.e., ₹ 105 crore on

3rd March, 2025 during the preceding financial year 2024-25. Hence, it is required to appoint Internal Auditor during the year 2025-26.

- (ii) According to section 139(7) of the Companies Act, 2013:
- (1) In the case of a Government company or any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government, or Governments, or partly by the Central Government and partly by one or more State Governments, the first auditor shall be appointed by the Comptroller and Auditor General of India (CAG) within 60 days from the date of registration of the company.
 - (2) In case the CAG does not appoint first auditor within the said period, the Board of Directors of the company shall appoint such auditor within the next 30 days.
 - (3) Further, in the case of failure of the Board to appoint such auditor within the next 30 days, it shall inform the members of the company who shall appoint such auditor within 60 days at an Extra Ordinary General Meeting, who shall hold office till the conclusion of the first annual general meeting.

- 17.** As per the provisions of the Limited Liability Partnership Act, 2008, every limited liability partnership must have at least two designated partners, and at least one of them must be a resident in India.

Here, 'resident in India' means a person who has stayed in India for a period of not less than 120 days during the financial year.

In the given case, Mira, Raman, Mr. Aka and Ms. Pihu have formed Mira Aka LLP. The LLP proposes to appoint only Mr. Aka and Ms. Pihu, as designated partners.

In the given case:

Mr. Aka is a non-resident Indian but has stayed in India for 135 days during the financial year 2023-24. Therefore, he satisfies the condition of

being a resident in India under the Limited Liability Partnership Act, 2008 (LLP Act). Hence, he is eligible to be appointed as a designated partner, who is resident in India.

Ms. Pihu, although also a non-resident Indian, has stayed in India for 110 days during the financial year 2023-24. Hence, she does not qualify as a resident in India under the LLP Act. However, she is eligible to be appointed as a designated partner.

Since, the LLP was incorporated on 15th October, 2024, it is required to have at least two designated partners, with at least one resident in India., which is being fulfilled by Mr. Aka. Further, Ms. Pihu can also be appointed as the second designated partner. Thereby satisfying the statutory requirements that every LLP must have two designated partners and at least one designated partner must be a resident in India.

Hence, the appointment of Mr. Aka and Ms. Pihu as the only designated partners of LLP is legally valid.

- 18.** According to section 8 of the General Clauses Act, 1897, where this Act or Central Act or Regulation made after the commencement of this Act, repeals and re-enacts, with or without modification, any provision of a former enactment, then references in any other enactment or in any instrument to the provision so repealed shall, unless a different intention appears, be construed as references to the provision so re-enacted.

Also, in *Gauri Shankar Gaur v. State of U.P.*, AIR 1994 SC 169, it was held that every Act has its own distinction. If a later Act merely makes a reference to a former Act or existing law, it is only by reference and all amendments, repeals new law subsequently made will have effect unless its operation is saved by the relevant provision of the section of the Act.

In the present case, the Social Organizations Act, 1980 has been repealed and replaced by the Social Organizations Act, 2024, and the registration provision formerly contained in section 40 has been kept same in section 52. Although section 3(12)(b) of the Community Development Incentives Act, 2010 still refers to section 40 of the

repealed Act, such reference must, by virtue of section 8 of the General Clauses Act, be construed as a reference to section 52 of the new Act.

Therefore, Sunrise Welfare Foundation's registration under section 52 of the Social Organizations Act, 2024 will be treated as satisfying the requirement of section 3(12)(b) of the Community Development Incentives Act, 2010. Accordingly, the Foundation is entitled to claim the tax benefits available under the Act.

- 19.** Where the language used in a statute is capable of more than one interpretation, the most firmly established rule for construction is the principle laid down in *Heydon's case*.

The intention of this rule is always to make such construction as shall suppress the mischief and advance the remedy according to the true intention of the legislation. So, the courts shall make such construction as will suppress the mischief and advance the remedy and suppress the subtle inventions and evasions for the continuance of the mischief.

It is to be noted that while applying Heydon's case courts will be bound to look at the state of the law at the time of the passing of the enactment and not only as it then stood, but under previous Statutes too. Also, this rule can be applied only if there is any ambiguity in the present law.

In the given question, the court would adopt an interpretation that suppresses the mischief and advances the remedy. Therefore, Green Earth Ltd. cannot avoid liability merely because the pollution was caused through an independent contractor. Since the amendment was enacted to prevent such evasions, Green Earth Ltd. would be held liable. Further, in the given situation, the Mischief Rule could be invoked because the provision is capable of more than one interpretation, had the language were clear and unambiguous, there would be no need to resort to this rule.

- 20.** Ms. Rashida departed India on 5th April, 2025, specifically to take up employment with a luxury fashion house in Milan. As per section 2(v) of the Foreign Exchange Management Act, 1999 (FEMA, 1999), a person who has gone out of India or who stays outside India for the purpose of taking up employment outside India ceases to be a 'Person Resident in India' from the date of departure irrespective of the number of days spent in India during the preceding financial year.

Accordingly, Ms. Rashida became a 'Person Resident Outside India' with effect from 5th April, 2025.

Her 12 day return in September 2025 for her sister's wedding does not alter this status. A temporary return for a purely personal purpose, without any change in the intention or purpose of residence, does not trigger change of residential status under FEMA. The determinative factor is the purpose and permanence of stay, not the mere physical presence in India for a brief period.

Ms. Rashida's residential status under section 2(v) of the FEMA, 1999, throughout the period from 5th April, 2025 onwards (including her 12 day visit to India in September 2025) is "Person Resident Outside 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 28th February, 2026, is applicable for September, 2026 examination. The relevant assessment year for September, 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 28.2.2026 but not covered in the study material webhosted at <https://resource.cdn.icai.org/92919bos-aps2378-int-p3a-statutory-sep2026.pdf>.



QUESTIONS

Case Scenario

Mr. Aniruddh, aged 38 years, is a resident individual employed as a senior project consultant in a technology firm M/s MNE enterprises in Bangalore. He is paying tax under the default tax regime for the P.Y. 2025-26 (A.Y. 2026-27).

During P.Y. 2025-26, he received a gross salary of ₹ 15,75,000. TDS deducted on salary during the P.Y 2025-26 is ₹ 1,09,200. He also provided technical consultancy services and charged fees of ₹ 48,000 from Startup A and ₹ 52,000 from Startup B whose turnover during the P.Y. 2024-25 exceed ₹ 5 crores. He opts for the presumptive taxation scheme under section 44ADA of Income-tax Act 1961.

In November 2025, he made the following outward remittances under the Liberalised Remittance Scheme (LRS) through an authorized dealer:

- On 10th November 2025, ₹ 8,50,000 to a university in Germany for his son's education (funded from personal savings).
- On 25th November 2025, ₹ 3,50,000 to his brother in Australia for personal maintenance.

He owns a residential building consisting of three identical floors. Floor 1 is self-occupied, Floor 2 was vacant for the whole year, and Floor 3 is let out at a monthly rent of ₹ 25,000. He paid municipal taxes of ₹ 30,000 for the entire building and interest of ₹ 12,00,000 on a housing loan taken for its construction.

On 15th March 2026, he sold a commercial plot for ₹ 65,00,000, which he acquired on 31st January, 2024 for ₹ 40,00,000. The stamp duty value on the date of transfer is ₹ 65,00,000.

The Cost of Inflation Index (CII) for the financial year 2025-26 and 2023-24 are 376 and 348, respectively.

Based on the facts of the case scenario given above, choose the most appropriate answer in respect of the MCQs 1 to 5:

1. Compute the income or loss under the head "Income from House Property" of Mr. Aniruddh for the Assessment Year 2026-27. In case of a loss, determine the amount eligible for set-off against other heads of income.
 - (a) Loss from house property of ₹ 1,97,000; entire loss of ₹ 1,97,000 can be set off against other heads of income.
 - (b) Loss from house property of ₹ 9,97,000; such loss can be set-off against income to the extent of ₹ 2,00,000.
 - (c) Income from House Property of ₹ 2,03,000.
 - (d) Loss from house property of ₹ 1,97,000; such loss can neither be set-off against other heads of income nor can be carried forward to subsequent year.

2. The authorized bank is required to collect tax at source from Mr. Aniruddh for his foreign remittances under the Liberalised Remittance Scheme (LRS) of -
 - (a) ₹ 40,000
 - (b) ₹ 2,40,000
 - (c) ₹ 10,00,000
 - (d) Nil
3. Compute the amount of Capital Gain arising from transfer of commercial plot in the hands of Mr. Aniruddh. Also, determine tax thereon ignoring surcharge and cess, if any.
 - (a) Long-term capital gain of ₹ 25,00,000 and tax thereon is ₹ 3,12,500
 - (b) Long-term capital gain of ₹ 21,78,761 and tax thereon would be ₹ 4,35,632
 - (c) Long-term capital gain of ₹ 25,00,000 and tax thereon is ₹ 4,35,632
 - (d) Long-term capital gain of ₹ 25,00,000 and tax thereon is ₹ 5,00,000
4. Compute the Gross Total Income of Mr. Aniruddh for the P.Y 2025-26.
 - (a) ₹ 41,00,000
 - (b) ₹ 39,03,000
 - (c) ₹ 40,50,000
 - (d) ₹ 38,53,000
5. Compute the tax payable after considering TDS/TCS (if any) by Mr. Aniruddh for the P.Y 2025-26?
 - (a) ₹ 4,42,000
 - (b) ₹ 4,25,000
 - (c) ₹ 2,26,760
 - (d) ₹ 2,22,600
6. Mr. Vikram, a foreign citizen and a Person of Indian Origin (PIO), resides in Country Z. He operates an international management consultancy

firm. During the Previous Year (P.Y.) 2025-26, he traveled to India for an official-cum-personal visit.

His consecutive period of stay in India during the current and preceding financial years is given below:

Financial Year	Period of Stay in India (Days)
2025-26	132 days
2024-25	110 days
2023-24	95 days
2022-23	85 days
2021-22	85 days

He compiled the following details regarding his global and domestic income streams for the P.Y. 2025-26:

- (1) Professional fees of ₹ 1,75,000 received from an Indian entity for specialized corporate training sessions conducted physically in Bangalore. The amount was credited directly to his bank account in Country Z.
- (2) Income of ₹ 8,50,000 derived from his management consultancy setup located in Country Z. This specific profession was originally set up and registered in India.
- (3) Gross annual rent received amounting to ₹ 3,50,000 from a residential house property owned by him in New Delhi. The municipal taxes of ₹ 20,000 on this property were borne and paid directly by the tenant.
- (4) Interest earned on Fixed Deposits with the State Bank of India amounting to ₹ 2,20,000.
- (5) Income of ₹ 4,00,000 earned and received from a commercial building situated in Country Z.
- (6) Net income of ₹ 5,00,000 from agricultural operations on land situated in Sri Lanka.

Mr. Vikram shifts out of the default tax regime under Income-tax Act 1961. Based on the above information:

- (i) Determine the residential status of Mr. Vikram for the A.Y. 2026-27

- (ii) Compute his Gross Total Income (GTI) based on his residential status.
7. Mr. Rudra and his wife, Mrs. Shivani, are resident in India for the P.Y. 2025-26. Mr. Rudra has explicitly chosen to file his tax return under the default tax regime (Section 115BAC). Mrs. Shivani has chosen to opt out of the default tax regime (filing under the optional regular tax provisions). They furnished the following information for the previous year 2025-26 unless otherwise stated:
- (i) Mr. Rudra is a working partner in M/s Dayal & Co., partnership firm and he received salary of ₹ 8,20,000 (gross) from such firm. The salary is as per the limits prescribed under section 40(b).
 - (ii) The details of other income/loss of Mr. Rudra are as follows:
 - A. Brought forward loss of ₹ 1,96,000 from House at Delhi (let out) of the previous year 2024-25 (For this year, he opts out of the default tax regime). Current year loss of ₹ 1,20,000 from such House (let out).
 - B. Cash gift of ₹ 1,35,000 received from grandfather's younger sister.
 - C. Dividend of ₹ 60,000 (gross) on listed equity shares of domestic companies
 - (iii) Mrs. Shivani incurred loss from boutique business of ₹ 2,10,000. She carried on this business with the funds gifted by Mr. Suraj to her.
 - (iv) Mrs. Shivani also received cash gift of ₹ 11,00,000 from Mr. Rudra's grandfather younger sister.
 - (v) Mr. Rudra holds 22% of the equity shares carrying voting power in Rudra Tech Pvt Ltd. Mrs. Shivani also holds 25% of the equity shares in the same company. Mrs. Shivani is employed as an interior layout planner at Rudra Tech Pvt Ltd at a monthly salary of ₹ 50,000. She does not possess the required qualifications for this specific designation.
 - (vi) On 15-05-2025, Mr. Rudra gifted equity shares of ₹ 80,00,000 to his brother's wife, Mrs. K. Subsequently, on 20-05-2025, Mr. Rudra's brother gifted a commercial building located in Mumbai, valued at ₹ 60,00,000, to Mr. Rudra's wife, Mrs. Shivani.

Mrs. Shivani immediately let out this commercial building from 01-06-2025 yielding a gross rent of ₹ 2,00,000 upto 31.3.2026.

- (v) Mr. Rudra received interest on enhanced compensation on 15th April, 2026 of ₹ 2,00,000. It relates to transfer of a piece of land in the financial year 2018-19.

Compute total income of Mr. Rudra and Mrs. Shivani for the A.Y. 2026-27 under their chosen tax regimes. Briefly explain the reasons for the treatment of each item.

8. Examine the applicability of Tax Deducted at Source (TDS) and compute the amount of tax required to be deducted, if any, in each of the following cases for the Previous Year 2025-26 (Assessment Year 2026-27):
- (i) Mr. Vivek, a resident individual engaged in the business of electrical goods, had a turnover of ₹ 18 crores during the Previous Year 2024-25. During the Previous Year 2025-26, he purchased goods from M/s Zenith Traders, a resident seller, in the ordinary course of business.

The details of purchases are as follows:

Date of Purchase	Amount (₹)
15.05.2025	24,00,000
22.08.2025	31,00,000
18.11.2025	29,00,000

The seller's account was credited on the respective dates of purchase and the entire payment of ₹ 84,00,000 was made on 15.03.2026. The turnover of M/s Zenith Traders during the Previous Year 2024-25 was ₹ 15 crore.

- (ii) ABC Technologies Ltd. paid ₹ 42,000 as sitting fees to one of its directors, Ms. Kavita, on 10.01.2026.
- (iii) Government of Rajasthan paid ₹ 4,80,000 to Mr. Raghav, a resident individual, on 18.12.2025 as compensation on compulsory acquisition of his urban land.

9. Mr. Samar, a 62-year-old resident individual, operates a small retail shop. For the P.Y. 2025-26, Mr. Samar furnished the following information:

- Mr. Samar chose to file his tax return under the default tax regime under section 115BAC. For the P.Y. 2025-26, his computed total income is ₹ 3,80,000. During the year, his electricity consumption expenditures is ₹ 95,000 across his properties. Additionally, various banks deducted an aggregate tax at source (TDS) of ₹ 28,000 on fixed deposit interest earnings. His gross receipts from retail shop is ₹ 28,00,000.
- To celebrate his spouse's birthday, Mr. Samar paid a single cash bill of ₹ 60,000 to a five-star luxury hotel. Later that month, he issued an account payee cheque of ₹ 48,000 to the Life Insurance Corporation (LIC) of India to renew his family's life insurance coverage.

Determine

- (i) whether Mr. Samar is compulsorily required to file his return of income for A.Y. 2026-27.
 - (ii) whether quoting a Permanent Account Number (PAN) is mandatory for Mr. Samar's transactions with the five-star luxury hotel and the life insurance provider.
10. Mr. Advait, a resident individual aged 48 years, is engaged in the manufacturing of industrial chemicals as a sole proprietor. He follows mercantile system of accounting. His net profit as per the Profit and Loss account for the financial year ended 31-03-2026 was ₹ 25,00,000 after debiting or crediting the following items:
- (i) ₹ 35,000 paid directly to a creditor for raw materials in cash.
 - (ii) Gross interest received on corporate bonds amounting to ₹ 20,000.
 - (iii) Contribution of ₹ 1,50,000 made to an approved university for social science research.
 - (iv) Commission charges of ₹ 2,00,000 paid to a local sales agent *via* account payee cheque without deducting tax at source (TDS).
 - (v) Normal depreciation of ₹ 5,00,000 including depreciation on total cost of new plant & machinery purchased and put to use on 12-07-2025 as per Income-tax Rules, 1962.

- (vi) Subsidy of 20% on the new machinery received from the State Government on 15.7.2025, amounting to ₹ 4,00,000.
- (vii) Medical expenses debited to the business include ₹ 60,000 paid to a hospital for the medical treatment of his dependent son, who is a person with a severe disability.
- (viii) ₹ 80,000 incurred for an advertisement published in a souvenir of a registered political party.
- (ix) On 15-03-2026, Mr. Advait purchased raw material worth ₹ 50,000 from M/s XYZ Industries registered as a micro-enterprise under the MSMED Act, 2006. The payment was outstanding as on 31-03-2026 and was subsequently settled on 25-05-2026. There was a written agreement between them specifying a 15-day payment period.

Additional Information:

- (a) He received a gross annual rent of ₹ 4,80,000 from let-out house property. The municipal taxes of ₹ 50,000 for this property were paid by him on 10-04-2026.
- (b) He repaid a housing loan principal of ₹ 90,000 and interest of ₹ 1,10,000 on such loan to a financial institution availed for purchase of such house property.
- (c) He received ₹ 1,05,000 from the premature withdrawal of a 5-year Post Office Time Deposit, which include interest of ₹ 15,000. He had previously claimed deduction under section 80C at the time of making such time deposit. The amount of interest has not been included in his total income in any earlier previous year.
- (d) He sold a vacant commercial plot of land on 10-06-2025 for ₹ 15,00,000, which had been originally acquired on 05-04-2008 for ₹ 3,00,000. (Cost Inflation Index for F.Y. 2008-09 is 137 and for F.Y. 2025-26 is 376).

Compute the total income and tax liability of Mr. Advait for the A.Y. 2026-27 under both default tax regime and the optional tax regime. The turnover for both the preceding and current financial years exceeds ₹ 3 crores.



SUGGESTED ANSWERS

Question No.	Answer
1.	(d) Loss from house property of ₹ 1,97,000; such loss can neither be set-off against other heads of income nor can be carried forward for subsequent year.
2.	(a) ₹ 40,000
3.	(a) Long-term capital gain of ₹ 25,00,000 and tax thereon is ₹ 3,12,500
4.	(c) ₹ 40,50,000
5.	(d) ₹ 2,22,600

6. (i) An individual would be resident in India if he satisfies any one of the basic conditions provided under section 6(1):
- (a) Stay in India during the previous year is 182 days or more, OR
 - (b) Stay in India during the previous year is 60 days or more, AND 365 days or more during the 4 immediately preceding previous years.

As per *Explanation 1(b)* to section 6(1), if an individual is an Indian citizen or a Person of Indian Origin (PIO) comes on a visit to India in a previous year, he would be considered as resident only if he stayed in India for 182 days or more during that previous year.

However, if such an Indian citizen or PIO has "total income other than income from foreign sources" exceeding ₹ 15,00,000 during the relevant previous year, then he would also be resident in India, if he stays for at least 120 days during the previous year and for 365 days or more during the 4 years immediately preceding the previous year. His total income other than income from foreign sources would be as follows:

Computation of Total Income other than income from foreign sources of Mr. Vikram for P.Y 2025-26

Particulars	Amount (₹)	Amount (₹)
I. Income from House Property		
A. Residential House Property in New Delhi		
Gross Annual Value (GAV)	3,50,000	
Less: Municipal Taxes (Nil, since taxes paid by the tenant are not allowed)	-	
Net Annual Value (NAV)	3,50,000	
Less: Statutory Deduction @ 30% of NAV (30% of ₹ 3,50,000)	<u>(1,05,000)</u>	
	2,45,000	
B. Commercial Building in Country Z		
[Not includible since income from commercial building is sourced entirely from outside India]	-	2,45,000
II. Profits and Gains of Business or Profession		
Professional fees for conducting corporate training sessions in India.	1,75,000	
Income from management consultancy setup in Country Z (Includible since it is derived from a profession set up and registered in India).	<u>8,50,000</u>	
		10,25,000
III. Income from Other Sources		
Interest earned on Fixed Deposits with the State Bank of India	2,20,000	

Net income from agricultural operations in Sri Lanka (accrues or arise outside India)	Nil	2,20,000
Total Income other than income from foreign sources		14,90,000

Since Mr. Vikram's total income other than income from foreign sources does not exceed ₹ 15 lakhs and he stayed in India during the P.Y. 2025-26 only for 132 days which is less than 182 days, he is a non-resident in India for the P.Y. 2025-26.

- (ii) As per section 5(2), a non-resident is chargeable to tax in India in respect of income received or deemed to be received in India or income which accrues or arise or deemed to accrues or arise to him in India. Accordingly, his gross total income would be as follows:

Particulars	Amount (₹)
Total Income other than income from foreign source as computed above	14,90,000
<i>Less: Income derived from management consultancy setup in Country Z (Not Taxable since accrues or arises outside India)</i>	8,50,000
Gross Total Income	6,40,000

7. Computation of total income of Mr. Rudra and Mrs. Shivani for A.Y. 2026-27

Particulars	Mr. Rudra [Under default tax regime] ₹	Mrs. Shivani [Under normal provisions] ₹
Income under the head "Salaries " Gross Salary [₹ 50,000 x 12] [Refer Note (i)]		6,00,000

Less: Standard Deduction u/s 16(ia)		50,000
		5,50,000
Income from house property		
Annual Value [Refer Note (ii)]	2,00,000	
Less: Deduction @30% of NAV	60,000	
	1,40,000	
Current year loss from House at Delhi [Can be set-off under the head "House Property" even under default tax regime]	1,20,000	
Brought forward loss from House at Delhi [Allowed to be set-off to the extent of ₹ 20,000 since he shifted out of the default tax regime for that year]	20,000	
	Nil	
Profits and gains of business or profession		
Salary from partnership firm	8,20,000	
Less: As per section 70, set off of current year business loss of new retail boutique business [Refer Note (iii)]	2,10,000	
	6,10,000	
Income from Other Sources		
Interest on enhanced compensation [Taxable in the year in which it is received. Since the same is received in year 2026-27, the same would not be taxable in P.Y. 2025-26]	-	
Gift from grandfather's sister or husband's grandfather sister [Taxable under section 56(2)(x), since	1,35,000	11,00,000

grandfather's sister or husband's grandfather sister is not a relative and the amount of gift exceeds ₹ 50,000]		
Dividend on shares (gross)	60,000	
	1,95,000	11,00,000
Taxable Income	8,05,000	16,50,000

Notes –

- (i) As per section 64(1)(ii), when both spouses have a substantial interest (i.e. shares carrying 20% or more of the voting power, either individually or along with their relatives) in a concern and one receives a salary without any technical or professional qualification, such remuneration must be clubbed in the hands of that spouse whose total income (excluding such remuneration) is higher.

In the present case, both Mr. Rudra (holding 22% voting power) and Mrs. Shivani (holding 25% voting power) have substantial interest in Rudra Tech Pvt Ltd. Since Mrs. Shivani's total income (excluding salary income) of ₹ 11,00,000 is higher than Mr. Rudra's total income (excluding salary income) of ₹ 8,05,000, salary received from Rudra Tech Pvt Ltd. will be included in her hands.

- (ii) If two transactions are inter-connected and are parts of the same transaction in such a way that it can be said that the circuitous method was adopted as a device to evade tax, the implication of clubbing provisions would be attracted. Accordingly, the income arising to Mrs. K from the equity shares should be included in the total income of Mr. Rudra's brother to the extent of value of house i.e., ₹ 60,00,000 and the rental income from building transferred to his wife Shivani by his brother would be taxable in the hands of Rudra.
- (iii) As per section 64(1)(iv), if an asset is transferred to a spouse without adequate consideration and invested in a business, the proportionate income belongs to the transferor. Further, *Explanation 2* to Section 64 clarifies that the term "income" explicitly includes "loss". Hence, the business loss sustained by Mrs. Shivani's boutique is clubbed into Mr. Rudra's income.

8. (i) Since Mr. Vivek's turnover during the P.Y. 2024-25 exceeded ₹ 10 crores and the aggregate value of goods purchased from M/s Zenith Traders during the P.Y. 2025-26 exceeded ₹ 50 lakhs, he is liable to deduct tax at source under section 194Q.

Tax is required to be deducted at 0.1% on the value of purchases exceeding ₹ 50 lakhs, at the time of credit or payment, whichever is earlier. Since the seller's account was credited on the respective dates of purchase, TDS is deductible at the time of credit.

On 15.5.2025 = Nil (No tax is to be deducted u/s 194Q on the purchases made on 15.5.2025 since the purchases made till that date have not exceeded the threshold of ₹ 50 lakhs)

On 22.8.2025 = 0.1% of ₹ 5 lakhs (amount exceeding ₹ 50 lakhs)
= ₹ 500

On 18.11.2025 = 0.1% of ₹ 29 lakhs = ₹ 2,900.

Total TDS deductible under section 194Q = ₹ 3,400.

- (ii) ABC Technologies Ltd. is required to deduct tax at source under section 194J at 10% on the sitting fees paid to its director. The threshold limit of ₹ 50,000 prescribed under section 194J is not applicable in respect of sitting fees paid to a director.

Accordingly, TDS = ₹ 42,000 × 10% = ₹ 4,200.

- (iii) Under section 194LA, tax is deductible only where the amount of compensation or enhanced compensation paid on compulsory acquisition of immovable property (other than agricultural land) exceeds ₹ 5,00,000 during the financial year.

Since the compensation paid to Mr. Raghav amounts to ₹ 4,80,000, which does not exceed the prescribed threshold limit, no tax is required to be deducted at source under section 194LA.

9. (i) Since Mr. Samar's total income does not exceed ₹ 4,00,000, being the basic exemption limit as per the default tax regime u/s 115BAC, he is not required to file return of income under section 139(1). However, any person other than a company or a firm, who is not required to furnish a return of income under section 139(1), is required to file income-tax return *inter alia* if he incurs an

expenditure exceeding ₹ 1,00,000 towards the consumption of electricity during the previous year or if the aggregate of TDS and TCS during the previous year is ₹ 50,000 or more (in case of a senior citizen) or gross receipts/turnover from business exceed ₹ 60 lakhs during the previous year.

In the present case, since Mr. Samar's electricity expenditure does not exceed the threshold limit of ₹ 1 lakh or tax deducted at source is also less than ₹ 50,000 and gross receipts from business also does not exceed ₹ 60 lakhs during the P.Y. 2025-26, he is not mandatorily required to file his return of income for A.Y. 2026-27.

- (ii) Rule 114B prescribes specific transactions where quoting of PAN is mandatory. Rule 114B specifies that making a payment to a hotel or restaurant against a bill or bills at any one time requires quoting of PAN if the payment is made in cash and exceeds ₹ 50,000. Since Mr. Samar made a single payment of ₹ 60,000 entirely in cash, he is required to mandatorily quote his PAN.

Further, PAN also needs to be quoted if the premium towards life insurance aggregates to more than ₹ 50,000, in a financial year. Since, Mr. Samar's made payment of only ₹ 48,000 via an account payee cheque, he is not required to quote his PAN.

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

Particulars	Amount (₹)	Amount (₹)
I. Income from house property		
Gross Annual Value (GAV)	4,80,000	
Less: Municipal Taxes paid (Nil, since taxes are paid by the owner after the relevant previous year 2025-26)	Nil	
Net Annual Value (NAV)	4,80,000	
Less: Statutory Deduction @ 30% of NAV (30% of ₹ 4,80,000)	(1,44,000)	
Less: Interest on loan under section 24(b)	(1,10,000)	2,26,000

II. Profits and gains of business or profession		
Net Profit as per profit and loss account	25,00,000	
Add: Expenses either not allowable or to be considered separately but charged in the profit and loss account		
(i) Payment made to creditors in cash (disallowed under section 40A(3), since such cash payment exceeds ₹10,000)	35,000	
(iii) Contribution to approved university for social science research (Not allowed under default tax regime u/s 115BAC)	1,50,000	
(iv) 30% of commission charges paid to a resident without deduction of tax at source not allowable as per section 40(a)(ia)	60,000	
(v) Normal depreciation [In respect of subsidy of ₹ 4,00,000 relatable to the cost of plant & machinery would not include in actual cost. Hence, depreciation on such amount not allowed i.e., ₹ 4,00,000 @15%]	60,000	
(vii) Personal Medical Expenses of Dependent disabled son (Personal expenses not allowed as per section 37)	60,000	
(viii) Advertisement in the souvenir of political party not allowable as per section 37(2B).	80,000	
(ix) Sum payable for purchase of raw materials from M/s XYZ Industries, a micro enterprise. (Not allowable as per section 43B(h), since payment was made on 25 th May 2026, which is beyond the agreed time limit)	50,000	
	29,95,000	

Less: Incomes credited to profit and loss account but not taxable as business income		
(ii) Gross Interest received on corporate bonds (Considered separately under the head "Income from other sources")	20,000	
(vi) Subsidy received on purchase of new plant & machinery (as per <i>Explanation 10</i> to section 43(1), it will be reduced from actual cost of machinery).	4,00,000	
Al(e) Additional Depreciation on new plant and machinery (not allowed under default tax regime under section 115BAC)	-	
		25,75,000
III. Capital Gains		
Full value of consideration	15,00,000	
Less: Cost of acquisition	3,00,000	
Long Term Capital gain (Since commercial plot of land is held for more than 24 months)		12,00,000
III. Income from Other Sources		
Gross Interest received on corporate bonds	20,000	
Pre-mature withdrawal post office time deposit (It is taxable under section 80C(6A) in the year of withdrawal before the specified time)	1,05,000	
		1,25,000
Gross Total Income		41,26,000
Less: Deductions under chapter VI-A (Not allowable under default tax regime)		Nil
Total Income		41,26,000
Tax Liability		
Tax liability as per special rate u/s 112	1,35,328	

<u>Tax on capital gains without indexation benefit</u>		
Tax on ₹ 12 lakhs @12.5% = ₹ 1,50,000		
<u>Tax on capital gains with indexation benefit</u>		
₹ 6,76,642 @ 20% = ₹1,35,328		
₹ 15,00,000 - (₹ 3,00,000x376/137) = ₹ 6,76,642		
Tax at slab rate on balance income of ₹ 29,26,000 (₹ 41,26,000 - ₹ 12,00,000)		
Upto ₹ 4,00,000	Nil	
₹ 4,00,001 to ₹ 8,00,000 @ 5%	20,000	
₹ 8,00,001 to ₹ 12,00,000 @ 10 %	40,000	
₹ 12,00,000 to ₹ 16,00,000 @ 15%	60,000	
₹ 16,00,001 to ₹ 20,00,000 @ 20%	80,000	
₹ 20,00,001 to ₹ 24,00,000 @ 25%	1,00,000	
₹ 24,00,001 to ₹ 29,26,000 @ 30%	1,57,800	
Tax Liability		5,93,128
Add: Health and education cess @ 4%		23,725
Tax Liability		6,16,853
Tax Liability (Rounded off)		6,16,850

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

Particulars	Amount (₹)	Amount (₹)
Gross Total Income as per default tax regime		41,26,000
Less: Contribution to approved university for social science research [Allowed under section 35(1)(iii) under optional tax regime]	1,50,000	
Less: Additional depreciation on new machinery [(₹ 20,00,000 - ₹ 4,00,000) x 20%] (allowed under optional tax regime)	3,20,000	4,70,000
Gross Total Income as per optional tax regime		36,56,000

Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Housing loan repayment	90,000	
Deduction under section 80DD		
Medical treatment of dependent with severe disability	1,25,000	2,15,000
Total Income as per optional tax regime		34,41,000
Tax Liability		
Tax liability as per special rate u/s 112	1,35,328	
<u>Tax on capital gains without indexation benefit: ₹ 12 lakhs @ 12.5% = ₹ 1,50,000</u>		
<u>Tax on capital gains with indexation benefit: ₹ 6,76,642 @ 20% = ₹ 1,35,328</u>		
$\text{₹ } 15,00,000 - (\text{₹ } 3,00,000 \times 376/137) = \text{₹ } 6,76,642$		
Tax at slab rate on balance income of ₹ 22,41,000 (₹ 34,41,000 - ₹ 12,00,000)		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 to ₹ 5,00,000 @ 5% (₹ 2,50,000 @ 5%)	12,500	
₹ 5,00,001 to ₹ 10,00,000 @ 20% (₹ 5,00,000 @ 20%)	1,00,000	
₹ 10,00,001 to ₹ 22,41,000 @ 30% (₹ 12,41,000 @ 30%)	3,72,300	
Tax Liability		6,20,128
Add: Health and education cess @ 4%		24,805
Total Tax Liability		6,44,933
Total Tax Liability (rounded off)		6,44,930

SECTION B: GOODS AND SERVICES TAX

- (1) *All questions should be answered on the basis of the position of GST law as amended by the Finance Act, 2025 including significant notifications and circulars and other legislative amendments made, which are effective up to 28th February 2026.*
- (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.*
- (3) *Unless otherwise specified, the section numbers and rules referred in questions and answers relating to GST pertain to the Central Goods and Services Tax Act, 2017 and the Central Goods and Services Tax Rules, 2017 respectively.*



QUESTIONS

Case Scenario

Ronaldo Pvt. Ltd., a supplier registered under GST in Jaipur, Rajasthan, is engaged in the supply of various goods and services. It provides the following details of various activities undertaken by it during the relevant tax periods:

Transactions during January

- (1) Ronaldo Pvt. Ltd. engages Mr. Arjun to procure specialised raw materials. Mr. Arjun negotiated with Bhakti Manufacturers and finalised the deal; Bhakti dispatched the goods to Mr. Arjun's warehouse, from where Mr. Arjun forwarded the consignment to Ronaldo's factory. The invoice for the goods, however, was raised by Bhakti Manufacturers directly in Ronaldo's name. Mr. Arjun separately charged Ronaldo for his commission. As part of the engagement, Ronaldo also conducted a

one-day workshop for Mr. Arjun on procurement and negotiation techniques, at no charge.

- (2) Ronaldo Pvt. Ltd. supplied goods worth ₹ 35,00,000 to Bansal Exports Pvt. Ltd., a registered recipient located in Prayagraj, Uttar Pradesh. In addition, Ronaldo Pvt. Ltd. recovered ₹ 60,000 separately from Bansal Exports Pvt. Ltd. towards a tax levied on the said supply by the Prayagraj Municipal Corporation.
- (3) Ronaldo Pvt. Ltd. rendered consultancy services to Girdhar Ltd., a registered person located in Jodhpur, Rajasthan, for an agreed fee of ₹ 6,00,000. As per the terms of engagement, Girdhar Ltd. was entitled to a discount of ₹ 30,000 for making upfront payment. Girdhar Ltd. got the discount and same was recorded in the tax invoice issued by Ronaldo.
- (4) Ronaldo Pvt. Ltd. procured raw materials worth ₹ 18,00,000 from Alpha Traders Ltd., a supplier registered in Lucknow, Uttar Pradesh, ₹ 1,00,000 from Beta Enterprises, a supplier registered in Delhi and ₹ 1,00,000 from Gamma Associates, a supplier registered in Kota, Rajasthan. The raw materials sent by Alpha Traders Ltd. and Beta Enterprises were received at Ronaldo's factory in Jaipur on 30th January. However, due to a transit delay attributable to the carrier, raw material sent by Gamma Associates reached Ronaldo's factory only on 1st February.
- (5) It acquired manufacturing equipment worth ₹ 2,00,000 from Techline Engineering Pvt. Ltd., a supplier registered in Hyderabad, Telangana, for use in its production process. Ronaldo Pvt. Ltd. claimed depreciation under the Income-tax Act, 1961 on the entire cost of machinery including GST component.
- (6) Ronaldo Pvt. Ltd. placed a purchase order for accessories worth ₹ 90,000 with its supplier and instructed the supplier – Jagjot Traders (registered in Bhilwara, Rajasthan) to ship the consignment directly to its network of dealers located in Delhi and Punjab for onward retail distribution. The supplier dispatched the goods accordingly. However, the tax invoice was issued in the name of Ronaldo Pvt. Ltd. only.

Transaction during March

In the month of March, Ronaldo Pvt. Ltd. supplied taxable goods worth ₹ 40,000 and exempt goods worth ₹ 10,000 to Dhananjay Enterprises, a retailer located in Maharashtra. As per the agreement, goods were to be delivered at the premises of Dhananjay Enterprises. In the invoice-cum-bill of supply issued to Dhananjay Enterprises, transportation charges recovered separately were ₹ 7,000 for taxable goods and ₹ 2,000 for exempt goods.

Additional information

Opening balance of ITC for the month of January are as follows:

- CGST: ₹ 20,000
- SGST: ₹ 50,000
- IGST: ₹ 75,000

GST rates applicable on all inward and outward supplies of goods/services:

- CGST: 9%
- SGST: 9%
- IGST: 18%

Notes:

1. All amounts are exclusive of GST.
2. Subject to the information given above, all conditions necessary for availing ITC have been complied with.
3. Wherever the relevant information for determining place of supply is not given with respect to an activity/transaction, same may be treated as an intra-State supply.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 5 below:

1. With respect to the training provided by Ronaldo Pvt. Ltd. to Mr. Arjun and the goods supplied by Mr. Arjun to Ronaldo Pvt. Ltd., which of the following statements are correct?
 - (i) Training provided by Ronaldo Pvt. Ltd. to Mr. Arjun is a supply.

- (ii) Training provided by Ronaldo Pvt. Ltd. to Mr. Arjun is not a supply.
- (iii) Supply of goods by Mr. Arjun to Ronaldo Pvt. Ltd. is not a supply.
- (iv) Supply of goods by Mr. Arjun to Ronaldo Pvt. Ltd. is a supply.

Choose the most appropriate option:

- (a) (i) and (iii)
 - (b) (i) and (iv)
 - (c) (ii) and (iv)
 - (d) (ii) and (iii)
2. Determine the taxable value of goods supplied to Bansal Exports Pvt. Ltd. and GST payable thereon.
- (a) Value = ₹35,00,000; IGST = ₹6,30,000
 - (b) Value = ₹35,60,000; IGST = ₹6,40,800
 - (c) Value = ₹35,60,000; CGST = ₹3,20,400 and SGST = ₹3,20,400
 - (d) Value = ₹35,00,000; CGST = ₹3,15,000 and SGST = ₹3,15,000
3. Determine the taxable value of consultancy services supplied to Girdhar Ltd. and GST payable thereon.
- (a) Taxable value = ₹6,00,000; CGST ₹54,000 and SGST ₹54,000
 - (b) Taxable value = ₹5,70,000; CGST ₹51,300 and SGST ₹51,300
 - (c) Taxable value = ₹5,70,000; IGST ₹1,02,600
 - (d) Taxable value = ₹6,30,000; CGST ₹56,700 and SGST ₹56,700
4. Compute the amount of ITC available in the electronic credit ledger of Ronaldo Pvt. Ltd. that can be set off against the output tax liability for the month of January.
- (a) CGST ₹28,100, SGST ₹58,100 and IGST ₹4,17,000
 - (b) CGST ₹20,000, SGST ₹50,000 and IGST ₹4,33,200
 - (c) CGST ₹20,000, SGST ₹50,000 and IGST ₹4,17,000
 - (d) CGST ₹28,100, SGST ₹58,100 and IGST ₹75,000

5. Determine whether an e-way bill is required to be generated in respect of goods supplied to Dhananjay Enterprises in March.
 - (a) E-way bill is mandatory since consignment value is ₹ 55,460.
 - (b) E-way bill is mandatory since consignment value is ₹ 57,200.
 - (c) E-way bill is not required to be generated since consignment value does not exceed ₹ 50,000.
 - (d) E-way bill is mandatory since consignment value is ₹ 67,460.
6. Stellar Orbit Appliances Pvt. Ltd., a registered person in Pune, Maharashtra, is engaged in supplying a bouquet of goods and services. It furnishes the following details of transactions undertaken during February:

Outward / inward transactions	Amount (₹)
Printed 100 copies (using its own paper costing ₹ 1,00,000, included in total consideration charged) of a book on 'Work Life Balance' authored by a well-known spiritual guru, Swami Omprakash, registered in Nashik, Maharashtra, wherein the content of the book was provided by Swami Omprakash.	2,10,000
Supplied a consignment of goods to Nageshwara Agro Estate situated at Panchgani (Maharashtra).	2,00,000
Supplied air-conditioners to Bridge & Co., registered in Mumbai, Maharashtra.	6,00,000
Provided catering services to Bright Coaching Classes Pvt. Ltd., Indore, M.P., a private commercial coaching institute preparing students for competitive examinations	2,40,000
Supplied goods in territorial waters to Coral Traders Ltd., registered in Goa. Such place in territorial waters was at a distance of 7 nautical miles to the baseline of coastal State of Gujarat and 5 nautical miles to the baseline of coastal State of Maharashtra.	4,50,000
Provided services of transportation of passengers by an air-conditioned Omnibus through an Electronic Commerce Operator (ECO).	12,58,000

Purchased goods to be used for activities relating to its obligations under corporate social responsibility	9,60,000
In the course of finalising the books of account for the month, the accountant of Stellar Orbit Appliances Pvt. Ltd. came across an unrecorded invoice dated 2 nd January for ₹ 5,20,000 (excluding tax). The invoice had been raised by Mr. Paramveer, an advocate practising in Patna, towards legal services supplied by him to Stellar Orbit Appliances Pvt. Ltd. However, no payment had been made against this invoice till the end of the month of March.	

Additional information:

- (i) In respect of the supply made in Panchgani, being a hill station, a local levy of Green Tax of ₹ 10,000 was charged by Stellar Orbit Appliances Pvt. Ltd. in the invoice issued to Nageshwara Agro Estate.
- (ii) The air-conditioners supplied to Bridge & Co. were installed at Tamil Nadu office of Bridge & Co., as per the agreement.
- (iii) Legal services received from Mr. Paramveer were used exclusively in relation to exempt supplies.
- (iv) All figures are exclusive of GST.
- (v) All conditions for availing ITC are fulfilled, subject to the information given above.
- (vi) CGST, SGST and IGST rates on all inward and outward supplies of goods and services are 9%, 9% and 18% respectively except CGST, SGST and IGST applicable on supply of paper is 2.5%, 2.5% and 5%.
- (vii) Turnover of Stellar Orbit Appliances Pvt. Ltd. in the preceding financial was ₹ 2 crores.
- (viii) Wherever the relevant information for determining place of supply is not given with respect to an activity/transaction, same shall be treated as an intra-State supply.

You are required to compute the amount of minimum net GST payable in cash by Stellar Orbit Appliances Pvt. Ltd. for the month of February.

7. Nakshatra Comforts Ltd. is engaged in providing various services in Delhi. It obtained registration under regular scheme on 25th April of the current financial year the date on which its turnover exceeded the threshold limit for registration. The company provides the following information pertaining to the inward supply received for the month of September of the same financial year:

S. No.	Particulars	Amount (₹)
(i)	Rent paid for a residential dwelling taken on rent from Mr. Dhruv, Delhi for use as residence of the Managing Director – Mr. Vasudev - of the company	30,000
(ii)	Rent paid for a commercial car parking lot, taken on rent from Mr. Rohit, U.P., for parking visitors' vehicles	20,000
(iii)	Amount paid for availing security services (supply of security personnel) from a company - Safe Security Services Pvt. Ltd., Punjab	60,000
(iv)	Paid to M/s Madhu & Co., Kolkata, a partnership firm of advocates, for legal consultancy services in relation to a legal issue faced by the company	1,00,000

Notes:

- (1) All the amounts given above are exclusive of GST.
- (2) Aggregate turnover of Nakshatra Comforts Ltd. for the immediately preceding financial year was ₹ 15 lakh.
- (3) None of the above suppliers is registered under GST.

You are required to compute the total value of supply on which tax is payable by Nakshatra Comforts Ltd. under reverse charge, from the information given above.

8. Determine the place of supply in each of the following independent circumstances:
 - (i) Ms. Kavya, Delhi is a passenger travelling from Bengaluru to Hyderabad on board a SkyWing Airlines flight. During the journey, she opts to watch a Hollywood movie available as "movie on demand," an in-flight entertainment service for which a separate charge is collected by the airline from her.
 - (ii) Mr. Bhushan, CFO of Zenith Exports Ltd. (a company registered under GST in Delhi) and a resident of Bhopal (Madhya Pradesh), approaches a branch of Trident Bank Ltd. located in Pune (Maharashtra) for obtaining a demand draft of ₹ 50,000 for payment of his son's admission fee. He does not maintain any account with Trident Bank Ltd.
 - (iii) Orion Engineering Pvt. Ltd., Ahmedabad (Gujarat), had leased a packaging machine costing ₹ 10,00,000 to Vertex Foods Pvt. Ltd., Indore (Madhya Pradesh) for use in its manufacturing operations at a monthly rent of ₹ 40,000. After the expiry of 18 months, Vertex Foods Pvt. Ltd. requested Orion Engineering Pvt. Ltd. to sell the machine to it for ₹ 6,00,000, which was accepted by Orion Engineering Pvt. Ltd. The machine continued to remain at the premises of Vertex Foods Pvt. Ltd. in Indore throughout, and was sold on an "as is where is" basis, with no further movement of the machine at any point.
9. Answer the following questions, assuming that suppliers are registered under GST:
 - (a) Bhagwati Roadlines is a registered Goods Transport Agency (GTA) that issues consignment notes for every consignment transported by it. Details of the consignments of goods transported by it in a goods carriage during the month of January are as follows:
 - (i) Transported goods for Mr. Rajaram, an unregistered individual consumer, for his household goods to his new residence.
 - (ii) Transported raw material for Nakshatra & Associates, a partnership firm.

- (iii) Transported goods for the Gram Panchayat Office (a local authority), which holds GST registration *only* for the purpose of deducting tax at source under section 51 and does not make any taxable supply.

Determine whether GST is payable on each of the above services.

- (b) Jarnail Singh, who owns one tempo which he drives himself, transported cement bags for a private builder but did not issue any consignment note. He charged ₹ 18,000 for the trip.
- (c) Ragini, a classical Kathak dancer, has performed at the following events in the year, each performance being a separate, independent contract:
- (i) A solo classical kathak performance at a cultural sabha, for a fee of ₹1,48,000.
 - (ii) A classical kathak performance choreographed specifically to promote a jewellery brand's new festive collection, for a fee of ₹ 1,20,000.
 - (iii) Two classical kathak performances for two different organisers on the same day of on occasion of Durga Pooja; ₹ 90,000 from the first organiser and ₹ 85,000 from the second organiser.

Ragini was also engaged in making traditional madhubani paintings for Dhriti Artworks for which she received a consideration of ₹ 1,40,000.

Separately, the organiser of event (i) charged the audience an admission fee of ₹ 450 per person to attend Ragini's performance.

Discuss whether GST is payable (I) by Ragini on each of her performances undertaken during the year and supply of paintings, and (II) by the organiser on the admission fee collected for event (i).

10. Who is liable to collect TCS (collection of tax at source) under section 52 of the CGST Act, 2017? Briefly explain the provisions relating to registration, filing of return and deposit of TCS to Government citing relevant provisions of the GST law.



SUGGESTED ANSWERS

MCQ No.		Most Appropriate Answer
1.	(d)	(ii) and (iii)
2.	(b)	Value = ₹ 35,60,000; IGST = ₹ 6,40,800
3.	(b)	Taxable value = ₹ 5,70,000; CGST ₹ 51,300 and SGST ₹ 51,300
4.	(a)	CGST ₹ 28,100, SGST ₹ 58,100 and IGST ₹ 4,17,000
5.	(a)	E-way bill is mandatory since consignment value is ₹ 55,460.

6. **Computation of the minimum net GST payable in cash by Stellar Orbit Appliances Pvt. Ltd. for February:**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge				
Intra-State supply of printing services [Since supply of printed books (where content is provided by author) is a composite supply wherein the principal supply is supply of printing services, the rate of GST applicable thereon is the rate applicable on supply of printing services, i.e. 9% - each under CGST and SGST. Further, place of	2,10,000	18,900 [2,10,000 × 9%]	18,900 [2,10,000 × 9%]	-

supply is location recipient of services of printing, i.e. Nashik, Maharashtra.]				
Supply of consignment of goods to Nageshwara Agro Estate [Green tax of ₹10,000 is includible in the value of supply, since any taxes levied under any law for the time being in force except under the CGST/SGST/ UTGST Act and GST Compensation Cess Act, if charged separately by the supplier, is includible in the value of supply. Further, it's an intra-State supply as place of supply is Panchgani, Maharashtra, being location of goods at the time at which movement of goods terminates.]	2,10,000 [2,00,000 + 10,000]	18,900 [2,10,000 x 9%]	18,900 [2,10,000 x 9%]	-

Supply of air-conditioners to Bridge & Co. [Inter-State supply as place of supply is Tamil Nadu, being the place of installation of machinery.]	6,00,000	-	-	1,08,000 [6,00,000 x 18%]
Catering to Bright Coaching Classes [Exemption for catering services to an "educational institution" is available only to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent. A private commercial coaching institute preparing students for competitive exams is NOT an "educational institution" for this purpose. Hence catering service is taxable. It is an inter-State supply since place of supply, being location of recipient, is Indore, M.P.]	2,40,000	-	-	43,200 [2,40,000 x 18%]

Supply of goods in territorial waters [Where supply is in the territorial waters, the place of supply is deemed to be in the coastal State where the nearest point of the appropriate baseline is located, viz. Maharashtra in the given case. Hence, supply will be intra-State supply of goods.]	4,50,000	40,500 [4,50,000 x 9%]	40,500 [4,50,000 x 9%]	
Transportation of passenger services by an omnibus provided through electronic commerce operator (ECO) [Tax on transportation of passengers' services by an omnibus provided through ECO is a notified service under section 9(5). However, since said services are provided by a company, tax is payable by supplier - Stellar Orbit Appliances Pvt. Ltd. and not by the ECO.]	12,58,000	1,13,220 [12,58,000 x 9%]	1,13,220 [12,58,000 x 9%]	
Total GST under forward charge		1,91,520	1,91,520	1,51,200

Less: Eligible ITC				
Goods purchased to be used for activities relating to its obligations under corporate social responsibility. [ITC on goods purchased to be used for activities relating to its obligations under corporate social responsibility is blocked.]	-	-	-	-
Legal services from Mr. Paramveer [ITC on legal services received is not available since they are being used exclusively in relation to exempt supplies.]	-	-	-	-
Add: GST payable under reverse charge				
Legal services from Mr. Paramveer [Tax on legal services provided by an individual advocate to a business entity is payable under reverse charge. Time of supply of such services is 4 th March, being earlier of date of	-	-	-	-

payment (Beyond March) or date immediately following 60 days since issue of invoice by the supplier (4 th March). Since the time of supply of legal services in the given case does not fall in February, tax liability on the same does not arise in said month.]				
Minimum net GST payable in cash		1,91,520	1,91,520	1,51,200

7. **Computation of total value of supply tax on which is payable by Nakshatra Comforts Ltd. under reverse charge:**

S. No.	Particulars	Value of supply (₹)
(i)	Rent paid for a residential dwelling taken on rent from Mr. Dhruv [Taxable, since residential dwelling for use as residence are being rented to a registered person. Further, tax on service by way of renting of residential dwelling by any person to a registered person is payable under reverse charge by such registered person. Hence, in the given case, tax is payable by Nakshatra Comforts Ltd.]	30,000
(ii)	Rent paid for a commercial car parking [Tax on service by way of renting of any	20,000

	immovable property other than residential dwelling by an unregistered person to a registered person other than a person who has opted to pay tax under composition levy is payable under reverse charge by such registered person. Hence, in the given case, tax is payable by Nakshatra Comforts Ltd.]	
(iii)	Security services availed from Safe Security Services Pvt. Ltd. [Tax on security services (services provided by way of supply of security personnel) provided by a person other than body corporate to a registered person is payable under reverse charge. Since in the given case, security services are being provided by a body corporate, tax is not payable under reverse charge by Nakshatra Comforts Ltd. Moreover, since Safe Security Services Pvt. Ltd. is unregistered, tax is not payable at all on said transaction.]	Nil
(iv)	Legal fees paid Legal services provided by a partnership firm of advocate other than a senior advocate to a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration, are exempt from GST. Thus, no GST is payable on the said transaction at all.	Nil
	Total value of supply on which tax is payable under reverse charge	50,000

8. (i) The place of supply of services on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, shall be the location of the first scheduled point of departure of that conveyance for the journey.

In the given case, the in-flight "movie on demand" is a service supplied on board the aircraft. The first scheduled point of departure of the SkyWing Airlines flight is Bengaluru.

Therefore, the place of supply is Bengaluru (Karnataka).

- (ii) The place of supply of banking and other financial services, including stock broking services, to any person shall be the location of the recipient on the records of the supplier. However, where the address of the recipient as per the records of the supplier of services is not available, the place of supply shall be the location of the supplier of services.

In the given case, Mr. Bhushan does not maintain any account with Trident Bank Ltd., his address would not be available in the bank's records.

Therefore, the place of supply is Pune (Maharashtra), being the location of the supplier of services.

- (iii) Where the supply does not involve movement of goods, whether by the supplier or the recipient, the place of supply of such goods shall be the location of the goods at the time of delivery to the recipient.

In the given case, the packaging machine was already lying at the premises of Vertex Foods Pvt. Ltd. in Indore and was sold on an "as is where is" basis.

Therefore, the place of supply is Indore (Madhya Pradesh), being the location of the machine at the time of delivery to the recipient.

9. (a) (i) Services provided by a Goods Transportation Agency to an unregistered person, including an unregistered casual taxable person, other than specified recipients (factory, society, co-operative society, body corporate, partnership firm or registered casual taxable person) are exempt from GST. An unregistered individual is not a specified recipient.

Thus, the services of transportation of goods provided to Mr. Rajaram are exempt from GST.

- (ii) Services provided by a Goods Transportation Agency to an unregistered person, including an unregistered casual taxable person are exempt from GST. However, said services provided to specified recipients are not so exempt. One of these specified recipients is partnership firm whether registered or not under any law including association of persons.

Thus, the services of transportation of raw material provided to Nakshatra & Associates are not exempt from GST. GST is payable on said services.

- (iii) Services provided by a Goods Transportation Agency, by way of transport of goods in a goods carriage, to Governmental agencies, which has taken registration under the GST law only for the purpose of deducting tax under section 51 and not for making a taxable supply of goods or services are exempt from GST.

Thus, the services of transportation of goods provided to the Gram Panchayat Office are exempt from GST.

- (b) Services by way of transportation of goods by road except the services of a Goods Transportation Agency (GTA) are exempt from GST. However, individual truck/tempo operators who do not issue any consignment note are not covered within the meaning of the term GTA. As a result, the services provided by such individual transporters who do not issue a consignment note are exempt under GST.

Thus, GST is exempt on services of transportation of goods provided by Jarnail Singh, in the given case.

- (c) (I) Services by an artist by way of a performance in folk or classical art forms of-
- (a) music, or
 - (b) dance, or

(c) theatre,

if the consideration charged for such performance is not more than ₹ 1,50,000 are exempt from GST. However, if it exceeds this amount, the entire consideration becomes taxable.

Further, the exemption shall not apply to service provided by such artist as a brand ambassador.

Moreover, activities of artists in still art forms e.g. painting, sculpture making etc. are taxable.

In view of above discussion:

- (i) Solo classical kathak performance by Ragini at cultural sabha is exempt from GST since the consideration does not exceed ₹ 1,50,000.
- (ii) The classical kathak performance by Ragini for jewellery brand is not exempt from GST and GST is payable on entire fee of ₹ 1,20,000 because said services are performed as a brand ambassador.
- (iii) Since the amount involved in each of the two contracts independently is below ₹ 1,50,000, GST is not payable by Ragini on either of the performances, notwithstanding that the combined consideration for the day exceeds ₹ 1,50,000.

Since Madhubani paintings made for Dhriti Artworks are activities in still art forms, same are not exempt from GST. GST is payable on the same.

- (II) Services by way of right to admission to a dance performance where the consideration for right to admission to said event is not more than ₹ 500 per person. Since in the given case, the admission fee per person charged by the organiser of event to attend Ragini's performance does not exceed ₹ 500, same is exempt from GST.

- 10.** Every Electronic Commerce Operator (ECO), not being an agent, is liable to collect tax at source (TCS).

Such ECO is required to submit a registration application in prescribed form through the common portal. The proper officer shall, after due verification, grant registration within 3 working days from the date of the application. On a request or upon an enquiry or pursuant to any other proceeding under GST law, if the proper officer is satisfied that a person is no longer liable to collect the tax at source, he may cancel his registration.

Such ECO shall furnish a monthly statement in prescribed form containing the details of the outward supplies of goods and/ or services effected through it, including supplies returned through it and the amount collected by it as TCS during the month within 10 days after the end of each month in which tax has been collected at source.

They also required to file annual statement¹ on or before 31st December following the end of the financial year.

The TCS amount collected by the ECO has to be deposited by 10th of the month succeeding the month in which TCS has been collected.

¹ It may be noted that the annual statement (Form GSTR-9B) is yet to be notified.

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

Intermediate Level

Paper 2: Corporate and Other Laws

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, along with significant Rules/ Notifications/ Circulars/ Clarification/ Orders issued by the Ministry of Corporate Affairs (MCA)/ Reserve Bank of India (RBI), as covered in the Study Material, along with significant amendments issued by the respective authority up to 28th February 2026, are applicable for September 2026 examination.

The 'July 2024 (Reprint August 2025 and onwards)' edition of the Study Material for Intermediate Paper 2, as amended upto 31st July 2025, is relevant for September, 2026 examination.

Further, significant amendments which are not covered in the study material but are relevant for September, 2026 examination are issued by the Board of Studies (Academic) through 'Amendments for September, 2026 examination'. These amendments are separately webhosted on BOS Knowledge Portal at the link: <https://resource.cdn.icai.org/91780bos-aps4085-sep2026.pdf>

Accordingly, the aforementioned Study Material has to be read along with the said Amendments.

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 28.02.2026**, are applicable for September, 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

September, 2026 examination. The Study Material has to be read along with the **Statutory Update for September, 2026 examination** covering notifications and circulars issued upto 28.02.2026 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 28.02.2026, are applicable for September 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 28.02.2026 are applicable for September 2026 examination. Accordingly, all the amendments made by the Finance Act, 2025 are applicable for September 2026 examination since they have become effective till 28.02.2026.

- (ii) **The Study Guidelines given below specify the exclusions from the syllabus for September 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
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***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 September 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 September 2026 examination shall only be relevant for the said examination.