

FINAL COURSE
GROUP – II

REVISION TEST PAPERS

NOVEMBER, 2026



BOARD OF STUDIES (ACADEMIC)
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
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REVISION TEST PAPER, NOVEMBER 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/Judicial 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 in virtual mode for the students of Foundation, Intermediate and Final levels provide the students much required support in preparing for their exams conveniently at home as these classes can be accessed live or viewed later as recorded lectures through hand-held devices such as smart phones, laptops, I-pads, tablets, etc. anytime anywhere. Further,

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

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

II. Planning and preparing for examination

Ideally, when the RTP reaches your hand, you must have finished reading the relevant Study Materials of all the subjects (along with the Statutory Update in case of Paper 5 and Judicial Update in Paper 4) 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 and Judicial 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 - 4: DIRECT TAX LAWS & INTERNATIONAL TAXATION

The provisions of direct tax laws, as amended by the Finance Act, 2025 and significant notifications, circulars issued and other legislative amendments made upto 30.04.2026, are relevant for November 2026 examination. The relevant assessment year for November 2026 examination is A.Y.2026-27.

The September 2025 edition of the Study Material, comprising of four modules (Modules 1 to 4), is applicable for November 2026 Examination.

Since there are no significant notifications/circulars [*except Notification No. 54/2026 dated 31.3.2026 which is included as a Note below the AAR (Income-tax) v. Tiger Global International II Holdings (2026) 485 ITR 214 (SC), in the Judicial Update*] issued between 1.8.2025 and 30.04.2026, Statutory Update is not issued for November, 2026 Examination.

The above referred study material has to be read along with Judicial Update for November, 2026 examination available at <https://resource.cdn.icai.org/90669bos-aps4077-ju-may2026.pdf> which is also relevant and important for November, 2026 examination.

You have to read the September 2025 edition of the Study Material along with the Judicial Update for November, 2026 examination thoroughly to attain conceptual clarity and understand the impact of amendments and interpretation of court rulings. In the Study Material, 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 test your knowledge 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 in the Case Scenario Booklet to assess your level of understanding and hone your analytical and problem-solving skills.

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.

PAPER – 5: INDIRECT TAX LAWS

The subject of Indirect Tax Laws at the Final level is divided into two parts, namely, Part I: Goods and Services Tax for 80 marks and Part II: Customs & Foreign Trade Policy (FTP) for 20 marks. For this paper, the following are applicable for November 2026 examination:

The following are applicable for November 2026 examination:

- (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 30.04.2026.
- (ii) The provisions of the Customs Act, 1962 and the Customs Tariff Act, 1975, as amended by the Finance Act, 2025 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 30.04.2026.

Note - The amendments made by the Annual Union Finance Acts in the Indirect Tax Laws are made effective from a date notified subsequently. Thus, only those amendments made by the relevant Finance Acts which have become effective till 30.04.2026 are applicable for November 2026 examination.

Further, it may be noted that amendments made by the Finance Act, 2023 in section 65 of the Customs Act, 1962 and insertion of new section 65A in the Customs Act, 1962 have not become effective till 30.04.2026 and thus, are not applicable for November 2026 examination. Also, the amendments made by the Finance (No. 2) Act, 2019 in sections 2(4), 95, 102, 103, 104, 105 and 106 of the CGST Act, 2017 and the insertion of new sections 101A, 101B & 101C in the CGST Act, 2017, have not become effective till 30.04.2026 and thus, are not applicable for November 2026 examination.

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

Students may note that September 2025 Edition of the Study Material is applicable for Final Paper 5: Indirect Tax Laws. The Study Material has been divided into four modules for ease of handling by students. The

first three modules are on GST and the fourth module is on Customs and FTP.

The subject matter of Part I: Goods and Services Tax of this Study Material is based on the provisions of the Central Goods and Services Tax Act, 2017 and Integrated Goods and Services Act, 2017 as amended by the Finance Act, 2024 and Finance (No. 2) Act, 2024 including the significant notifications and circulars issued and other legislative amendments made, which have become effective upto 30.04.2025.

The content discussed in Part II: Customs & FTP is based on the Customs laws as amended by the Finance Act, 2025 including the significant notifications and circulars issued and other legislative amendments made, which have become effective upto 30.04.2025.

The significant notifications and circulars issued from 01.05.2025 to 30.04.2026 in Part I: Goods and Services Tax and Part II: Customs & FTP are compiled and web hosted as Statutory Update for November 2026 examination.

You have to read the Study Material alongwith Statutory update thoroughly to attain conceptual clarity. Read the case laws given at the end of chapters under "Significant Select Cases" in module on customs laws.

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. Detailed answers have been provided for the descriptive questions given in this RTP to facilitate in depth understanding and appreciation of the provisions of the indirect tax laws in problem solving. This will help in enhancing your conceptual clarity and honing your application and analytical skills so that you are able to approach the examination with confidence and a positive attitude.

PAPER – 6: INTEGRATED BUSINESS SOLUTIONS

Integral to the Integrated Business Solutions (IBS) curriculum is the 'Case Study', a vital aspect of the CA Final Level. Here, students must apply their knowledge gathered from the five core subjects at final level and Self-paced Modules Set A & B. In this paper, since students are expected to integrate the knowledge acquired in different subjects in solving case studies, there is no separate study material. However, multi-disciplinary case studies are available in Case Study Digest, which will help them understand the manner of answering case study-based questions involving different subjects. The Case Study Digest features a diverse collection of case studies, highlighting contemporary business models adopted by leading companies across a range of sectors. These sectors include the beverage industry (specifically the tea segment), e-commerce, transportation, telecommunications, the aviation sector, food and hospitality, the construction industry, healthcare, and the fast fashion industry. Each case study provides an in-depth analysis of the innovative strategies and practices driving success in these fields.

In case students face difficulty in any subject, they can refer "Saransh" for different subjects, wherein the concepts and provisions are explained through diagrams, charts and tables to facilitate quick assimilation of the significant concepts and provisions dealt with in each subject.

The manner of assessment of this paper would be 40% by way of MCQs and 60% in the form of Descriptive Questions in each case study of 25 marks. The examination is open book, thereby eliminating the need for rote learning.

This revision test paper includes two case studies. Here's the data tabulated case study-wise:

Case Study	Industry	Subjects	Topics
1	Carry On Airline Limited (COAL) (Airline Industry)	Financial Reporting, Auditing, Corporate and Economic Laws,	The case requires to analyse COAL using the McKinsey 7S Framework, determine the Ind AS 116 accounting treatment of

		Strategic Cost & Performance Management, Indirect Tax	the sale-and-leaseback of aircraft, evaluate the GST eligibility of ITC on aircraft, related services and lease rentals, and address SEBI's disclosure requirements, as well as identifying the relevant audit risk arising from the airline's operational model.
2	Synovia & Synovia Life Sciences Ltd. (S & S) (Pharmaceutical Industry)	Auditing, Advanced Financial Management, Strategic Cost & Performance Management	The case requires to evaluate the suitability of a pull-based inventory management system for different drug categories, assess the strategic acquisition., determine the appropriate financing method, address FEMA limits for foreign remittances, and determine how the work of component auditors should be referred to in the consolidated audit report.

Solving multidisciplinary 'Case Study' will enhance the analytical skills and decision-making skills of students. This holistic and integrated approach ensures that students emerge well-equipped to tackle the challenges presented in the constantly changing business environment.



PAPER – 4: DIRECT TAX LAWS & INTERNATIONAL TAXATION

The provisions of direct tax laws, as amended by the Finance Act, 2025 and the significant notifications and circulars issued upto 30.04.2026, are relevant for November 2026 examination. The relevant assessment year is A.Y. 2026-27. The September 2025 edition of the Study Material contains the provisions of direct tax laws as amended by the Finance Act, 2025 and notifications and circulars issued upto 31.7.2025. The said study material has to be read along with the Judicial Update for November, 2026 Examination webhosted at <https://resource.cdn.icai.org/90669bos-aps4077-ju-may2026.pdf>. Since there are no significant notifications/circulars issued between 1.08.2025 and 30.04.2026 [except Notification No. 54/2026 dated 31.3.2026 which is included as a Note below the AAR (Income-tax) v. Tiger Global International II Holdings (2026) 485 ITR 214 (SC), in the said Judicial Update], Statutory Update is not issued for November 2026 Examination.



QUESTIONS

Case Scenario I

Nordica International Bank AG is a banking company incorporated in, and a tax resident of Switzerland. It has been carrying on banking business in India through a single branch at Mumbai since 2018, and that branch constitutes its permanent establishment in India. The bank is included in the Second Schedule to the Reserve Bank of India Act, 1934.

For the previous year 2025-26, the Mumbai branch reported a net profit of ₹ 21.75 crores after debiting to its profit and loss account, *inter alia*, the following items:

- (i) Provision made towards advances classified as sub-standard, doubtful and loss assets in accordance with the prudential norms of the Reserve Bank of India – ₹ 38.75 crores.
- (ii) Amount allocated to the Mumbai branch by the Zurich Head Office through a head office debit note of ₹ 6.60 crores comprise of the following:
 - (a) ₹ 2.50 crores, being rent, rates and insurance of the Zurich head office premises used for the purposes of the bank's business, and salary and allowances of personnel employed in that office. This expenditure relates to the bank's operations across all jurisdictions and has been allocated to the Mumbai branch on the basis of turnover.
 - (b) ₹ 1.70 crores, being salary and allowances of personnel employed in the Zurich head office who deal exclusively with the Indian operations, together with the travelling expenditure of such personnel for the internal audit of the Mumbai branch. This expenditure relates wholly and exclusively to the Mumbai branch.
 - (c) ₹ 2.40 crores, being professional and regulatory compliance charges for services rendered in India by Indian firms engaged for the Mumbai branch. The Indian firms raised their invoices on the Mumbai branch, which deducted and paid tax thereon under Chapter XVII-B within the prescribed time; the Head Office settled those invoices on behalf of the branch.

The expenditure referred to in (a) and (b) above was incurred and borne outside India by the bank and was met out of the funds of the Zurich head office.

- (iii) Interest of ₹ 7.25 crores payable to the Zurich Head Office on funds provided by the Head Office for use in the banking business of the Mumbai branch. The amount was credited to the account of the Head Office during the previous year 2025-26 but remained unpaid as on 31st March 2026. No tax was deducted at source thereon by the Mumbai branch considering that HO and branch are not separate entities.
- (iv) Interest of ₹ 6.00 crores credited on 1st January 2026 to the accounts of resident depositors. Tax is deductible under Chapter XVII-B on this interest of ₹ 0.60 crores, however, such tax was actually deducted on

28th February 2026 and was deposited into the credit of the Central Government on 18th June 2026.

The following further information is available:

- (1) Advances aggregating ₹ 6.40 crores became irrecoverable during the previous year 2025-26 and were written off by debit to the provision for bad and doubtful debts account made under section 36(1)(viiia); the write-off has accordingly not been charged to the profit and loss account for the year. The opening credit balance as on 1st April, 2025 in that account for the purposes of the proviso to section 36(1)(vii) was ₹ 4.85 crores.
- (2) Interest of ₹ 18.90 crores accrued during the previous year 2025-26 on certain advances classified in accordance with the prudential norms of the Reserve Bank of India, being categories of bad and doubtful debts of the description prescribed under the Income-tax Rules, 1962. No part of this interest was credited to the profit and loss account. Of this amount, ₹ 5.30 crores was actually received during the previous year 2025-26 and was credited to an interest suspense account; the balance of ₹ 13.60 crores was neither credited to any income account nor received during that year.
- (3) The adjusted total income of the Mumbai branch for the previous year 2025-26, computed in accordance with the requirements of section 44C is ₹ 150 crores.
- (4) The total income of the Mumbai branch for the previous year 2025-26, computed before making any deduction under section 36(1)(viiia) and before deduction under Chapter VI-A is ₹ 110 crores.
- (5) The branch has furnished its return of income for the Assessment Year 2026-27 within the due date specified under section 139(1).

Note - The provisions of the agreement entered into between India and Switzerland under section 90 are *not* to be considered; the questions are to be answered with reference to the provisions of the Income-tax Act, 1961 only.

From the information given above, choose the most appropriate answer to MCQs 1 to 6.

1. The aggregate amount deductible under section 44C in respect of the head office debit note of ₹ 6.60 crores, while computing the business income of the Mumbai branch for the Assessment Year 2026-27, is:
(A) ₹ 4.90 crores
(B) ₹ 6.60 crores
(C) ₹ 4.20 crores
(D) ₹ 7.50 crores
2. In MCQ 1, if the entire amount is not deductible under section 44C, would any part of it be deductible under any other provision of the Income-tax Act, 1961? If so, how much and under which provision?
(A) No, the entire amount is allowable as deduction under section 44C.
(B) Yes, ₹ 4.2 crores u/s 37
(C) Yes, ₹ 2.4 crores u/s 37
(D) Yes, ₹ 2.5 crores u/s 37
3. What would be the tax treatment of interest on certain advances falling within the category of bad and doubtful debts in accordance with the prudential norms of RBI, while computing the total income of the Mumbai branch for the Assessment Year 2026-27?
(A) The entire interest of ₹ 18.90 crores is chargeable to tax on accrual basis.
(B) No part of the ₹ 18.90 crores is chargeable to tax as no part thereof is credited to the profit and loss account of the branch
(C) ₹ 5.30 crores is chargeable to tax in the A.Y. 2026-27 and the balance of ₹ 13.60 crores will be chargeable to tax in the previous year in which it is credited to the profit and loss account or is actually received, whichever is earlier.
(D) ₹ 13.60 crores is chargeable to tax in the Assessment Year 2026-27; ₹ 5.30 crores is not chargeable, having been credited to an interest suspense account and not to the profit and loss account.

4. What would be the aggregate amount of deduction allowable in respect of both provision for doubtful debts and advances written off as irrecoverable for the Assessment Year 2026-27?
- (A) ₹ 10.90 crores
(B) ₹ 7.05 crores
(C) ₹ 11.90 crores
(D) ₹ 5.50 crores
5. Which of the following correctly states the position in respect of the interest of ₹ 7.25 crores payable by the Mumbai branch to the Zurich Head Office?
- (A) The interest is not chargeable to tax in India and no tax is deductible at source thereon.
(B) The interest is chargeable to tax in India in the hands of the Head Office, but no tax is deductible at source under Chapter XVII-B, the Mumbai branch and the Head Office not being distinct persons.
(C) The interest is chargeable to tax in India in the hands of the Head Office; tax was deductible at source under section 195 and, in the absence of deduction of tax at source, 30% of ₹ 7.25 crores is disallowable under section 40(a)(ia).
(D) The interest is chargeable to tax in India in the hands of the Head Office; tax was deductible at source under section 195 and, in the absence of deduction, the entire ₹ 7.25 crores is disallowable under section 40(a)(i).
6. In respect of the interest of ₹ 6.00 crores credited to resident depositors, what would tax consequences for non-deduction and deposit of tax deducted at source by the for the Assessment Year 2026-27 is:
- (A) ₹ 1.8 crores is disallowable under section 40(a)(ia), however, no interest under section 201(1A) is payable
(B) No disallowance under section 40(a)(ia) and no interest under section 201(1A) is payable

- (C) No disallowance under section 40(a)(ia), however, interest under section 201(1A) is payable
- (D) ₹ 1.80 crores is disallowable under section 40(a)(ia) and interest under section 201(1A) is payable

Case Scenario II

Bharat Infra Projects Limited ("BIPL") is a listed Indian public limited company engaged primarily in the engineering, procurement and construction of Hybrid Annuity Model highway projects and related infrastructure works, and it also owns and operates renewable energy generating activities of its own.

During the previous year 2025-26, BIPL continued its core construction operations. In respect of one long-term Hybrid Annuity Model highway contract, which commenced on 1st April 2025, the following are the particulars:

Particulars	Amount (₹)
Total contract price inclusive of retention money of ₹ 18 crore	₹ 480 crores
Estimated total contract costs	₹ 400 crores
Net contract costs as recorded in the books of BIPL after reducing ₹ 4 crores of interest earned on temporary deployment of the mobilisation advance	₹ 256 crores
Amount billed up to 31st March, 2026	₹ 285 crores

With effect from 1st April 2025, SRPG, a wholly owned solar and renewable power generation subsidiary of BIPL amalgamated into BIPL under a scheme of amalgamation satisfying all the conditions of section 72A.

On 15th December 2025, BIPL acquired, commissioned and put to use certain solar power generating systems. The details of which are as follows:

Particulars	Amount (₹)
Cost of acquisition and installation	₹ 90 crores
Subsidy from the Ministry of New and Renewable Energy directly relatable to the cost of the solar power generating systems	₹ 22 crores
Written down value, as on 1 st April, 2025, of the block of assets of BIPL in which the said systems fall	₹ 20 crores

Written down value, as on 1 st April, 2025, of the corresponding block of the SRPG, transferred to BIPL under the scheme of amalgamation	₹ 30 crores
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In March 2026 the Assessing Officer issued a notice under section 148 for Assessment Year 2024-25 in the name of the erstwhile amalgamating subsidiary. BIPL had duly intimated the fact and the effective date of the amalgamation to the Assessing Officer, and the Assessing Officer was aware thereof before issuing the notice. Therefore, BIPL did not participate in the proceedings pursuant to the notice and objected to it.

Following the amalgamation and increased funding requirements, BIPL reviewed its capital allocation strategy in order to reduce leverage and to fund future projects and decided to monetise one of its undertakings located in Punjab State (established in the year 2018) for Highway Projects by way of a slump sale. The particulars are given below:

Particulars	₹ crores
Actual Monetary consideration received	170
Fair market value of Equity shares of the transferee received as consideration	40
Written down value as per Income-tax Rules, 1962 of the Depreciable assets of the undertaking	85
Book value of the depreciable assets of the undertaking	95
Book value of other assets of the undertaking (not being land, shares and securities, jewellery and artistic work)	35
Book value of the land forming part of the undertaking	55
Stamp duty value of the land forming part of the undertaking	70
Book value of liabilities of the undertaking	45

The tax attributes inherited on amalgamation and the business profit of BIPL for the year are as follows:

Particulars	₹ crores
Business profit of BIPL for the previous year 2025-26, computed under the head "Profits and gains of business or profession" as per the Income-tax Act.	96
Accumulated business loss of the amalgamating company, being an ordinary business loss not attributable to any special deduction. Such Business loss was first computed for Assessment Year 2021-22, and no part of it had been set off up to 31st March, 2025	48
Unabsorbed normal depreciation of A.Y. 2024-25	19
Unabsorbed capital expenditure on scientific research related to the business carried on transferred to BIPL, under the scheme of amalgamation	7

BIPL had exercised the option under section 115BAA in assessment year 2025-26, and that option continues to be in force.

From the information given above, choose the most appropriate answer to MCQs 7 to 12:

7. Can BIPL set-off the accumulated losses of SRPG, amalgamating company? If yes, upto which assessment year up to such loss can be carry forward and set-off?
 - (A) No, BIPL cannot carry forward and set-off the accumulated losses of the SRPG as such loss would be lapsed on the dissolution of the amalgamating company
 - (B) Yes, BIPL can carry forward and set-off the accumulated losses of SRPG upto Assessment Year 2029-30
 - (C) Yes, BIPL can carry forward and set-off the accumulated losses of SRPG upto Assessment Year 2034-35
 - (D) Yes, BIPL can carry forward and set-off the accumulated losses of SRPG upto Assessment Year 2033-34

8. What amount of contract revenue required to be recognised in respect of the Hybrid Annuity Model highway contract in accordance with section 43CB for the Assessment Year 2026-27?
- (A) ₹ 285 crores
(B) ₹ 294 crores
(C) ₹ 307.20 crores
(D) ₹ 312 crores
9. The depreciation allowable to BIPL for the Assessment Year 2026-27 in respect of the Solar power generating system is:
- (A) ₹ 40.40 crores
(B) ₹ 38.00 crores
(C) ₹ 21.60 crores
(D) ₹ 33.60 crores
10. In respect of the notice under section 148 issued on SRPG amalgamating company, which of the following statements is correct?
- (A) The notice is valid because BIPL, as the successor, became liable in respect of the liabilities of the amalgamating company, including those relating to earlier assessment years
(B) The notice is valid and any defect in the name of the assessee is cured by section 292B
(C) The notice is invalid because it was issued in the name of an entity that had ceased to exist, the Assessing Officer having already been intimated of the amalgamation
(D) The notice is valid because it relates to Assessment Year 2024-25, being a period prior to the amalgamation
11. Compute the capital gains chargeable to tax under section 50B on the slump sale of its undertaking in the state of Punjab for the Assessment Year 2026-27.
- (A) ₹ 25 crores, being long-term capital gain

- (B) ₹ 80 crores, being long-term capital gain
- (C) ₹ 55 crores, being long-term capital gain
- (D) ₹ 70 crores, being long-term capital gain
12. What would be the total income and tax liability of BIPL for the Assessment Year 2026-27? It may be noted that the long-term capital gain determined in MCQ 11 is the only capital gain of BIPL for the previous year 2025-26.
- (A) ₹ 102 crores and ₹ 16.98 crores
- (B) ₹ 109 crores and ₹ 18.74 crores
- (C) ₹ 91 crores and ₹ 14.21 crores
- (D) ₹ 102 crores and ₹ 25.67 crores
13. M/s Alpha Investments Ltd., an investment company, held 2,00,000 shares of Beta Alloys Ltd. as stock-in-trade. Pursuant to a court-approved scheme of amalgamation, Beta Alloys Ltd. was amalgamated with Gamma Metals Ltd. Under the scheme, Alpha Investments Ltd. was allotted 90,000 shares of Gamma Metals Ltd. in exchange for its shares in Beta Alloys Ltd.
- The shares of Gamma Metals Ltd. allotted to Alpha Investments Ltd. were freely marketable, had an ascertainable market value and could be sold immediately after allotment. Alpha Investments Ltd. contended that the receipt of Gamma Metals Ltd. shares was merely a statutory substitution and, therefore, no taxable income arose until those shares were actually sold.
- Based on the principles laid down by the Supreme Court, which of the following is the most appropriate?
- (A) The receipt is exempt under section 47(vii), since shares were allotted pursuant to an amalgamation scheme, irrespective of whether the original shares were capital assets or stock-in-trade.
- (B) No taxable income arises until Alpha Investments Ltd. actually sells the shares of Gamma Metals Ltd., since section 28 applies only when there is an actual sale of stock-in-trade.

- (C) The allotment of shares of Gamma Metals Ltd. gives rise to taxable business income under section 28, since the original shares were held as stock-in-trade and the substituted shares were freely realisable and capable of definite valuation.
- (D) The transaction is taxable only under the capital gains provisions because the extinguishment of the shares of Beta Alloys Ltd. constitutes a transfer under section 2(47).
14. Ritz. Ltd., an Indian company engaged in manufacture of solar panels, set-up and commenced manufacturing on 01/11/2019, in West Bengal, provides following particulars for A.Y. 2026-27:

Profits as per statement of profit and loss for the P.Y. 2025-26 (prepared as per the Companies Act 2013) is ₹ 4,70,00,000 after debiting or credited the following items:

Particulars	₹Amount
(i) Dividend from Indian companies (gross)	₹ 2,00,00,000
(ii) Excess realized on sale of land held as investment	₹ 30,00,000
(iii) Depreciation	₹ 90,00,000
(iv) Amount spent for Corporate Social Responsibility (CSR)	₹ 10,00,000
(v) Scientific Research Expenses (In-house)	₹ 1,00,00,000
(vi) Provision for loss of subsidiary company	₹ 50,00,000
(vii) Dividend declared	₹ 2,50,00,000

Additional Information:

- (i) Short-term capital gains on sale of land mentioned in point (ii) above as computed under Income-tax Act 1961- ₹ 40,00,000.
- (ii) Dividend declared was distributed on 31/05/2026.
- (iii) Depreciation allowable as per the Income-tax Rules 1962, on assets other than value of new plant & machinery ₹ 60,00,000.
- (iv) Value of new Plant & Machinery (15% block) installed and put to use on 11.10.2025 - ₹ 6,00,00,000.

- (v) Losses brought forward as per books of accounts and as per Income-tax Act [Not attributable to any deduction referred to in section 115BAA/115BAB]

Business Loss - ₹ 40,00,000

Unabsorbed depreciation - ₹ 35,00,000

- (vi) Brought forward MAT credit under section 115JAA is ₹ 40,00,000
- (vii) Scientific Research Expenses includes ₹ 20,00,000 spent on land acquisition for in-house R&D

Turnover of Ritz Ltd. for the P.Y. 2023-24 was ₹ 390 crores.

From the above details compute optimized tax liability of Ritz Ltd. for the A.Y. 2026-27, if-

- (a) Company has not opted for any concessional rates earlier but want to avail the beneficial tax rates under special provisions for the AY 2026-27 by fulfilling the conditions specified thereunder.
- (b) Company has opted for concessional rates u/s 115BAB before the due date for furnishing its very first return of income.

Would it be beneficial to opt for concessional tax rates this year instead of paying tax under regular provisions of Income-tax Act 1961? Examine Calculate MAT Credit to be carried forward also, if available, assuming that company is not required to comply with the Indian Accounting Standards.

15. Mr. Abhishek and his wife, Mrs. Neetu has provided following information of some transactions for the previous year 2025-26:
- (i) Mr. Abhishek gifted some shares of Red Chillies Pvt. Ltd. (a closely held manufacturing Co.) carrying 11% voting power in the company to Mrs. Neetu on 05/08/2025, On 15/03/2026, a loan of ₹ 4,40,000 was obtained by Mrs. Neetu (a beneficial owner) from the company. The Company has accumulated profit of ₹ 34,00,000 on such date.
- (ii) One plot of land was gifted by Mrs. Neetu to Mr. Abhishek on 19/01/2026. The land was purchased by Mrs. Neetu for ₹ 20,00,000

on 23/05/2025 and stamp duty @12% of ₹ 30,00,000 was also paid. Mr. Abhishek transferred such plot of land to Mr. Saurav on 21/03/2026 for ₹ 44,00,000. On that date stamp duty value of the land was ₹ 50,00,000.

- (iii) On 01/06/2025, Mr. Abhishek gifted a sum of ₹ 20,00,000 to his brother's minor son, Master Y. On the same date, his brother also gifted a sum of ₹ 18,00,000 to Mrs. Neetu. Both Mrs. Neetu and Master Y invested the amount in fixed deposit with a scheduled bank at the interest rate of 9% per annum.

Apart from the above, Mr. Abhishek earned interest on fixed deposits of ₹ 5,40,000 and Mrs. Neetu earned commission income of ₹ 7,20,000.

Compute gross total income of Mr. Abhishek and Mrs. Neetu for the A.Y. 2026-27.

16. Explain the applicability of TDS/ TCS provisions in the following independent cases and also compute the amount of TDS/TCS, if any.

- (i) M/s MCD Co-operative Society maintains a current account with the State Bank of India. It made following transactions of cash withdrawals during the previous year 2025-26:

On 27-06-2025 : ₹2,50,00,000

On 18-09-2025 : ₹1,30,00,000

M/s MCD Co-operative Society did not furnish its income tax returns for A.Y. 2022-23, A.Y. 2023-24, 2024-25 and 2025-26.

- (ii) Mr. Singh, a resident individual, made the following payments to various persons for the purpose of remitting funds outside India for various specified purposes:

- (a) On 10-09-2025, ₹ 17 lakhs to Mr. Gagan, an Indian resident and a travel agent for purchase of an overseas tour programme package to visit Paris for 20 days. It includes all arrangements of travelling, hotel stay, lodging, boarding etc.

- (b) On 12-01-2026, ₹ 12 lakhs to M/s AM & Associates, an authorized dealer under Liberalized Remittance Scheme (LRS) of RBI for his wife medical treatment in Germany.

- (c) On 26-02-2026, ₹ 8 lakhs to M/s AM & Associates, an authorized dealer under Liberalized Remittance Scheme (LRS) of RBI for purposes other than education and medical treatment.

Mr. Singh has furnished his PAN to both M/s AM & Associates and Mr. Gagan.

17. Comment whether the following transactions undertaken during the financial year 2025-26, are required to be reported under the Statement of Financial Transaction or Reportable Account as required u/s 285BA of the Income-tax Act, 1961. Please give your answer alongwith suitable reasons and Category of Reporting Person.

- (a) Mr. Arihant purchased five bank drafts of ₹ 6 lakh each from his current A/c with State Bank of India, Kanpur;
- (b) Ms. Qatar made two-time deposits with Canara Bank, Faridabad –
- (i) A time deposit of ₹ 8.5 lakhs made on 07-08-2025 and
 - (ii) Renewal of Time deposit of ₹ 5 lakhs originally made on 1.1.2025 and renewed on 1.1.2026;
- (c) Ms. Chetna made following payments in respect of credit card payments-

• For the months of April to July, 2025	-	₹ 21,500 for each month, in cash
• For the months of Aug. to Dec., 2025	-	₹ 55,500 for each month, through bank A/c
• For the months of Jan to Mar, 2026	-	₹ 12,300 for each month, in cash

- (d) Mr. Zahir purchased garments of ₹ 1.9 lakhs in cash from M/s Arnav Designers on the occasion of his marriage. M/s Arnav Designers is liable for audit u/s 44AB of the Income-tax Act, 1961.
18. Mr. Deewan, a resident individual in India aged 46 years, received the following incomes during the FY 25-26:
- Computed Income from house property in Delhi: ₹ 6,20,000.

Incomes from the Country X and Y with whom India has Signed DTAA:

- (i) **Royalty from Country X:** ₹ 8,60,000 (Rate of tax in Country X is 10% and tax deducted at source was ₹ 86,000). As per DTAA with Country X, the royalty is only taxable in the source state.
- (ii) **Interest on securities from Country Y:** YSD 12,000 (Interest became due on 31st December 2025) and tax deducted (on 14th February 2026) YSD 1,200 (Rate of tax 10%). As per DTAA with Country Y, interest can be taxed in both the contracting states and tax credit will be available in resident state in respect of tax payable in source state.

Incomes from the Country R with whom India has not signed any DTAA:

- Agricultural income in Country R: ₹ 2,40,000 (Taxable in Country R)
- Loss from house property (computed) in Country R - ₹ 1,60,000 which is not eligible for set-off against any other income in Country R.

Income Tax Rate in Country R is 20%.

Income received in India in Foreign convertible currency before due date of filing of Income Tax Return.

TTBR rate of 1 YSD on various dates:

31.03.2025 - ₹ 83; 30.11.2025 - ₹ 80; 31.12.2025 - ₹ 82

31.01.2026 - ₹ 84; 14.02.2026 - ₹ 82; 31.03.2026 - ₹ 81

Compute the total income and net tax liability of Mr. Deewan for the A.Y. 2026-27, assuming that he has shifted out from the default tax regime. As per DTAA with Country X and Y, Mr. Deewan is resident of India.

19. Alphabet Inc., a non-resident foreign company operates a ship for carriage of goods (Marina) and a cruise ship (Bringo) for carriage of passengers between Mumbai and Singapore. It received following amounts for the year ended on 31.03.2026:

From Shipping business of carriage of goods (Marina):

- (1) Freight of ₹ 1.2 crore, demurrages of ₹ 18 lakhs and handling charges of ₹ 12 lakhs in Singapore on account of carriage of goods shipped at Mumbai port.

- (2) Freight of ₹ 1 crore received in India on account of carriage of goods shipped at Singapore port (including ₹ 12 lakhs for demurrages and ₹ 8 lakhs for handling charges).

From operation of cruise ship (Bringo):

- ₹ 8 crores in India on account of carriage of passengers from Mumbai port.
- ₹ 12 crores received outside India for tickets sold abroad for ports touching India.
- ₹ 3.5 crores interest earned (Gross) on fixed deposit maintained with an Indian Bank

Expenditures incurred for operation of these ships were ₹ 4 crores (₹ 2.90 crores with respect to Cruise Ship - Bringo and ₹ 1.10 crores for cargo ship - Marina)

Compute total income of Alphabet Inc. for the A.Y. 2026-27. Alphabet Inc. wants to opt for the applicable presumptive taxation regimes. Assuming both the ships, i.e., Marina and Bringo, fulfill all the conditions prescribed for the applicable presumptive taxation regime provided in the Income-tax Act, 1961.

20. Euphoric Ltd. having its registered office in Chennai is engaged in multiple businesses. It buys mobile phones from its parent company, Apex Inc. of Country Z. The credit period offered by Apex Inc. to Euphoric Ltd. is 3 months, whereas for other customers, the credit period is 1.5 months.

During the financial year 2025-26, 10 lakhs mobile phones were bought for an aggregate sum of ₹ 2,500 crore by Euphoric Ltd. The purchase has been uniform throughout the year. The cost of capital may be adopted as 11% per annum. Apex Inc. would have billed ₹ 2,280 crore (excluding interest component for the delay beyond 1.5 months) for supply of identical quantity of similar mobile phones to other customers.

Is there any need of any adjustments as per transfer pricing provisions?

Elaborate its impact on assessable income for the assessment year 2026-27 assuming that such adjustments are made *suo-moto* by Euphoric Ltd. Assume international transactions are denominated in Indian rupees.


SUGGESTED ANSWERS

MCQ No.	Most Appropriate Answer	
1.	(C)	₹ 4.20 crores
2.	(C)	Yes, ₹ 2.4 crores u/s 37
3.	(C)	₹ 5.30 crores is chargeable to tax in the A.Y. 2026-27 and the balance of ₹ 13.60 crores will be chargeable to tax in the previous year in which it is credited to the profit and loss account or is actually received, whichever is earlier.
4.	(B)	₹ 7.05 crores
5.	(D)	Interest is chargeable to tax in India in the hands of the Head Office; tax was deductible at source under section 195 and in the absence of deduction, the entire ₹ 7.25 crores is disallowable under section 40(a)(i).
6.	(C)	No disallowance under section 40(a)(ia), however, interest under section 201(1A) is payable
7.	(B)	Yes, BIPL can carry forward and set-off the accumulated losses of SRPG upto Assessment Year 2029-30
8.	(D)	₹ 312 crores
9.	(D)	₹ 33.60 crores
10.	(C)	The notice is invalid because it was issued in the name of an entity that had ceased to exist, the Assessing Officer having already been intimated of the amalgamation
11.	(B)	₹ 80 crores, being long-term capital gain
12.	(A)	₹ 102 crores and ₹ 16.98 crores
13.	(C)	The allotment of shares of Gamma Metals Ltd. gives rise to taxable business income under section 28, since the original shares were held as stock-in-trade and the substituted shares were freely realisable and capable of definite valuation.

14. (a) **Computation of total income and tax liability of Ritz Ltd. as per the normal provisions of the Act for A.Y. 2026-27**

Particulars	Amount (₹)	Amount (₹)
Profits and gains of business or profession		
Net profit as per Statement of Profit and loss		4,70,00,000
<i>Add:</i> Items of expenditure not allowable as deduction while computing business income		
Depreciation debited to statement of profit and loss	90,00,000	
Provision for loss of subsidiary company [Not allowable, since it is not wholly and exclusively for the purpose of business of the assessee]	50,00,000	
CSR Expenditure [Not allowable, since it is not wholly and exclusively for the purpose of business of the assessee]	10,00,000	
Capital Expenditure on Land for R&D [Not allowed as deduction by virtue of section 35(1)(iv) read with proviso to section 35(2)(ia)]	20,00,000	
Dividend declared	2,50,00,000	4,20,00,000
		8,90,00,000
<i>Less:</i> Allowable expenditure		
Depreciation as per the Income tax Rules on:		
(i) Assets other than new Plant & Machinery (P&M)	60,00,000	

(ii) New P & M @7.5% of ₹ 6 crore and additional depreciation @10%, since P&M has been put to use for less than 180 days in P.Y. 2025-26	1,05,00,000	
Less: Items of income to be treated separately under the respective head of income		
Dividend from India companies	2,00,00,000	
Excess realized on sale of land	30,00,000	3,95,00,000
		4,95,00,000
Less: Set off of brought forward business loss		40,00,000
Business income		4,55,00,000
Capital Gains		
Short term capital gains on sale of land		40,00,000
Income from other sources		
Dividend		2,00,00,000
		6,95,00,000
Less: Set-off of unabsorbed depreciation (can be set-off against any head of income except "Salaries")		35,00,000
Gross Total Income		6,60,00,000
Less: Deduction u/s 80M (Lower of dividend received and dividend distributed before one month prior to the date for furnishing the return of Income)		2,00,00,000
Total Income		4,60,00,000

Computation of tax liability	
Tax @ 25% (since turnover of P.Y 2023-24 is less than 400 crores)	1,15,00,000
Add: Surcharge @ 7% (since total income is > ₹ 1 crore < ₹ 10 crore)	8,05,000
	1,23,05,000
Add: Health and Education Cess @4%	4,92,200
Total tax liability	1,27,97,200

In order to determine the optimum tax liability, the provision of MAT also need to be checked while computing tax liability as per normal provisions of the Act.

Applicability of minimum alternate tax: As per section 115JB, if income tax payable on total income is less than 15% of its book profit, such book profit shall be deemed to be total income and tax payable shall be at the rate of 15%.

Computation of book profit u/s 115JB

Particulars	Amount (₹)	Amount (₹)
Net profit as per statement of profit and loss		4,70,00,000
Add: Depreciation debited to statement of profit and loss:	90,00,000	
Add: Provision for loss of subsidiary company	50,00,000	
Add: Dividend declared	2,50,00,000	3,90,00,000
		8,60,00,000
Less: Depreciation as per books of accounts	90,00,000	

Less: Business loss or unabsorbed depreciation whichever is lower	35,00,000	1,25,00,000
Book Profit		7,35,00,000
Computation of minimum alternate tax		
Tax @ 15% of book profit of ₹ 735 lakhs		1,10,25,000
Add: Surcharge @ 7% (since total income exceeds ₹ 1 crore)		7,71,750
		1,17,96,750
Add: Health and Education Cess@4%		4,71,870
Minimum Alternate tax payable		1,22,68,620
Since 15% of book profit is less than tax payable as per normal provisions (₹ 1,22,68,620 < ₹ 1,27,97,200), total tax liability would be computed as under:		
Tax liability as per normal provisions		1,27,97,200
Less: MAT credit brought forward to the extent of (₹ 1,27,97,200 – ₹ 1,22,68,620)		5,28,580
Tax payable under normal provisions		1,22,68,620
<u>MAT Credit to be carried forward:</u>		
MAT credit brought forward	40,00,000	
Less: MAT credit Utilized	5,28,580	
MAT Credit to be carried forward		34,71,420

**Computation of total income and tax liability of Ritz Ltd.
as per section 115BAA**

Particulars	Amount (₹)
Total Income (as computed above as per normal provisions)	4,60,00,000
<i>Add:</i> Additional depreciation on new plant & Machinery @ 10% of ₹ 6,00,00,000. Since P&M has been put to use for less than 180 days in P.Y. 2025-26	60,00,000
Total Income	5,20,00,000
Computation of tax liability under section 115BAA	
Tax @ 22% on ₹ 5,20,00,000	1,14,40,000
<i>Add:</i> Surcharge @10%	11,44,000
	1,25,84,000
<i>Add:</i> Health and Education Cess @ 4%	5,03,360
Total tax liability	1,30,87,360

Note - Companies exercising option u/s 115BAA are not liable to minimum alternate tax u/s 115JB.

Since tax liability under regular provisions is ₹ 1,22,68,620 after set-off MAT credit vis-à-vis tax liability of ₹ 1,30,87,360 computed u/s 115BAA is lower, it is not beneficial to opt for special provision u/s 115BAA for A.Y. 2026-27.

- (b) Company had opted for concessional rates u/s 115BAB:**
Company is a domestic manufacturing company set up after 01.10.2019, and it has opted for section 115BAB in its very first year, its tax liability would be computed u/s 115BAB only. Further, companies exercised option u/s 115BAB are not liable to minimum alternate tax u/s 115JB.

**Computation of total income and tax liability of Ritz Ltd.
under section 115BAB for A.Y. 2026-27**

Particulars	Amount (₹)
Total Income as computed as per section 115BAA	5,20,00,000
Computation of tax liability u/s 115BAB	
Tax @ 22% on 5 lakhs [₹ 40 lakhs - ₹ 35 lakhs, it would be beneficial to set off unabsorbed depreciation against STCG since it is taxable @ 22%]	1,10,000
Tax @ 15% on ₹ 515 lakhs (being income derived from manufacturing business)	77,25,000
	78,35,000
Add: Surcharge @ 10%	7,83,500
	86,18,500
Add: Health and Education Cess @ 4%	3,44,740
Total tax liability	89,63,240

Since company has already exercised the options under special provision of section 115BAB, there is no question of regular provisions as option cannot be withdrawn subsequently. So, tax liability would be ₹ 89,63,240.

15. Computation of Gross Total income of Mr. Abhishek and Mrs. Neetu for the A.Y. 2026-27

Particulars	Mr. Abhishek	Mrs. Neetu
Capital Gains		
Net Sales Consideration [Since the Stamp Duty Value exceed 110% of actual sales consideration, SDV is taken as sales consideration]		50,00,000
Less: Cost of Acquisition (₹ 30,00,000 + 12% of ₹ 30 lakhs)		<u>33,60,000</u>

[As per section 49(4), value considered for section 56(2)(x) would be the cost of acquisition]		
Short term capital gain on transfer of plot of land [Capital arising on transfer of land by Mr. Abhishek is taxable in the hands of Mrs. Neetu, by virtue of section 64(1)(iv). Since land is held for not more than 24 months, capital gain would be STCG]		16,40,000
Income from Other Source		
Interest on fixed deposits	5,40,000	
Commission income		7,20,000
Deemed Dividend u/s 2(22)(e)	4,40,000	
[If a closely held company gives a loan or advance to a shareholder (who holds 10% or more equity shares in the company), such loan or advance (to the extent it does not exceed accumulated profit of the company) is treated as deemed dividend u/s 2(22)(e). Accordingly, ₹ 4,40,000, being deemed dividend in the hands of Mrs. Neetu would be taxable in the hands of Mr. Abhishek by virtue of section 64(1)(iv)].		
Interest on Fixed Deposits on cross transfers	1,35,000	
[These transfers are in the nature of cross transfers. In the hands of Mr. Abhishek, interest received by Mrs. Neetu on Fixed Deposits will be included, since the cross transfer is only to the extent of ₹ 18 lakhs.		

Hence, proportionate interest i.e. ₹ 18,00,000 x 9% 10/12 = ₹ 1,35,000 will be included in the hands of Mr. Abhishek].		
Income arising on purchase of land for inadequate consideration.		10,00,000
Difference between the consideration and Stamp Duty Value at the time of acquisition since such difference is more than the higher of ₹ 50,000 and ₹ 2,00,000 (10%) of ₹ 20 lakhs. Thus, ₹ 10 lakhs (₹ 20 lakhs – ₹ 30 lakhs)		
Gross Total Income	11,15,000	33,60,000

- 16. Tax deducted at source under section 194N:** Since, M/s MCD Co-operative society did not furnish income tax returns, the bank needs to deduct tax at source under section 194N as follows:

Date	Amount withdrawn	Accumulated amount of withdrawn	Rate of TDS	Amount of TDS (₹)
27.06.2025	2,50,00,000	2,50,00,000	2%	4,60,000 (2,30,00,000*2%)
18.09.2025	1,30,00,000	3,80,00,000	2% & 5%	5,00,000 (50 lakhs *2%) (80 lakhs * 5%)

TCS under section 206C(1G):

When an authorized dealer, who receives an amount for remittance from a buyer, being a person remitting such amount under the Liberalized Remittance Scheme of the Reserve Bank of India, shall collect tax at source on the amount in excess of ₹ 10 lakhs in a financial year @ 5% if such remittance is for education or medical treatment or @20% if remittance for purposes other than education and medical treatment.

When a seller of an overseas tour programme package receives any amount from a buyer of such package, shall at the time of debiting the amount or receipt of such amount, whichever is earlier, collect tax at source from the buyer, a sum equal to 5% up to ₹ 10 lakhs and 20% above ₹ 10 lakhs.

Accordingly, the following is the amount of tax collection at source:

Date	Amount of remittance	Amount of TCS (₹)	Tax collected at source by
10.09.2025	17,00,000	₹ 1,90,000 = (@ 5% on ₹ 10 lakhs)+(@20% on ₹ 7 lakhs)	Mr. Gagan
12.01.2026	12,00,000	₹ 10,000 = (5% of ₹ 2 lakhs)	M/s AM & Associates
26.02.2026	8,00,000	₹ 1,60,000 = (20% of ₹ 8 lakhs)	M/s AM & Associates

17. (a) State Bank of India, Kanpur, is **not** required to report value of bank drafts purchased by Mr. Arihant, even though aggregate value of such bank drafts i.e., ₹ 30 lakhs, exceed ₹ 10 lakhs in the F.Y. 2025-26, since such bank drafts are purchased from his current A/c and not in cash.
- (b) Canara Bank, Faridabad is **not** required to report time deposits made by Ms. Qatar, since the value of time deposits other than time deposit renewed on 1.1.2026 is only ₹ 8.5 lakhs, and hence, does not aggregate to ₹ 10 lakhs or more in the F.Y.2025-26.
- (c) The bank or institution issuing credit card is required to report cash payment made by Ms. Chetna in respect of credit card, since aggregate cash payments of ₹ 1,22,900 (₹ 21,500 x 4 + ₹ 12,300 x 3) exceeds ₹ 1 lakh in the F.Y.2025-26.

However, payment of ₹ 55,500 for each month from August 2025 to December 2025 need **not** be reported by such bank or company or institution since, aggregate value of such transactions, being ₹ 2,77,500, is less than ₹ 10 lakhs.

- (d) Payment of ₹ 1.9 lakhs by Mr. Zahir is not required to be reported by M/s Arnav Designers, since receipt of cash payment against sale of garments from Mr. Zahir does not exceed ₹ 2 lakhs.

18. Computation of total income of Mr. Deewan for A.Y.2026-27 under normal provisions of the Income-tax Act

Income from House Property		
Income from House property in Delhi (Computed)	6,20,000	
Less: Loss from House Property in Country R (Computed)	<u>1,60,000</u>	4,60,000
Profits and gains of business or profession		
Royalty from Country X (Taxable in the source state only, hence not taxable in India)	-	
Income from other Sources		
Interest on securities from Country Y (YSD 12,000 x ₹ 80, being the TTBR as on 30.11.2025, being the last day of the month immediately preceding the month in which income is due)	9,60,000	
Agricultural income in Country R	<u>2,40,000</u>	<u>12,00,000</u>
Gross Total Income		16,60,000
Computation of Net tax liability		
Tax on total income (30% of 6,60,000 plus ₹ 1,12,500)		3,10,500
Add: Health and Education Cess @4%		<u>12,420</u>
Tax liability		3,22,920
Less: Deduction u/s 91 with respect to income from Country R with which India has no DTAA (See Working Note 1 Below)		15,560

Less: Deduction u/s 90 with respect to income from Country Y with which India has DTAA (See Working Note 2 Below)		1,00,800
Net Tax Liability		2,06,560
Working Note 1: Deduction with respect to Country R with which India has no DTAA		
Indian Average Rate of tax = ₹ 3,22,920 / ₹ 16,60,000 x 100	19.45%	
Average rate of tax in Country R	20%	
Doubly taxed income pertaining to Country R		
Agricultural income	2,40,000	
Less: Loss from house property	<u>1,60,000</u>	
	80,000	
Deduction u/s 91 on ₹ 80,000 @19.45%, being lower average rate of tax in India (19.45%) and tax rate in Country R (20%)		15,560
Working Note 2: Deduction with respect to Country Y with which India has DTAA shall be lower of		
Tax paid in India in respect of interest on securities [₹ 9,60,000 x 19.45%]	1,86,720	
Tax paid in Country Y in respect of royalty [YSD 1,200 x ₹ 84, being the TTBR on 31.1.2026]	100,800	
Foreign tax credit = Lower of tax paid in India and Country Y		1,00,800

19. As per section 44B, in the case of a non-resident engaged in the business of operation of ships (other than cruise ship), 7.5% of the following amounts would be deemed to be the profits and gains from such business:

- (a) paid or payable, whether in or out of India, to the assessee or to any person on his behalf on account of the carriage passengers, livestock, mail or goods shipped at any port in India; and
- (b) received or deemed to be received in India by on behalf of the assessee on account of the carriage of passengers, livestock, mail or goods shipped at any port outside India.

The above amounts will include demurrage and handing charges.

As per section 44BBC, in the case of a non-resident engaged in the business of operation of cruise ships and satisfying the conditions specified thereunder, 20% of the following amounts would be deemed to be the profits and gains from such business:

- (a) paid or payable to the assessee or to any person on his behalf on account of the carriage of passengers and
- (b) received or deemed to be received by or on behalf of the assessee on account of the carriage of passengers.

Since Alphabet Inc. satisfy all the conditions prescribed for the purpose of section 44BBC, its total income would be computed as follows:

Particulars	Amount in crores
<u>Income from Ship for carriage of goods</u>	
Amount received in Singapore on account of carriage of goods Shipped at Mumbai port	
• Freight	1.20
• Demurrages charges	0.18
• Handling charges	0.12
Amount received in India on account of carriage of goods shipped at Singapore port	
• Freight including demurrage and handling charges	1.00
Total receipt	2.50
Less: Expenses incurred – Not allowed	Nil
Presumptive income u/s 44B @ 7.5% of 2.5 crores	0.1875

<u>Income from Cruise Ship</u>	
Amount received in India on account of carriage of passengers form Mumbai port	8.00
Amount received outside India for tickets sold abroad for ports touching India.	12.00
Less: Expenses incurred – Not allowed	Nil
Presumptive income u/s 44BBC @20% of ₹ 20 crores	4.00
<u>Income from Other Sources</u>	
Interest on Fixed Deposits	3.50
Total Income	7.6875

20. Euphoric Ltd., an Indian company, and Apex Inc. a Country Z based company are associated enterprises, since Apex Inc. is a parent company of Euphoric Ltd. Thus, the transaction of purchase of mobile phones would be an international transaction.

Apex Inc. is selling mobile phones to unrelated customers, which would be the comparable uncontrolled transaction in this case. The purchase price for unrelated customers has to be adjusted by taking into consideration the functional differences existing between the transactions of Apex Inc. with associated enterprise and other unrelated parties.

Accordingly, the arm's length price for purchase of mobile phones has to be computed for working out the impact on assessable value as per CUP method. It is called Primary Adjustment.

Computation of Arm's Length Price

	₹ In crores
Purchase price of mobile phones by unrelated parties from Apex Inc.	2,280.00
Add: Adjustment for credit period which is more than what given to unrelated party (11% x ₹ 2,280 crore/12 x 1.5 months)	31.35
Arm's length price of 10 lakh mobile phones	2,311.35

Purchase price of mobile phones by Happy Ltd. from Apex Inc.	2,500.00
Amount to be added to its Total Income (Primary adjustment)	188.65

Since amount of primary adjustment exceeds ₹ 1 crore, there is need of secondary adjustment as follows:

It has to repatriate the excess money of ₹ 188.65 crores on or before 90 days from the due date of filing of return u/s 139(1) for A.Y. 2026-27 as adjustments are made *suo moto* by Euphoric Ltd.

If the excess money is not repatriated to India within 90 days from the due date of filing of return u/s 139(1) for A.Y. 2026 27, the same shall be deemed to be an advance made by Happy Ltd to Apex inc. and the interest on such advance shall be computed at the one year marginal cost of fund lending rate of SB1 as on 1st April of the relevant previous year + 3.25%. In a case where the excess money of ₹ 188.65 crores has not been repatriated within 90 days from the due date of filing of return u/s 139(1) for A.Y. 2026-27, Euphoric Ltd. has the option to pay additional income-tax @ 20.9664% (i.e., tax@18% plus surcharge@12% plus cess@4%) on ₹ 188.65 crores.

Where additional income-tax is so paid by Euphoric Ltd., it will not be required to make secondary adjustment and compute interest from the date of payment of such tax.



PAPER – 5: INDIRECT TAX LAWS

- (1) All questions have been answered on the basis of position of (i) GST law as amended by the Finance Act, 2025 including significant notifications and circulars and other legislative amendments made, up to 30th April, 2026 and (ii) customs law as amended by the Finance Act, 2025 including significant notifications and circulars and other legislative amendments made, up to 30th April, 2026.
- (2) 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.
- (3) 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. The rates of customs duty are also hypothetical and may not necessarily be the actual rates.



QUESTIONS

Case scenario - I

M/s Sugam & Co., a partnership firm registered under GST in the State of Karnataka, is an Original Equipment Manufacturer (OEM) engaged in the manufacture and supply of motor vehicles, components and spare parts and provision of related services. It has a single GST registration in Karnataka, with its Bengaluru factory declared as its principal place of business and its Mysuru warehouse declared as an additional place of business.

During the month of August, the firm made the following outward B2C supplies (supply to an unregistered person):

- (a) to Mohan for ₹1,49,000 – Inter-State
- (b) to Kishan for ₹ 99,000 – Inter-State
- (c) to Rajesh for ₹ 1,10,000 – Intra-State

During the month of September:

- (1) It provided sponsorship services to Top Notch Cricket League Private Limited for ₹ 4,00,000.
- (2) It paid rent of ₹ 1,00,000 per month to the Ministry of Railways (Indian Railways) for taking on rent a ground for parking cars.

During the month of October:

- (3) They replaced parts under warranty valuing ₹ 5,00,000 to their customers and did not charge any consideration for the said replacement. ITC component related to the said replacement was ₹ 90,000.
- (4) They supplied a car to a friend of a partner at a discounted value of ₹ 6,70,000 against the open market value of ₹ 9,00,000.
- (5) Availed general insurance for motor vehicles in the showroom as well as in transit and GST payable on the same was ₹ 1,20,000.

In December, M/s Sugam & Co. transported a consignment for weighing purpose with proper delivery challan to a weigh bridge situated at 22 kms from its Bengaluru factory. Roving Squad officer detained the vehicle and alleged that the consignment was not accompanied by e-way bill and was liable to penal provisions.

In January, M/s Sugam & Co. decides to obtain a separate registration for its Mysuru warehouse as a distinct place of business within the same State (Karnataka), in terms of section 25. At the time of obtaining this separate registration, the Bengaluru (original) registration has an unutilized ITC balance of ₹ 12 lakh in its electronic credit ledger. The value of assets held by the Bengaluru unit is ₹ 80 lakh (of which ITC has actually been availed on assets worth ₹ 65 lakh only) and the value of assets held by the Mysuru unit is ₹ 20 lakh (of which ITC has actually been availed on assets worth ₹ 15 lakh only).

All figures given are exclusive of GST, wherever applicable, except stated otherwise.

Based on the information given above, choose the correct answer for the following Q. No. 1 to 6, with reference to GST Law:

1. In respect of B2C supplies (supply to an unregistered person) carried out in August, invoice-wise details are required to be uploaded in GSTR-1 in respect of which _____.
(A) Mohan
(B) Kishan and Rajesh
(C) Mohan and Rajesh
(D) Mohan, Kishan and Rajesh
2. For the month of September, the value of supply for which Sugam & Co. is liable to pay tax under reverse charge will be ₹ _____.
(A) Nil
(B) 1,00,000
(C) 4,00,000
(D) 5,00,000
3. Taxable supply made during the month of October is ₹ _____.
(A) 14,00,000
(B) 11,70,000
(C) 9,00,000
(D) 6,70,000
4. Blocked ITC / ITC to be reversed for the month of October is ₹ _____
(No bifurcation of CGST, SGST and IGST required.)
(A) Nil
(B) 90,000
(C) 1,20,000
(D) 2,10,000

5. The action of the officer of detaining the vehicle in the month of December is _____. Choose the most appropriate option.
 - (A) not valid as e-way bill is exempted for transporting goods from the place of the business of consignor to weighbridge for weighment, irrespective of distance.
 - (B) not valid as e-way bill is exempted for transporting goods from the place of the business of the consignor to a weighbridge for weighment upto a distance of 25 km.
 - (C) valid as e-way bill is exempted for transporting goods from the place of the business of the consignor to a weighbridge for weighment, only upto a distance of 20 km.
 - (D) valid as e-way bill is mandatory for transporting goods for weighment, irrespective of distance.
6. The amount of ITC that can be transferred to new Mysuru registration of M/s Sugam & Co. is _____ and the amount that can be retained by Bengaluru registration is _____.
 - (A) Nil; ₹ 12 lakh
 - (B) ₹ 6 lakh; ₹ 6 lakh
 - (C) ₹ 2.25 lakh; ₹ 9.75 lakh
 - (D) ₹ 2.4 lakh; ₹ 9.6 lakh

Case Scenario - II

Skyline Express Ltd. (SEL) is registered under GST in the State of Tamil Nadu, as an Electronic Commerce Operator (ECO). It owns and operates a web portal which supplies goods and services on behalf of various sellers and service providers. It collects consideration on behalf of the supplier for such supplies. The billing for goods sold on SEL is issued by the seller in the name of the customers and goods are also shipped directly by the seller to the customer.

SEL charges listing fee at the rate of 10% of turnover of goods and services supplied by the seller and service provider in a particular month, irrespective of any return of goods sold through the ECO.

In case of return of goods by the customer, the shipping is arranged by SEL, for which they charge 20% of the value of goods returned as cancellation charges from the customers.

Further, 10% of the value of goods returned is collected from the seller by SEL as handling charges for return of goods.

Following are the details of goods and services supplied in the month of January 2026 through SEL:

Details of supplier	Goods/services supplied	Amount of supply through ECO (₹)	Payment by customers	Other information
Comfort Step Footwears [registered under GST in Gujarat]	Footwear	50,000	At the time of booking	Inter-State supply
Sparkle Services, Chennai, Tamil Nadu, an unregistered person	Housekeeping services	3,50,000	At the time of booking	Intra-State supply
Regal Electronics LLP [registered under GST in Karnataka]	Electronic items	1,50,000	Payment received in the month of February 2026	Out of ₹ 1,50,000, intra-State supply is of ₹50,000

Additional information:

Goods of ₹ 5,000 sold by Comfort Step Footwears as mentioned above to customers outside Gujarat in the month of December 2025 were returned back in January 2026.

Moreover, certain supplies were made through SEL in the month of January 2026 by Mr. Karan to Mr. Naveen, both registered in Mumbai, worth ₹ 15,000, the tax on which has to be paid by Mr. Naveen on reverse charge basis.

Further, in the same month, Mr. Tony, an unregistered person and a resident of Dehradun, Uttarakhand posted in Delhi, places an order for books (exempted supply) from Sharma Publications, registered in Kolkata, through SEL to be delivered to his son studying in Mumbai. Mr. Tony mentions the address of Delhi as the billing address in the invoice. The maximum retail price of books is ₹ 20,000.

On 2nd January, 2026, the accountant of SEL deposited TCS of ₹ 5,000 (inter-State) pertaining to the month of October 2025 which was collected short.

While issuing invoice to a customer, the company had erroneously charged higher value by ₹ 52,000. Such invoice was issued on 31.03.2025. The company filed its annual return GSTR-9 for the said FY 2024-25 by 15.12.2025 and returns for the month of September 2025 and October 2025 were filed on 31.10.2025 & 19.11.2025 respectively.

Figures to be rounded off to nearest rupee. All figures are exclusive of GST, wherever applicable.

Based on the facts of the case scenario given above, choose the correct answer for the following Q. No. 7 to 11, with reference to GST Law:

7. What is the value of outward supply for the month of January 2026 on which GST is payable by SEL?
 - (A) ₹ 56,500
 - (B) ₹ 60,000
 - (C) ₹ 4,08,000
 - (D) ₹ 4,10,000
8. The amount of TCS required to be collected under section 52 by SEL is (ignore the amount of TCS short collected) is _____.
 - (A) ₹125 CGST, ₹125 SGST and ₹725 IGST
 - (B) ₹163 CGST, ₹163 SGST and ₹750 IGST
 - (C) ₹1,000 CGST, ₹1,000 SGST and ₹850 IGST
 - (D) ₹1,088 CGST, ₹1,088 SGST and ₹725 IGST

9. What is the place of supply in respect of books ordered by Mr. Tony through SEL?
- (A) Mumbai
(B) Kolkata
(C) Delhi
(D) Chennai
10. What will be the amount of interest and/or penalty, if any, on short collection of TCS of ₹5,000, as per the provisions of section 50 read with section 52 and section 122(1) of the CGST Act, 2017?
- (A) ₹ 131 interest plus ₹ 20,000 penalty
(B) ₹ 133 interest plus ₹ 10,000 penalty
(C) ₹ 131 interest only
(D) ₹ 20,000 penalty only
11. The company can issue a _____ in respect of the invoice of ₹52,000 latest by _____.
- (A) Credit Note – 30.11.2025
(B) Credit Note – 31.10.2025
(C) Credit Note – 19.11.2025
(D) Credit Note – 15.12.2025
12. Mr. Harrison of foreign origin has come on travel visa, to tour in India. He carries with him, as part of baggage, the following:

Particulars	Value in ₹
Travel souvenir	85,000
Other articles carried on in person	1,50,000
120 sticks of cigarettes of ₹ 100 each	12,000
Fire arm with 100 cartridges (value includes the value of cartridges at @ ₹ 500 per cartridge).	1,00,000

Compute the customs duty payable at concessional rate on baggage.

- (A) ₹ 56,000
- (B) ₹ 82,950
- (C) ₹ 43,750
- (D) ₹ 47,950

13. Shree Ganesh Industries Pvt. Ltd., a registered person under GST in the State of Rajasthan (registered office at Jaipur), is a subsidiary of Shree Ganesh Global Inc., a company incorporated in the USA. It is engaged in supply of a bouquet of goods and services. It furnishes the following particulars for the month of July:

1. Outward Supplies	
Particulars	Amount (₹)
Sold an old factory shed located in Jaipur, Rajasthan, to an unrelated buyer. Stamp duty was paid on ₹ 47,00,000.	45,00,000
Designed an integrated chip layout for a German client, using specifications sent electronically by the client. Under the same contract, the client also couriered a small hardware kit so that Shree Ganesh could test the design before final delivery. Testing was incidental; Shree Ganesh's core deliverable was the design work. Consideration was invoiced and received in convertible foreign exchange.	22,00,000
Supplied printed corrugated boxes to a customer in Punjab. The company used its own board and paper and printed the customer's logo (supplied by the customer in digital form) on the boxes. Material cost was ₹32,00,000 and printing charges were ₹ 4,72,000.	36,72,000
Provided maintenance services (including replacement of defunct fittings) to Udaipur Municipal Corporation for upkeep of streetlights. Out of the total contract value, value of defunct lights and other spares replaced was ₹ 40,000.	1,80,000

Gave five-seater cars (seating capacity of 5 persons, including driver) on hire to Rajasthan State Road Transport Corporation (RSRTC), Jaipur	3,00,000
Provided business support and marketing services on a principal-to-principal basis to its holding company, Shree Ganesh Global Inc., USA. Consideration was invoiced and received in convertible foreign exchange.	18,00,000
Provided consultancy services to its own branch office located in San Diego, USA	15,00,000
Sold a futures derivatives contract at the National Stock Exchange (NSE), due in the following month, having no delivery option.	20,00,000
Sold goods to Kavita Print Works on high-seas-sale basis, i.e., by endorsement of documents of title to the goods in favour of Kavita Print Works while the goods were still in transit, before filing of the bill of entry for home consumption. Kavita Print Works filed the bill of entry for home consumption.	12,00,000

2. Inward Supplies

Particulars	Amount (₹)
Paid to Poseidon Marine Services (PMS), Rotterdam (Netherlands), towards Maintenance, Repair and Overhaul (MRO) services carried out on Shree Ganesh's own cargo vessel (used for transporting export consignments of the company), at the yard of PMS at Rotterdam port.	8,00,000
Purchased raw cotton (used as a cushioning material in packaging) directly from Mr. Devraj, an agriculturist of Rajasthan.	7,00,000
Imported raw materials from Italy under a CIF contract. CIF value of the goods for the purpose of customs included ₹ 20,000 as ocean freight paid by the exporter on transport of goods through vessel from port of shipment to port of import. The value for the purpose	

of levy of IGST worked out by the customs was ₹ 2,00,000.	
Purchased a labelling machine from a registered supplier in Gujarat. As per the purchase terms, on Shree Ganesh's instructions, the machine was delivered directly by the supplier to a third party, M/s Anand Job Works, located in Gujarat and has not been moved to Rajasthan.	6,00,000
Paid for security personnel services for the month to Suraksha Security Services Pvt. Ltd., a private limited company not registered under GST.	1,20,000

Additional Information:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for all inward and outward supplies of goods and services, except supply of raw cotton and supply of corrugated boxes, for which the applicable rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% respectively.
- (ii) Shree Ganesh Industries Pvt. Ltd. had an opening balance of ITC of CGST of ₹45,000 and SGST of ₹45,000 for the relevant period. In respect of all inward supplies (other than reverse charge supplies), the suppliers have uploaded their invoices in their respective Form GSTR-1 and the same are reflected in Form GSTR-2B.
- (iii) All the amounts given above are exclusive of GST, wherever applicable.
- (iv) Shree Ganesh Industries Pvt. Ltd. always makes zero-rated supplies under a bond or letter of undertaking (LUT).
- (v) The goods sold in high seas to Kavita Print Works was originally imported by Shree Ganesh from Japan on 2nd July, with CIF value of ₹ 10,00,000 and FOB value of ₹ 8,50,000.
- (vi) Unless stated otherwise, all recipients of Shree Ganesh's outward supplies are located within the State of Rajasthan.
- (vii) Unless stated otherwise, assume that all the conditions prescribed under section 16 of the CGST Act, 2017 for availment of ITC are duly complied with.

- (viii) The MRO services received on the cargo vessel are used exclusively for effecting zero-rated supplies, the vessel being used only to transport the company's export consignments. All other inward supplies on which ITC is availed, including the labelling machine, are common inputs/input services/capital goods used for effecting both taxable and exempt supplies. No inward supply is being used for any non-business purpose.

From the information given above, compute the minimum net GST payable in cash (CGST, SGST or IGST, as the case may be) by Shree Ganesh Industries Pvt. Ltd. for the month of July.

14. (a) Mohit Sharma runs "Mohit Enterprises," a small electronics accessories trading firm based out of a single shop in Karol Bagh, Delhi. Having heard from fellow traders in the market about a new "Fast Track Registration" facility under rule 14A that promises registration within days rather than weeks, Mohit decides to explore this option. He determines that his output tax liability on supplies made to registered dealers and retailers (i.e., B2B supplies), taking together CGST, SGST and IGST, is ₹ 2.30 lakh per month. Mohit is keen to avoid the delay and hassle of a physical site visit. He duly applies for registration under rule 8, opts for Aadhaar authentication and completes it successfully using his personal Aadhaar linked to his PAN. Examine whether Mohit Enterprises is eligible to obtain registration under Rule 14A.
- (b) Kavya Agarwal of Jaipur, who owns "Kavya Industries," has recently diversified her single garment-manufacturing business into two distinct verticals operating from two different premises within the same city, one dealing in men's ethnic wear and the other in women's western wear. Both verticals are run under the same PAN and individually, each has monthly B2B output tax liability of ₹ 2.2 lakh and ₹1.8 lakh and satisfy other conditions prescribed under rule 14A. Kavya's tax consultant advises her that she should obtain two separate Fast Track Registrations under rule 14A- one for each vertical -so that both verticals can get quick, Aadhaar-based registration without any site visit. Examine whether Kavya Industries can validly obtain two separate rule 14A registrations for

its two business verticals within the same State, as advised by her consultant.

15. Sunrise Foods Pvt. Ltd. is a newly set-up company planning to manufacture and supply packaged snacks. Before starting operations, the management is confused about certain GST issues, such as how its products should be classified, whether a particular exemption notification applies to its products and whether it is required to be registered.

The tax consultant suggests approaching the Authority for Advance Ruling (AAR) to get clarity before starting the business, but the accountant points out that AAR cannot answer every question, there are certain matters on which it cannot give a ruling at all.

You are required to enumerate (i) the matters which cannot be questioned before the AAR and (ii) questions on which an Advance Ruling can be validly sought under the GST law.

16. Answer the following questions:
- (i) 'Rapidfix', an Electronic Commerce Operator (ECO), provides various services to its customers. Mr. Subramaniam of Karnataka State, an unregistered person under GST, availed air conditioner repair services from the said Electronic Commerce Operator. Total value of taxable supply was ₹ 36,800. Mr. Subramaniam did not insist for invoice with his full address and 'Rapidfix' issued invoice only with his name.
 - (ii) Secure Insurance Company Limited, having aggregate turnover of ₹ 6 crores in the preceding financial year, sold old used vehicles as scrap for ₹ 1,20,000. The consultant of the company advised it to issue an e-invoice for such sale. The company disagreed with the said view and did not issue an e-invoice for the said sale.
17. Answer the following questions:
- (i) Mr. Suresh, a partner in M/s Trinity & Co., a firm registered under GST, retired from the said firm on 30th June by executing a retirement deed. The GST Consultant of the said firm was requested to file the said change with the appropriate GST Authority. The said consultant, however, intimated this change to

the Department only on 15th October. In the meanwhile, Suresh received a notice for demand of tax related to the month of September. Examine the liability of Mr. Suresh in respect of said notice in terms of the GST law.

- (ii) Rathore Ltd., registered in Maharashtra, purchased Product D as a merchant exporter from Shravan Ltd., a manufacturer registered in Maharashtra, at the concessional rate of tax of 0.05% CGST and 0.05% SGST applicable to such a supply. Product D was exported by Rathore Ltd. to Gates Inc. of USA next month. The Accountant of Rathore Ltd. is of the view that Rathore Ltd. cannot take credit of the concessional tax so paid by it and that it can export the goods only under LUT/bond and cannot export on payment of IGST. Is the view of the Accountant of Rathore Ltd. correct? Discuss.
18. M/s Sunrise Traders is an importer eligible to avail the facility of deferred payment of import duty under section 47 of the Customs Act, 1962. Examine the due dates for payment of deferred import duty, in respect of the following Bills of Entry returned for payment:
 - (i) A Bill of Entry returned for payment on 10th April
 - (ii) A Bill of Entry returned for payment on 20th April
 - (iii) A Bill of Entry returned for payment on 8th March
 - (iv) A Bill of Entry returned for payment on 25th March
 19. M/s Coastal Imports Pvt. Ltd., a Mumbai-based importer of specialised industrial machinery, files a Bill of Entry for import of a consignment of precision equipment from Germany. On examination, the proper officer at the Nhava Sheva port is unable to determine the correct classification and valuation of the goods, as the matter requires verification of manufacturer's technical certifications and a reference to the foreign supplier's cost data. Consequently, the proper officer decides to assess the duty leviable on the goods provisionally, pending further enquiry into both classification and valuation.

The company's compliance team is anxious to know within what time the Department is required to conclude this enquiry and finalise the

assessment since the provisional assessment has tied up a significant amount of security and is affecting their working capital planning.

Advise M/s Coastal Imports Pvt. Ltd. on the time-limit prescribed for concluding the enquiry and finalising the provisional assessment.

20. Mrs. Subhadra, an Indian resident (36 years old) who was on a visit to China, returned after 6 months. She was carrying with her the following items:

(i)	Used personal effects	₹ 75,000
(ii)	Laptop computer	₹ 60,000
(iii)	Jewellery - 25 grams (purchased in China)	₹ 2,75,000
(iv)	Music system	₹ 50,000

Compute the customs duty payable by Mrs. Subhadra with reference to the Baggage Rules, 2026. Ignore Agriculture infrastructure and development cess.



SUGGESTED ANSWERS

PART A: Answers to Multiple Choice Questions

Question No.	Answer
1.	(A)
2.	(A)
3.	(D)
4.	(A)
5.	(C)
6.	(D)
7.	(D)
8.	(A)

9.	(A)
10.	(A)
11.	(B)
12.	(A)

13. Computation of minimum net GST payable in cash by Shree Ganesh Industries Pvt. Ltd. for the month of July

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge				
Sale of old factory shed [Sale of an old factory shed is treated as neither a supply of goods nor a supply of services in terms of para 5 of Schedule III to the CGST Act, 2017.]	45,00,000	--	--	--
Add: Designing of integrated chip layout for German client [Being a composite supply where principal supply is the digital designing service and testing of prototype samples couriered to India is only an ancillary activity to validate design quality ¹ , place of supply is location of the recipient, Germany, in terms of section 13(2) of the IGST Act, 2017. Since supplier is in India, recipient is outside India, place of supply is outside India, payment stipulated in	22,00,000	--	--	--

¹ Circular No. 118/37/2019 GST dated 11.10.2019

convertible foreign exchange and supplier/ recipient are not merely establishments of a distinct person; it qualifies as 'export of service' under section 2(6) of the IGST Act, 2017. Further, all exports made by Shree Ganesh are through furnishing of LUT without payment of IGST. Thus, no GST is payable.]				
<i>Add:</i> Supply of printed corrugated boxes to Punjab customer [Being a composite supply where printed boxes are supplied by the printer using its physical inputs including paper to print the logo supplied by the recipient of goods, predominant supply is supply of goods², thus, GST rate applicable is 5%. Further, it is an inter-State supply of goods since place of supply is location of goods at the time at which movement of goods terminates, in terms of section 10(1)(a), IGST Act, 2017.]	36,72,000	--	--	1,83,600
<i>Add:</i> Maintenance services to Udaipur Municipal Corporation [Exempt since the value of goods (defunct lights/ spares)	1,80,000	--	--	--

² Circular No. 11/11/2017 GST dated 20.10.2017

involved (₹ 40,000, i.e., 22.22% of ₹ 1,80,000) does not exceed 25% of the value of the composite supply of maintenance service provided to a local authority by way of a function entrusted to a Municipality under Article 243W of the Constitution.]				
<i>Add:</i> Five-seater cars given on hire to RSRTC [Taxable since the exemption for giving motor vehicles on hire to a State Transport Undertaking is available only where the vehicle is meant to carry more than 12 passengers; here seating capacity is only 5. Further, since Shree Ganesh (supplier) is a body corporate, tax is payable under forward charge. It is an intra-State supply as location of supplier and place of supply (being location of recipient) is Rajasthan.	3,00,000	27,000	27,000	--
<i>Add:</i> Business support & marketing services to holding company, Shree Ganesh Global Inc., USA [Qualifies as export of service by Shree Ganesh Industries Pvt. Ltd. to Shree Ganesh Global Inc. since all the conditions of	18,00,000	--	--	--

section 2(6) of the IGST Act, 2017 are complied with ³ . Further, all exports made by Shree Ganesh are through furnishing of LUT without payment of IGST. Thus, no GST is payable.]				
<i>Add:</i> Consultancy services to own branch office, San Diego, USA [Since supplier and recipient (being an Indian establishment and its own foreign branch) are merely establishments of a distinct person in terms of Explanation 1 to section 8 of the IGST Act, 2017, said supply does not qualify as export of service. The place of supply is outside India being location of recipient [Section 13(2) of the IGST Act, 2017]. However, services supplied by an establishment of a person in India to any establishment of that person outside India, which are treated as establishments of distinct persons in terms of Explanation 1 to section 8 are exempt provided the place of	15,00,000	--	--	--

³ Holding company and Subsidiary company are not considered as "merely establishments of a distinct person" for the purpose of complying with the conditions of Export of Service in terms of Circular No. 161/17/2021 GST dated 20.09.2021.

supply of service is outside India ⁴ . Thus, services provided by Shree Ganesh are exempt from GST.]				
<i>Add:</i> Futures derivatives contract [Futures derivative contracts with no delivery option qualify as securities. Securities are neither goods nor services. Thus, given transaction does not qualify as supply.]	20,00,000	--	--	--
<i>Add:</i> High-seas sale of goods to Kavita Print Works [High seas sales is neither treated as supply of goods nor as supply of services in terms of para 8(b) of Schedule III of the CGST Act, 2017.]	12,00,000	--	--	--
Total output tax under forward charge		27,000	27,000	1,83,600
<i>Less:</i> ITC available for set-off (Refer Working Note) [ITC of IGST is utilised for payment of IGST liability and thereafter for payment of CGST and SGST liability.]		(27,000)	(27,000)	(1,83,600)
Net GST		Nil	Nil	Nil
<i>Add:</i> MRO services on Shree Ganesh's cargo vessel [Tax is payable on import of services under reverse charge.]	8,00,000	--	--	1,44,000

⁴ Entry 10F of Notification 9/2017 IT(R) dated 28.06.2017

<i>Add:</i> Raw cotton purchased from Mr. Devraj, an agriculturist [Tax on raw cotton supplied by an agriculturist to any registered person is payable under reverse charge by Shree Ganesh. Being an intra-State supply (since place of supply is Rajasthan being location where movement of goods terminates), rate of tax applicable is CGST and SGST @ 2.5% each.]	7,00,000	17,500	17,500	--
<i>Add:</i> Imported raw material from Italy [IGST on goods imported is payable by the importer.]	2,00,000	--	--	36,000
Minimum net GST payable in cash (CGST and SGST of ₹ 17,500 each and IGST of ₹ 1,44,000 will be paid in cash through GSTN portal and IGST of ₹ 36,000 will be paid in cash through ICEGATE portal while making customs clearance.)		17,500	17,500	1,80,000

Working Note — Computation of ITC available for set-off

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Computation of ITC credited to Electronic Credit Ledger in July				
MRO services received on cargo vessel [The place of supply of	8,00,000	--	--	1,44,000

MRO service in respect of vessels supplied to a person for use in course or furtherance of business is the location of the recipient of service (here, Jaipur, Rajasthan), being a notified services under section 13(13) of the IGST Act, 2017. Since in given case, supplier is located outside India, recipient is located in India and place of supply is in India, said services satisfy all the three conditions of import of services in terms of section 2(11) of IGST Act, 2017. Further, since said services are used exclusively for effecting zero-rated supplies (considered as taxable supplies), full ITC is available on the same and does not require reversal.]				
<i>Add:</i> Raw cotton purchased [ITC is available as said goods are used in course or furtherance of business.]	7,00,000	17,500	17,500	--

<i>Add:</i> Imported raw material from Italy [Input tax, <i>inter alia</i>, includes IGST charged on import of goods, in terms of section 2(62). No separate levy of IGST will be there on the component of ocean freight paid by the foreign exporter to the foreign shipping line in the CIF contract by virtue of <i>Union of India vs. Mohit Minerals Pvt. Ltd. 2022 (61) G.S.T.L. 257 (SC)</i> since the Indian importer is liable to pay IGST on the 'composite supply', comprising of supply of goods and supply of services of transportation, insurance, etc. in a CIF contract.	2,00,000	--	--	36,000
<i>Add:</i> Labelling machine purchased [Since machinery is delivered by supplier to M/s Anand Job Works on the direction of Shri Ganesh (Bill To Ship To), it is deemed to have been received by Shree Ganesh and thus, ITC is available. Further, it is	6,00,000	--	--	1,08,000

an inter-State supply as location of supplier is Gujarat and place of supply is Shree Ganesh's principal place of business, i.e., Jaipur, Rajasthan.]				
<i>Add:</i> Security personnel services [Since security services are being provided by a body corporate, tax is not payable under reverse charge. Further, since supplier is unregistered, no tax is payable. Consequently, no ITC is available.]	--	--	--	--
<i>Add:</i> Goods imported from Japan sold in high sea [No ITC is available since tax is not payable by Shree Ganesh on the same; in case of high sea sales, IGST is paid by the last high sea sales buyer (Kavita Print Works) who clears the goods for home consumption by filing the bill of entry.]	--	--	--	--
Total ITC credited to the electronic credit ledger in July		17,500	17,500	2,88,000

Less: ITC attributable to input services intended to be used exclusively for effecting taxable supplies [Zero-rated supplies are considered as taxable supplies.]				(1,44,000)
Common credit		17,500	17,500	1,44,000
Less: Reversal of ITC of inputs & input services attributable to exempt supplies, in terms of rule 42 = (Aggregate value of exempt supplies during the tax period ÷ Total turnover in the State of the registered person during the tax period) x Common Credit (Refer Note below the Table)		7,793 [17,500 x 64,00,000/ 1,43,72,000]	7,793 [17,500 x 64,00,000/ 1,43,72,000]	16,031 [36,000 x 64,00,000/ 1,43,72,000] (Value of labelling machine excluded)
Less: Reversal of ITC of capital goods (labelling machine) attributable to exempt supplies under rule 43 = ₹ 1,08,000/60 months x 64,00,000/ 1,43,72,000				802
ITC of inputs, input services and capital goods attributable to taxable supplies		9,707	9,707	1,27,167

Add: ITC attributable to inputs and input services intended to be used exclusively for effecting taxable supplies		--	--	1,44,000
Add: Opening balance of ITC	--	45,000	45,000	--
ITC available for set-off		54,707	54,707	2,71,167

Note: Computation of Aggregate value of exempt supplies and Total turnover in Rajasthan for the month

Computation of Aggregate value of exempt supplies

Under section 17(3), value of exempt supply excludes transactions specified in Schedule III except paragraph 5 thereof, but expressly includes transactions in securities and, subject to paragraph 5(b) of Schedule II, sale of land and building. Accordingly, aggregate value of exempt supplies is as under:

Particulars	Amount (₹)
Sale of old factory shed [As per explanation to Chapter V of the CGST Rules, the value of exempt supply in respect of land and building is the value adopted for paying stamp duty.]	47,00,000
Maintenance services to Udaipur Municipal Corporation [Exempt from GST.]	1,80,000
Sale of futures contract (transaction in securities) [As per explanation to Chapter V of the CGST Rules, the value of exempt supply in respect of security is 1% of the sale value of such security.]	20,000
Consultancy to own branch, San Diego [Exempt from GST.]	15,00,000
Designing of integrated chip layout for German client [It is a zero-rated supply, hence, is considered as a taxable supply.]	--

Business support & marketing services to holding company, Shree Ganesh Global Inc., USA [It is a zero-rated supply, hence, is considered as a taxable supply.]	--
High-seas sale of goods to Kavita Print Works [As per section 17(3), 'value of exempt supply' excludes transactions specified in Schedule III, except specified transactions.]	--
Aggregate value of exempt supplies for July	64,00,000

Computation of Total turnover in Rajasthan for July

Particulars	Amount (₹)
Sale of factory shed	47,00,000
Export of chip-designing service	22,00,000
Supply of printed corrugated boxes	36,72,000
Maintenance services to Udaipur Municipal Corporation	1,80,000
Cars on hire to RSRTC	3,00,000
Export of business support services	18,00,000
Consultancy to own branch, San Diego	15,00,000
Transaction in securities	20,000
High-seas sale (Not a supply)	-
Total turnover in the State (Rajasthan) for the month	1,43,72,000

Note: In above answer, unless otherwise stated specifically, rate of CGST, SGST and IGST applied is 9, 9% and 18% respectively.

- 14.** Rule 14A provides a simplified and faster mode of GST registration for small taxpayers whose monthly output tax liability on B2B supplies does not exceed ₹ 2.5 lakh. Under this option, a person can get registered electronically within 3 working days, based purely on Aadhaar authentication, without the need for physical verification (no site visit). A person is eligible to opt for this facility provided:
- He has made an application for registration under rule 8

- His total output tax liability on supply of goods and/or services made to registered persons (CGST and SGST/UTGST and IGST and compensation cess) does not exceed ₹ 2.5 lakh per month.
- He must opt for and undergo successful Aadhaar authentication.

Where these conditions are met, registration is granted electronically by the common portal within 3 working days of successful Aadhaar authentication, without any physical/site verification.

Further, rule 14A restricts a taxpayer to only one registration per State/UT against the same PAN under this option.

In view of above provisions, registration requirements in given cases are as follows:

- (a)** Monthly B2B output tax liability of Mohit Enterprises is determined at ₹ 2.30 lakh, which is within the prescribed threshold of ₹ 2.5 lakh. Mohit has also applied under rule 8 and successfully completed Aadhaar authentication. All conditions prescribed under rule 14A are thus satisfied.

Thus, Mohit Enterprises is eligible to opt for Fast Track Registration under rule 14A.

- (b)** Although both verticals of Kavya Industries independently satisfy the tax-liability and Aadhaar-authentication conditions, rule 14A expressly permits only a single registration per State/UT under the same PAN. Since both verticals are located within the same State (Rajasthan) and operate under the same PAN, the restriction applies regardless of the fact that they represent distinct business lines.

Thus, Kavya Industries cannot obtain two separate rule 14A registrations for its two verticals. Only one Fast Track Registration under rule 14A can be obtained for a State and the consultant's advice to seek two such registrations is not correct in law.

15. Matters which cannot be questioned before AAR are:

- A question already pending in any proceedings in the case of an applicant under any of the provisions of the Act.

- A question already decided in any proceedings in the case of an applicant under any of the provisions of the Act.

Advance Ruling can be sought for the following questions:

- Classification of any goods or services or both.
 - Applicability of a notification issued under the provisions of the CGST Act.
 - Determination of time and value of supply of goods or services or both.
 - Admissibility of input tax credit of tax paid or deemed to have been paid.
 - Determination of the liability to pay tax on any goods or services or both.
 - Whether the applicant is required to be registered.
 - Whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term.
- 16. (i)** Rule 46 prescribes the particulars that a tax invoice, issued by a registered person to an unregistered person, should contain. It, *inter alia*, provides that invoice should contain name and address of the recipient and the address of delivery, along with the name of the State and its code, provided the value of taxable supply is ₹ 50,000 or more.

In case where the value of taxable supply is less than ₹ 50,000, invoice shall contain such details only when the unregistered recipient requests that such details be recorded in the tax invoice.

However, in cases where any taxable service is supplied through an ECO to an unregistered recipient, irrespective of the value of such supply, a tax invoice issued by the registered person shall contain the name of the State of the recipient and the same shall be deemed to be the address on record of the recipient.

Hence, invoice issued by 'Rapidfix' is not valid. It should have the name of the State of Mr. Subramaniam also.

- (ii) Insurers are exempted from generation of e-invoices even though their aggregate turnover in the preceding year exceeds the threshold limit of ₹ 5 crore. Further, it has been clarified⁵ that the said exemption from generation of e-invoices is for the entity as a whole and is not restricted by the nature of supply being made by the said entity. Thus, since Secure Insurance Company Limited, being an insurance company, is exempted from generation of e-invoices, it is not required to issue e-invoices on the supply of old used vehicles as scrap. Hence, view of the consultant is not correct.
17. (i) Where any partner retires from the firm, he or the firm, shall intimate the date of retirement of the said partner to the Commissioner by a notice in that behalf in writing and such partner shall be liable to pay tax, interest or penalty due up to the date of his retirement whether determined or not, on that date. However, if no such intimation is given within 1 month from the date of retirement, the liability of such partner shall continue until the date on which such intimation is received by the Commissioner. Since, in the given case, intimation is not given within 1 month from the retirement date, Suresh is liable for liability till the date of intimation, which is 15th October.
- (ii) A merchant exporter receiving goods at concessional rate of tax @ 0.1% (0.05% CGST + 0.05% SGST & 0.1% IGST) is eligible to take credit of the concessional tax so paid by him⁶. Further, he can:
- export under LUT/bond without payment of IGST and claim refund of unutilized ITC, or
 - export on payment of IGST and claim refund of that IGST⁷.

⁵ Circular No. 186/18/2022 GST dated 27.12.2022

⁶ Notification No. 40/2017 CT(R) dated 23.10.2017 read with Circular No. 37/11/2018-GST dated 15.03.2018

⁷ Earlier, merchant exporter could export the goods only under LUT / bond and could not export on payment of IGST by virtue of restriction given in rule 96(10). However, Notification No. 20/2024 CT dated 08.10.2024 omitted sub-rule (10) of rule 96. Thus, a merchant exporter can now export under LUT/bond without payment of IGST and claim refund of unutilized ITC, or export on payment of IGST and claim refund of that IGST.

Thus, in the given case, Rathore Ltd. is eligible to take credit of the concessional tax paid by it. Further, it can export under LUT/bond without payment of IGST and claim refund of unutilized ITC or export on payment of IGST and claim refund of that IGST. Hence, the view of the accountant of Rathore Ltd. is incorrect.

18. Rule 4 of the Deferred Payment of Import Duty Rules, 2016, provides as follows:

- (a) for goods corresponding to Bills of Entry returned for payment from the 1st day to the last day of any month other than March, the duty shall be paid by the 1st day of the following month; and
- (b) for goods corresponding to Bills of Entry returned for payment from the 1st day to the 31st day of March, the duty shall be paid by the 31st day of March.

In view of the above provisions, due date for payment of duty is as follows:

S. No.	Bill of Entry returned for payment on	Due date of payment of duty
(i)	10 th April	1 st May
(ii)	20 th April	1 st May
(iii)	8 th March	31 st March
(iv)	25 th March	31 st March

19. The time-limit prescribed for concluding the enquiry and finalising the provisional assessment as per the Customs (Finalisation of Provisional Assessment) Regulations, 2025, is as under:

Where duty leviable on imported/export goods is assessed provisionally by the proper officer because he deems it necessary to make further enquiry, the officer of customs shall complete the enquiry and transfer the relevant documents, along with a report in writing, to the proper officer for finalisation of assessment, within 14 months from the date of provisional assessment⁸.

⁸ Regulation 5

Further, the proper officer shall finalise the duty provisionally assessed, where it is possible to do so, within 3 months of conclusion of enquiry in accordance with regulation 5 above, where the duty leviable was assessed provisionally for that reason. An officer to whom the proper officer is subordinate may allow additional time period of 2 months at a time (for reasons to be recorded in writing)⁹.

Moreover, the assessment shall be finalised within 2 years from the date of the provisional assessment¹⁰. However, the Commissioner of Customs may, on sufficient cause being shown and reasons to be recorded in writing, extend the period of 2 years for finalisation of provisional assessment by an additional time of 1 year in terms of the first proviso to section 18(1B) of the Customs Act, 1962¹¹.

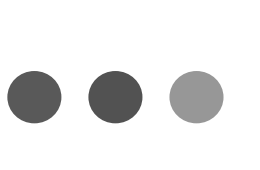
20. Computation of customs duty payable by Mrs. Subhadra

Particulars	₹
Used personal effects [Duty free clearance is allowed]	Nil
Laptop computer [A passenger of 18 years of age or above is allowed clearance of one new laptop including notepad free of duty in bona fide baggage.]	Nil
Jewellery [Special allowance for jewellery is not available to Mrs. Subhadra since she did not reside abroad for more than 1 year]	2,75,000
Music system	<u>50,000</u>
Total value	3,25,000
Less: General duty free baggage allowance of ₹ 75,000	<u>75,000</u>
Value of baggage liable to customs duty	2,50,000
Rate of duty	35%
Customs duty @ 35%	87,500

⁹ Regulation 8

¹⁰ Regulation 8

¹¹ Regulation 11



PAPER – 6: INTEGRATED BUSINESS SOLUTIONS



QUESTIONS

Case Study 1

Carry On Airline Limited



Carry On Airline Limited (COAL)¹ is a leading low-cost airline in India, with a market share of nearly 45% in domestic air travel. The company is among the top 500 listed companies on both the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The industry is highly competitive, with airlines frequently engaging in price wars. Consequently, despite its dominant market position, COAL operates as a price taker, with limited ability to influence ticket prices. The company operates nearly 1,800 flights daily, connecting over 310 destinations across India through a fleet of 400 aircraft.

COAL follows a hub-and-spoke operating model, wherein flights from multiple destinations converge at designated hub airports before passengers transfer to connecting flights for their final destinations. This model enables extensive network connectivity and efficient aircraft utilisation. However, it also creates significant operational interdependence, as delays or cancellations on one route can cascade across multiple connecting flights, disrupting the entire network.

¹ a fictional airline

The company's tagline, "**Punctuality, Prioritized, Price Downsized,**" reflects its strategic focus on providing low-cost yet punctual air travel. To support this strategy, COAL sought to maximise aircraft utilisation by minimising turnaround time between flights and maintaining a lean workforce. Crew members and pilots were rostered to maximise productive flying hours, enabling aircraft to cover greater distances and generate higher revenue while keeping operating costs low.

Decision-making at COAL was highly centralised. In addition to strategic decisions, most operational and tactical decisions were taken at the company's headquarters in Mumbai. Regional managers were primarily responsible for implementing directives issued by headquarters, with limited autonomy to respond to local operational issues. Although operational feedback was collected from regional offices, it had little influence on managerial decision-making.

The airline industry is subject to extensive regulatory oversight by the Directorate General of Civil Aviation (DGCA). For the preceding two years, the DGCA had recommended that airlines provide crew members and pilots with a minimum rest period of eight hours between flights to reduce fatigue and improve operational safety. The regulator also advised airlines to recruit additional crew and pilots to facilitate compliance. Although these recommendations were not initially mandatory, the government repeatedly indicated its intention to make them legally enforceable.

Despite these developments, COAL continued to roster its crew with only five hours of rest between flight duties. Management believed that compliance with the proposed norms would either require reducing flight operations or increasing staffing levels, both of which would adversely affect profitability. Consequently, the company prioritised competitive ticket pricing, punctual operations, and shareholder returns over workforce expansion and operational resilience.

This cost-focused approach extended beyond rostering practices. COAL maintained tight operational budgets by limiting employee incentives, restricting training expenditure, freezing recruitment, and not compensating overtime. Training and employee development received minimal attention, with management believing that employees could adequately learn through on-the-job experience. These practices resulted in high employee turnover, as

skilled crew members and pilots increasingly migrated to competing airlines offering better compensation, career development, and working conditions.

Following several aviation safety incidents across the industry, the government made the DGCA's recommended crew-rest guidelines mandatory with immediate effect in April 2026. While most competing airlines had already taken steps to comply, COAL had failed to build the necessary workforce capacity. As a result, the company faced an acute shortage of crew members and pilots and was forced to cancel a large number of scheduled flights at short notice.

Given the highly interconnected nature of COAL's hub-and-spoke network, these cancellations rapidly triggered a domino effect across the airline's operations, resulting in the cancellation of nearly 85% of its flights. The disruption extended beyond COAL, severely affecting domestic aviation across the country for more than a week. Thousands of passengers were stranded, leading to missed business engagements, personal commitments, and widespread public dissatisfaction. The Government eventually intervened to restore normalcy. Apart from significant reputational damage, COAL was required to refund approximately ₹500 crore in ticket sales and was further penalised ₹100 crore by the DGCA for failing to implement the prescribed crew-rest guidelines and for deficiencies in operational control and delegation.

In response to the crisis, COAL appointed Thomson and Thomson Consultants (TTC), a Singapore-based management consulting firm, to redesign its organisational and operational framework. The engagement was led by Mr. Sung Wong, who proposed evaluating the organisation using the McKinsey 7S Framework to identify misalignment among strategy, structure, systems, skills, staff, style, and shared values that had collectively contributed to the operational failure.

The prolonged disruption also created significant financial stress and liquidity constraints. Acting on TTC's recommendations, COAL entered into a sale-and-leaseback arrangement in May 2026 with Zeelong Aircraft Leasing Limited (ZEAL) to strengthen its cash position. Under the arrangement, COAL sold 10 aircraft to ZEAL for ₹ 100 crore each. Immediately prior to the transaction, each aircraft had a carrying amount of ₹ 60 crore, while its fair value was ₹ 75 crore. Simultaneously, COAL entered into a lease agreement granting it the

right to use each aircraft for 9 years, with annual lease rentals of ₹ 12 crore, payable at the end of each year. The transfer of the aircraft satisfied the requirements for recognising a sale under Ind AS 115, Revenue from Contracts with Customers. Initial direct costs, if any, may be ignored. The implicit rate in the lease is 10% per annum, which is readily determinable by COAL. ZEAL classifies the lease as an operating lease.

Meanwhile, the Securities and Exchange Board of India (SEBI) initiated an investigation into the governance practices of COAL (refer Annexure 1). The investigation revealed that the Board had been aware for nearly two years that the company's aggressive rostering policy and lean staffing model exposed it to significant operational risks. However, these material risks were neither disclosed to the stock exchanges nor reported to SEBI through the company's periodic regulatory filings.

During F.Y. 2025–26, the Risk Management Committee met only twice, with an interval of 180 days between the two meetings. However, it failed to discuss these significant operational risks in either meeting. Nor did it seek any information from employees or obtain any legal or professional advice on the matter. The Committee comprised six members, five of whom were members of the Board of Directors. Notably, none of the Board members serving on the Committee were independent directors.

In a separate development, Dev Patel, Assistant Manager in the Accounts Department, questioned the availability of Input Tax Credit (ITC) on aircraft used in COAL's airline operations. Referring to the provisions contained in Annexure 2, he expressed the view that ITC was not available on such aircraft. In response, his reporting manager, Sunita Jain, took the contrary position that COAL was eligible to claim ITC not only on the aircraft used for providing taxable passenger transportation services but also on related services such as insurance, repair and maintenance, as well as on the lease rentals payable under the sale-and-leaseback arrangement.

Meanwhile, the audit of COAL's financial statements for the year ended 31 March 2026 was substantially completed in June 2026. During the audit, CA. Shirish Patra noted that the DGCA had made the crew-rest requirements mandatory in April 2026, following which COAL cancelled a substantial number of flights and incurred significant passenger refund obligations and a regulatory penalty. Management initially considered these events to be events arising entirely after the reporting date. However, the auditor noted that,

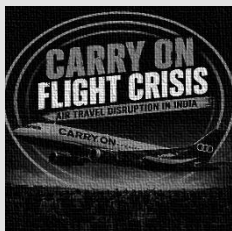
before 31 March 2026, COAL had already been aware of the DGCA's proposed requirements for nearly two years, had continued to roster crew below the recommended rest period, and had not taken steps to strengthen its workforce. The auditor therefore considered whether the events occurring after 31 March 2026 provided evidence of conditions that existed at the reporting date and whether any adjustment to the financial statements was required.

Annexure 1



Business News

COAL Faces SEBI Scrutiny After Flight Operations Crisis Triggers Investor Losses



Mumbai, 25th April 2026 – The unimaginable inconvenience caused to passengers, the widespread anxiety, and the inability of thousands to meet their personal and professional commitments remain fresh in public memory following the unprecedented disruption of flight operations by Carry On Airline Limited (COAL).

The crisis stemmed from poor flight scheduling and inadequate crew rostering. Despite being aware for the past few years of the Directorate General of Civil Aviation's (DGCA) recommended crew-rest guidelines, COAL's management failed to take adequate steps to strengthen its workforce and ensure compliance. When the guidelines became mandatory in April 2026, the airline struggled to operate with an understaffed workforce, resulting in the cancellation of more than 85% of its scheduled flights.

The operational disruption severely impacted the company's financial performance. Revenue losses, passenger refunds, and regulatory penalties significantly eroded investor confidence. COAL's share price plunged by nearly 50% at the height of the crisis, closing at ₹ 94 per share, compared with its recent high of ₹185 per share in March 2026.

Meanwhile, the Securities and Exchange Board of India (SEBI) has initiated an inquiry to examine whether COAL complied with the disclosure requirements prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations (LODR). As part of the investigation, SEBI is reviewing the minutes of

the Board and its committees to determine whether the management was aware of the impending operational risks well before the guidelines became mandatory.

The regulator is also examining whether the company had identified the staffing shortage and operational vulnerabilities as material risks and whether such risks were appropriately disclosed to the stock exchanges or reported through the Business Responsibility and Sustainability Report (BRSR). If any lapses are established, SEBI may seek formal explanations from the company and consider appropriate regulatory action.

The coming weeks are expected to be crucial as COAL's Board faces increasing scrutiny over its governance practices, risk management, and disclosure standards. The airline's reputation has already suffered significant damage, with public confidence and investor sentiment remaining severely affected in the aftermath of the crisis.

Annexure 2

Dev Patel/ Assistant Manager/ Accounts

From: "Dev Patel" <Devp@coal.com>
 Sent: 15th June 2026 10:00
 To: "Sunita Jain" <Sunitaj@coal.com>
 Cc:
 Subject: ITC eligibility for COAL under the GST Act
 Attachments:

Dear Sunita,

I am in the process of preparing the Company's GST returns and require your guidance on the eligibility of Input Tax Credit (ITC).

As per the GST Act, ITC is blocked in respect of motor vehicles and other conveyances, as well as on related services such as repair and maintenance, insurance, and servicing, subject to specified exceptions. Further, we have recently entered into a sale-and-leaseback arrangement with ZEAL, under which COAL will pay an annual lease rental of ₹ 12 crore per aircraft.

In my view, ITC is not available on the aircraft used in COAL's airline business. Consequently, I believe that ITC would also not be available on related services such as repair and maintenance, insurance, and servicing. Further, I am of the opinion that COAL would not be eligible to claim ITC on the lease rentals payable for the 10 aircraft covered under the sale-and-leaseback arrangement.

Could you please confirm whether my understanding of the GST provisions is correct? Based on your guidance, I shall proceed with the preparation and filing of the GST returns.

Regards,

Dev

Dev Patel

Assistant Manager – Accounts

Multiple Choice Questions

- 1.1 Given the provisions of the SEBI Act, 1992 and related rules and regulations, how much penalty would COAL be expected to pay on account of the non-disclosure of material business risks as part of its reporting to the exchanges.
- (a) A penalty of ₹ 1 crore
 - (b) Not less than ₹ 1 lakh but which may extend to ₹ 1 lakh for each day during which such failure continues subject to a maximum of ₹ 1 crore
 - (c) Not less than ₹ 10 lakh but which may extend to ₹ 1 lakh for each day during which such failure continues subject to a maximum of ₹ 10 crores
 - (d) Not less than ₹ 10 lakh but which may extend to ₹ 1 lakh for each day during which such failure continues subject to a maximum of ₹ 15 crores
- 1.2 As per the SEBI Act, 1992 and SEBI (LODR) Regulations, 2015 which of the following is incorrect?
- (a) COAL is required to have a Risk Management Committee
 - (b) The Risk Management Committee convened its meetings as per the above provisions
 - (c) The Risk Management Committee is authorized to collect relevant information from employees or seek legal / professional advice relating to any issue at hand

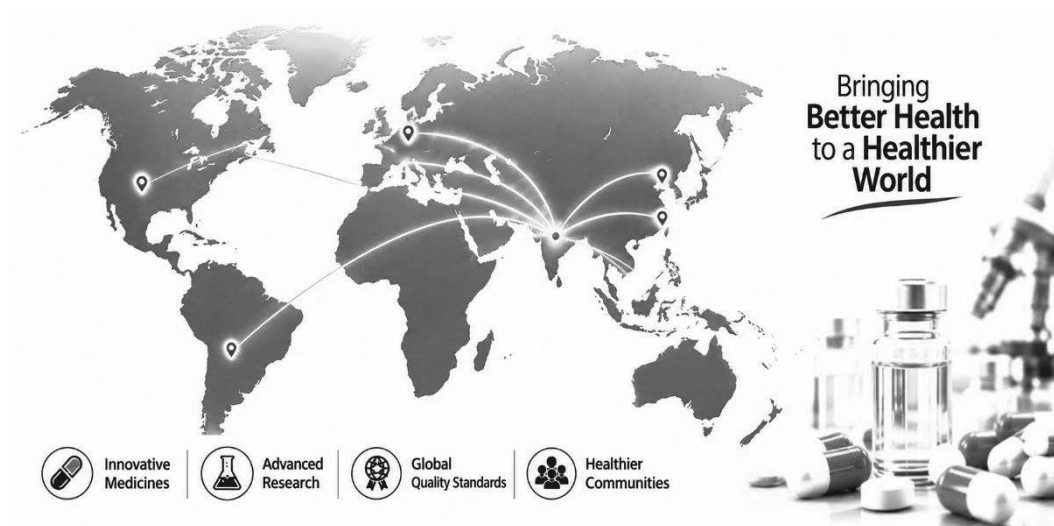
- (d) The Risk Management Committee is correctly constituted as per the above provisions
- 1.3 Which of the following behavioral consequences most likely happened due to the centralized top-down authoritative decision making approach?
- (a) Improved efficiency due to implementation of decisions uniformly across all regions
 - (b) Lack of goal congruence since feedback regarding operational issues was not imbibed to influence the decision making significantly
 - (c) Budgetary control as costs could be managed better through the centralized decision making set-up
 - (d) Improved employee turnover as staff are not responsible for the decisions made by the management leading to lower accountability
- 1.4 Viewed within the framework of customer satisfaction using the Kano Model, assess the statements below:
- Assertion (A):* For the stranded passengers, COAL's strategy to be a low cost airline, offering competitive ticket rates to passengers transitioned from an attribute leading to higher satisfaction to one that became irrelevant due the crisis.
- Reasoning (R):* Reverse attributes like COAL being a price taker worsened the intensity of the crisis.
- (a) Both A and R are true and R is the correct explanation of A
 - (b) Both A and R are true but R is not the correct explanation of A
 - (c) A is true but R is false
 - (d) A is false and R is true

- 1.5 With reference to the events occurring after 31 March 2026, which of the following is the most appropriate conclusion under SA 560, Subsequent Events?
- (a) Since the DGCA made the crew-rest requirements mandatory only in April 2026, the resulting flight cancellations, passenger refunds and regulatory penalty relate entirely to the subsequent period and cannot require any consideration in the financial statements for the year ended 31 March 2026.
 - (b) The fact that COAL was aware of the proposed crew-rest requirements before 31 March 2026 is, by itself, sufficient to conclude that the flight cancellations and regulatory penalty arising in April 2026 are adjusting events for the year ended 31 March 2026.
 - (c) The auditor should determine whether the events occurring after 31 March 2026 provide evidence of conditions that existed at the reporting date. The existence of the staffing shortage, the known regulatory requirements and COAL's continuing non-compliance before 31 March 2026 are relevant to this assessment; however, the accounting treatment cannot be determined merely from the date on which the DGCA requirement became mandatory.
 - (d) Since the events occurred before the date of the auditor's report, the auditor is required to recognise their financial effect in the financial statements regardless of whether the underlying conditions existed at 31 March 2026.

Descriptive Questions

- 1.6 As part of Mr. Sung Wong's team from TTC, ANALYZE COAL's operations using McKinsey 7S framework.
- 1.7 DETERMINE the appropriate accounting treatment for the sale-and-leaseback transaction involving the 10 aircraft with ZEAL in May 2026.
- 1.8 EVALUATE the correctness of Sunita Jain's response to the GST issue raised by Dev Patel.

Case Study 2

Synovia & Synovia Life Sciences Ltd.

Synovia & Synovia Life Sciences Ltd. (S&S) is a renowned pharmaceutical company headquartered in Mumbai, Maharashtra. Founded in 1975 by Mr. Triveni Das, the company has grown steadily over the years into one of the leading pharmaceutical manufacturers, catering to a broad spectrum of healthcare needs through its diverse portfolio of branded and generic medicines. Driven by a strong commitment to quality, innovation, and patient care, S&S has established a significant presence in both domestic and international markets.

To support its growing operations, the company operates three state-of-the-art manufacturing facilities located in Mumbai, Pune, and Aurangabad in Maharashtra. In addition, the S&S Group comprises five subsidiaries across India that manufacture Active Pharmaceutical Ingredients (APIs), ensuring a reliable and integrated supply chain for the company's production requirements. This backward integration has enabled the company to maintain consistent product quality, improve operational efficiency, and reduce dependence on external suppliers.

Over the years, S&S has successfully expanded its footprint beyond India and now exports its pharmaceutical products to several countries across America, Asia, and Europe. The company's continued focus on research, product

development, and regulatory compliance has enabled it to meet stringent international quality standards while strengthening its reputation as a trusted pharmaceutical manufacturer. Guided by its vision of becoming one of the world's most admired pharmaceutical companies and securing a position among the top five pharmaceutical companies globally by 2030, S&S continues to pursue sustainable growth through innovation, operational excellence, and strong corporate values.

During F.Y. 2025–26, however, the company's growth trajectory encountered fresh challenges. Owing to evolving geopolitical developments, several countries imposed substantial tariffs on imported pharmaceutical products, adversely affecting S&S's export business and putting pressure on its profit margins. Consequently, the management initiated a comprehensive review of its business strategy with a dual objective of identifying new international markets while simultaneously improving operational efficiency and optimizing manufacturing costs. In this regard, reference may be made to Annexure 1, containing a news article published in Business Trends regarding the company's proposed expansion into newer markets.

As part of its strategic response, S&S is evaluating expansion opportunities across various African countries. At the same time, the management recognizes the need to improve operational efficiency at its manufacturing facilities in India to sustain profitability. To assist in these initiatives, the company has engaged the services of MCG, a Dubai-based global consulting firm. Ms. Charlotte Peters has been appointed as the lead consultant to advise the company on its expansion strategy and operational transformation initiatives.

One of the first areas identified for review is the inventory management system at S&S's Mumbai manufacturing facility. Since inventory carrying costs have increased significantly in recent years, the management believes that optimizing inventory levels could substantially improve operating efficiency. Accordingly, Charlotte Peters approached Mr. Bipin Patnaik, the Chief Operating Officer (COO), to gain an understanding of the company's existing inventory management practices and evaluate the suitability of introducing a pull-based inventory management system. To facilitate this assessment, Bipin shared a detailed email outlining the various categories of drugs manufactured by the company, their production characteristics, and the

specific inventory management requirements associated with each product category. (Refer Annexure 2)

At present, S&S follows a push system of inventory management across all its manufacturing facilities, whereby production is undertaken in anticipation of future demand and customer requirements are fulfilled from finished goods inventory. Consequently, finished pharmaceutical products are stored under stringent hygienic conditions until dispatch to customers. To facilitate this, the company leases large warehouse facilities. However, steadily increasing lease rentals have significantly increased inventory holding costs, prompting the management to explore alternative inventory management approaches.

As an initial step, Charlotte has requested Bipin to classify the company's products based on four parameters: (i) the ease with which production quantities can be varied to accommodate fluctuations in customer demand, including large bulk orders and smaller orders; (ii) products generating high profit margins where stock-outs could result in significant opportunity losses; (iii) inventory turnover levels; and (iv) the remaining shelf life of medicines from the date of manufacture. Since S&S already has a robust procurement system with its suppliers capable of supporting either push or pull inventory systems, Charlotte has decided to confine her analysis to finished goods at the Mumbai manufacturing facility as a pilot project.

While discussing the proposed transition, Mr. Triveni Das expressed the management's expectations regarding the new inventory management system. He expects the proposed system to (i) achieve economies of scale in production and distribution, (ii) guarantee product availability at all times by minimizing stock-outs, (iii) eliminate the need for extensive planning activities such as demand forecasting and resource planning relating to materials, labour, machinery and capital requirements, and (iv) reduce losses arising from drug obsolescence and expiry.

Parallel to these operational initiatives, S&S is also dealing with certain regulatory and compliance matters. One such compliance matter relates to payments made to MCG for consultancy services rendered from Dubai. The consulting firm periodically raises invoices denominated in US Dollars, and S&S remits the consideration accordingly. Before processing future remittances, Mr. Mohit Dave, the company's Compliance Officer, seeks advice regarding the maximum amount of foreign exchange that may be remitted for

consultancy services without obtaining prior approval from the Reserve Bank of India.

Meanwhile, the statutory audit of S&S's consolidated financial statements for F.Y. 2025–26 is also underway. R&K Associates, Chartered Accountants, have been appointed as the statutory auditors. During the year, S&S expanded its international operations by establishing two subsidiaries in various African countries, in addition to its existing five Indian subsidiaries. Consequently, the consolidated financial statements include the financial statements and financial information of seven subsidiaries, all of which have been audited by other auditors. The subsidiaries collectively represent total assets of ₹ 1,010 crores, total revenues of ₹ 1,254 crores, and net cash outflows of ₹ 30 crores. The financial statements of the two overseas subsidiaries have been prepared in accordance with the generally accepted accounting principles applicable in their respective countries and have been audited under the auditing standards prevailing in those jurisdictions. Based on these circumstances, CA. Ravikant Desai, Engagement Partner of R&K Associates, is evaluating the manner in which reference to the work performed by the component auditors should be made, if at all, in the auditor's report on S&S's consolidated financial statements.

In addition to operational improvements, S&S is also evaluating strategic investment opportunities that could strengthen its long-term competitive advantage. Several years ago, the company acquired a 15% voting interest in Rediwrap India Limited, a leading manufacturer of pharmaceutical packaging materials and one of S&S's principal suppliers. Owing to this strategic investment, S&S is able to procure nearly 90% of Rediwrap's production for packaging its pharmaceutical products. Historically, Rediwrap has maintained a lead time of approximately five days from receipt of orders, although occasional delays arise when it simultaneously fulfils large orders placed by external customers.

Considering the company's proposed shift towards a pull-based inventory management system, Charlotte Peters recommends that S&S acquire Rediwrap India Limited outright. According to her, complete ownership would enable S&S to exercise greater control over the packaging supply chain, improve responsiveness to production requirements, and eliminate the supplier's profit margin through internal transfer pricing arrangements. Although such inter-company profits would stand eliminated upon

consolidation, she believes the acquisition would improve operational coordination and enhance overall supply chain efficiency.

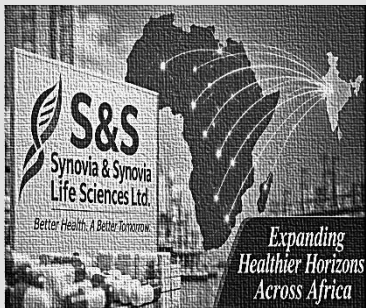
The senior management, however, remains cautious about the proposal. They are concerned that the acquisition would require substantial capital investment at a time when significant financial resources are already committed towards the company's expansion into African markets. Consequently, the management is apprehensive that pursuing the acquisition may lead to excessive leverage and increase the company's overall financial risk.

Annexure 1



Business Trends

Synovia & Synovia Life Sciences Ltd. (S&S) Charts Expansion into African Markets Amid Global Trade Challenges



Mumbai, 20th February 2026 – Synovia & Synovia Life Sciences Ltd. (S&S), one of India's leading pharmaceutical manufacturers, has announced an ambitious expansion strategy aimed at strengthening its global presence by entering several African markets. The move comes at a time when increasing import tariffs imposed by various countries have adversely affected the company's export business and placed pressure on its profit margins.

Recognising the need to diversify its international operations and reduce dependence on traditional export markets, S&S has identified Africa as a key growth destination. With the continent witnessing rising demand for quality healthcare products and several governments implementing investor-friendly economic policies, the company believes that the region offers significant long-term growth opportunities.

As part of its expansion strategy, S&S proposes to establish manufacturing facilities in Nigeria, Ethiopia, Egypt, Morocco, South Africa, and Namibia. The initiative is expected to provide the company with better access to regional markets, lower production costs, improved supply chain efficiencies, and enhanced competitiveness in international markets. Since each of these countries has its own legal, regulatory, taxation, and business environment, the company has initiated detailed feasibility studies and regulatory assessments before commencing operations.

The company has also begun discussions to acquire existing pharmaceutical businesses in select African countries to accelerate market entry and strengthen its local presence. In certain jurisdictions, investments relating to land acquisition and procurement of manufacturing equipment have already commenced, demonstrating the company's commitment to the expansion programme.

According to the management, the African expansion is a key component of S&S's long-term growth strategy and is expected to reduce the adverse impact of global trade barriers while creating new avenues for sustainable growth. The company believes that establishing manufacturing facilities closer to emerging markets will not only improve operational efficiency but also strengthen its ability to respond to changing market dynamics and evolving customer needs.

Annexure 2

Bipin Patnaik/ Chief Operating Officer (COO)

From: "Bipin Patnaik" <bipin@ss.com>

Sent: 3rd August 2026 10:00

To: "Charlotte Peters" <charlottep@mcg.ae>

Cc:

Subject: Details of inventory of different products manufactured at the Mumbai facility

Attachments:

Dear Charlotte,

As requested, my team has compiled the inventory-related information for the various categories of products manufactured at our Mumbai facility. The details are provided below for your review.

Type 1 Drugs: These are specialty medicines that command high profit margins and contribute approximately 33% of the Mumbai facility's overall profitability. Demand for these products is relatively infrequent; however, they can be manufactured in varying quantities without causing any significant disruption to normal production operations. Owing to their short shelf life, these medicines need to be consumed soon after manufacture. Under the current push-based inventory system, they are produced in anticipation of demand. As actual demand is irregular, a considerable quantity remains unsold in inventory and expires before it can be dispatched, resulting in recurring wastage. These products primarily cater to a niche customer segment.

Type 2 Drugs: These consist of common, non-critical medicines with comparatively lower profit margins, contributing around 26% of the Mumbai facility's profitability.

They are in consistently high demand throughout the year from wholesalers, hospitals, and large pharmacy chains. Consequently, these products exhibit high inventory turnover, requiring only limited storage time. Customer orders are received through multiple channels, including emails, telephone calls, and annual supply contracts with pre-agreed delivery schedules. Based on these requirements, production managers receive weekly production plans. These medicines have a long shelf life of up to two years from the date of manufacture.

Type 3 Drugs: These products account for approximately 40% of the Mumbai facility's profitability and are supplied primarily under long-term contracts with regular customers. Demand for these medicines remains consistently high. However, they are manufactured only in fixed production batches, making it impractical to vary production quantities into smaller or larger lots. Similar to Type 2 products, they have high inventory turnover, require minimal storage space, and possess a relatively long shelf life.

Type 4 Drugs: These are low-margin products, contributing approximately 1% of the Mumbai facility's profitability, whose demand is highly volatile and unpredictable. Examples include disaster relief medicines and certain vaccines required during outbreaks of contagious diseases. Manufacturing these products requires significant changes to the production schedule, including substantial setup activities before and after production, thereby interrupting normal manufacturing operations. In addition, these medicines have a very short shelf life, requiring rapid consumption after production. Owing to the uncertainty of demand, the company frequently incurs losses arising from expired inventory in this product category.

I hope the above information will be useful for your assessment of the suitability of introducing a pull-based inventory management system at our Mumbai facility. Please let me know if you require any additional information or clarification.

Regards,

Bipin

Bipin Patnaik

Chief Operating Officer (COO)

Multiple Choice Questions

2.1 After considering the provisions of Foreign Exchange Management Act, 1999 and regulations made thereunder, what would be the permissible amount that you would advise Mohit to answer his query:

- (a) US \$ 50,000,000

- (b) US \$ 10,000,000
 - (c) US \$ 5,000,000
 - (d) US \$ 1,000,000
- 2.2 Giving due consideration to Triveni Das's expectations regarding the proposed pull system of inventory management, which of the following benefits can Charlotte most realistically expect the company to achieve?
- (a) Benefit 1 – Achieve economies of scale in production and distribution.
 - (b) Benefit 2 – Guarantee product availability at all times, thereby reducing the risk of stock-outs.
 - (c) Benefit 3 – Eliminate the need for demand forecasting and resource planning.
 - (d) Benefit 4 – Reduce the risk of drug obsolescence and wastage arising from expired medicines.
- 2.3 Based solely on the information provided in the case study, which of the following categories of drugs should Charlotte identify as the most appropriate candidate for a detailed product portfolio review with a view to considering discontinuation?
- (a) Type 1 drugs
 - (b) Type 2 drugs
 - (c) Type 3 drugs
 - (d) Type 4 drugs
- 2.4 What is the relationship between S&S and Rediwrap India Limited?
- (a) Rediwrap India Limited is a subsidiary of S&S
 - (b) Rediwrap India Limited is an associate of S&S
 - (c) Rediwrap India Limited in joint arrangement with S&S
 - (d) S&S has invested in Rediwrap India Limited with no further relationship as subsidiary, associate or joint arrangement

- 2.5 With reference to the proposal to acquire Rediwrap, which of the following methods of financing would address the senior management's concerns about increased financial risk to CPL due to over-leveraging?
- (a) Issue 12% secured Non-Convertible Debentures (NCDs) to institutional investors redeemable after 5 years.
 - (b) An equity share swap ratio arrangement where CPL issues its own shares to the existing shareholders of Rediwrap India Limited based on fair exchange valuation.
 - (c) Factoring CPL's domestic trade receivables to a financial institution on a non-recourse basis to generate immediate upfront cash.
 - (d) Entering into sale and leaseback arrangements for critical machinery at CPL in order to raise upfront cash.

Descriptive Questions

- 2.6 DISCUSS how CA. Ravikant Desai should make reference, if any, to the audit conducted by the other auditors in the auditor's report on the consolidated financial statements of Synovia & Synovia Life Sciences Ltd. (S&S) for the financial year 2025–26. DRAFT the relevant paragraph of the auditor's report by making suitable assumptions, wherever necessary.
- 2.7 Based on the current manufacturing set-up at the Mumbai facility, critically EVALUATE the suitability of adopting a pull system of inventory management for different categories of drugs and recommend the category for which Charlotte should adopt such a system.
- 2.8 EVALUATE the proposal made by Charlotte Peters for the acquisition of Rediwrap India Limited by Synovia & Synovia Life Sciences Ltd. (S&S). Based on the facts of the case, discuss the advantages and disadvantages of the proposal and conclude whether the acquisition should be undertaken.



SUGGESTED ANSWERS

Answers to Multiple Choice Questions

- 1.1 The correct answer is (b):** Not less than ₹1 lakh but which may extend to ₹ 1 lakh for each day during which such failure continues subject to a maximum of ₹1 crore.

Reason: As per Section 15(A) of the SEBI Act 1992, since COAL did not disclose this specific material business risk in its reporting, it would be subject to a penalty of not less than ₹1 lakh but which may extend to ₹ 1 lakh for each day during which such failure continues subject to a maximum of ₹1 crore.

- 1.2 The correct answer is (d):** The Risk Management Committee is correctly constituted as per the above provisions.

Reason: As per the provisions of the SEBI Act, 1992 and the SEBI (LODR) Regulations 2015, Regulation 21 provides that the Risk Management Committee shall have minimum three members with majority being members of the board of directors, including at least one independent director. COAL has 6 members on the committee, with 5 of them are part of the board of directors. While board of members are in majority, none of them are independent directors. The provisions require at least one independent director on this committee. Therefore, the committee is not constituted as per the above provisions.

- 1.3 The correct answer is (b):** Lack of goal congruence since feedback regarding operational issues was not imbibed to influence the decision making significantly.

Reason: Regional staff and lower- and middle-level management were largely excluded from the decision-making process. Moreover, their feedback on operational and ground-level issues was not adequately considered by the headquarters while making strategic and operational decisions.

This resulted in a lack of goal congruence between the objectives established by the headquarters and the practical realities faced by regional operations. Consequently, employees became less engaged,

operational flexibility was reduced, and the organisation became increasingly fragile in responding to changing circumstances.

These shortcomings ultimately contributed to high employee turnover, operational inefficiencies, and significant revenue losses, thereby outweighing any benefits achieved through tight budgetary control.

1.4 The correct answer is (c): A is true but R is false

Reason: Under normal circumstances, COAL's strategy of offering market competitive ticket prices was an attribute that led to customer satisfaction. More the reduction in ticket price, higher the customer satisfaction. The passengers were getting airline transportation service as consideration for the price of the ticket. However, during the crisis this basic service of transportation of passengers could not be provided by COAL on account of wide spread cancellations. Therefore, the market competitiveness of the ticket price became irrelevant since COAL failed to provide the service in the first place. In the case of such crisis, ticket price becomes less relevant as passengers are more concerned about reaching their destination rather than the market competitiveness of the ticket price.

The Reason is not true. COAL being a price taker is not a reverse attribute (unwanted) for the customer as per the Kano Model. Rather it would be a positive attribute like a performance attribute in a competitive industry like the one in the case study. Also, the crisis unfolded because of over emphasis on efficiency of aircraft utilization, extremely lean workforce to manage operations and mismanagement that ignored government guidelines. COAL's strategy to be a low-cost airline, that is a price taker was not the reason for disruption in flight operations.

1.5 The correct answer is (c): The auditor should determine whether the events occurring after 31 March 2026 provide evidence of conditions that existed at the reporting date. The existence of the staffing shortage, the known regulatory requirements and COAL's continuing non-compliance before 31 March 2026 are relevant to this assessment; however, the accounting treatment cannot be determined merely from the date on which the DGCA requirement became mandatory.

Reason:

- (a) Wrongly assumes post-year-end occurrence = no consideration.
- (b) Wrongly says prior awareness automatically makes the subsequent event adjusting.
- (c) Correctly applies the condition-at-reporting-date test.
- (d) Wrongly assumes all subsequent events before the auditor's report are recognised.

Answers to Descriptive Questions

- 1.6** The company's cost leadership strategy was misaligned with the government's regulatory requirements, ultimately leading to the disruption of operations in April 2026. The McKinsey 7S Framework comprises both hard and soft elements that provide a comprehensive framework for analysing an organisation's effectiveness. These seven elements are interdependent, and any misalignment among them can adversely affect organisational performance. The framework can therefore help the consultants identify the key gaps that contributed to the crisis and recommend appropriate corrective measures.

Elements of the McKinsey 7s Framework

Strategy: COAL follows a cost leadership strategy with a strong emphasis on enabling customers to reach their destinations on time, as reflected in its tagline, "Punctuality, Prioritized, Price Downsized." Since the airline operates in a highly competitive market, ticket prices are largely market-driven, requiring COAL to engage in intense price competition with its rivals. To maximise revenue, the company sought to minimise aircraft turnaround time and maximise aircraft utilisation, thereby increasing flying hours and revenue-generating capacity. This enabled the airline to maintain punctual operations by ensuring that aircraft spent the least possible time on the ground.

Simultaneously, profitability was pursued through aggressive cost reduction measures, particularly by maintaining a lean workforce. Although this strategy improved operational efficiency under normal circumstances, it failed to build resilience into the organisation. The absence of adequate operational buffers and contingency planning ultimately resulted in the operational crisis of April 2026.

Structure: COAL followed a highly centralised organisational structure in which strategic and tactical decisions were made at the headquarters. The objective was to ensure uniformity in policy implementation across the organisation, while lower-level management was primarily responsible for execution. Operational feedback from regional offices had little influence on decision-making.

Such an autocratic and rigid organisational structure reduced the agility required to respond effectively to business disruptions. Since regional management was not empowered to take timely decisions, the organisation's ability to contain the crisis was significantly restricted. COAL should decentralise selected tactical and operational decisions, particularly those relating to day-to-day operations. Cross-functional teams, cross-location collaboration, and participative management would enhance organisational agility and improve responsiveness during disruptions.

Systems: COAL's hub-and-spoke operating model created a highly interconnected flight network, whereby disruptions in one sector rapidly affected multiple connecting flights. However, the company's human resource systems, particularly crew and pilot rostering, were not aligned with the regulatory expectations. The existing rostering system provided only five hours of rest compared with the recommended minimum of eight hours.

Despite repeated indications that these guidelines would become mandatory, management chose not to strengthen its workforce due to concerns over increased operating costs. Once the regulations became mandatory in April 2026, the existing systems failed to adapt, leading to widespread flight cancellations, operational disruptions, regulatory penalties, and substantial financial losses. This demonstrates that systems designed solely to maximise efficiency and minimise costs may ultimately undermine long-term profitability.

Shared Values: COAL's shared values strongly emphasised customer satisfaction through punctuality and maximising shareholder returns. However, these objectives were pursued at the expense of employee welfare and operational resilience. The company's values were also

inconsistent with the government's increasing emphasis on aviation safety.

Ironically, the pursuit of punctuality exposed passengers to greater operational risks by placing excessive pressure on crew members. Had customers been aware that safety standards were being compromised, they may have preferred not to travel with the airline. COAL should realign its shared values by fostering a culture that prioritises safety, employee well-being, regulatory compliance, and long-term sustainability alongside customer satisfaction and profitability. Building trust among employees is essential before rebuilding confidence among customers and other external stakeholders.

Style: COAL adopted an autocratic and bureaucratic leadership style that largely ignored employee feedback and regulatory concerns. Such a leadership approach created a rigid organisational culture with limited flexibility and employee involvement.

Following the crisis, the organisation should adopt a more participative, inclusive, and empowering leadership style that encourages employee engagement, innovation, collaboration, and open communication. Such a leadership approach will improve employee morale and strengthen organisational resilience.

Staff: Managing nearly 45% of India's domestic aviation market with a lean workforce, combined with a stressful work environment, limited incentives, and inadequate opportunities for learning and career development, resulted in high employee turnover. This should have served as an early warning indicator of underlying organisational issues.

Following the regulatory changes, COAL must strengthen its workforce to ensure seamless operations. Employees are the driving force in customer-facing, high-velocity industries such as aviation. Accordingly, improving employee morale through competitive compensation, incentives, career development opportunities, and a supportive work environment will contribute significantly to sustainable business growth.

Skills: Management relied primarily on on-the-job learning rather than structured employee training and development. This reflected the company's continued emphasis on short-term cost reduction.

Insufficient investment in employee development can create skill gaps, increase operational inefficiencies, and adversely affect service quality and safety. Moreover, inadequate training opportunities contribute to higher employee turnover, thereby undermining long-term business sustainability and profitability. Continuous investment in employee capabilities is therefore essential for maintaining operational excellence.

Overall

An analysis of COAL using the McKinsey 7S Framework reveals significant misalignment between the company's strategy, structure, systems, and shared values and the external business environment. The organisation's excessive focus on cost leadership compromised regulatory compliance, employee welfare, and operational resilience.

The company should redefine its strategy by placing equal emphasis on passenger safety, regulatory compliance, employee well-being, and sustainable growth. Its operational systems, particularly crew rostering, should proactively comply with evolving regulatory expectations rather than merely meeting minimum legal requirements. Instead of pursuing excessively lean operations, COAL should build appropriate operational buffers to enhance resilience against unforeseen disruptions.

The crisis clearly demonstrated the paradox of attempting to achieve exceptional punctuality through an overworked and understaffed workforce while compromising safety standards. Such an approach was unsustainable and ultimately resulted in severe operational, financial, and reputational damage. The disruption in April 2026 significantly eroded customer confidence, shareholder value, and brand reputation.

The recovery strategy should therefore focus on decentralising decision-making, empowering regional management, strengthening regulatory compliance, building operational resilience, investing in human capital, and fostering an organisational culture that promotes collaboration, innovation, safety, and employee engagement. Transparent communication with regulators, investors, customers, and the public will also be essential to rebuilding trust and restoring COAL's market leadership.

- 1.7** The sale of aircraft between COAL and ZEAL is not at fair value. Since the sale price is higher than the fair value, there is an additional financing being provided by ZEAL to COAL through this sale and lease back transaction. The sale price of each aircraft is ₹ 100 crores, while the fair value of each aircraft is only ₹ 75 crores. Therefore, COAL is receiving an additional financing from ZEAL to the tune of ₹ 25 crores. Therefore, the overall sale value of 10 aircraft is ₹ 1,000 crores, the fair value of 10 aircraft is ₹ 750 crores. This provides COAL with an additional ₹ 250 crores funding from ZEAL as part of this sale and lease back transaction.

The annual lease payment for the aircraft of ₹ 12 crore per aircraft. The lease period is for 9 years, with the implicit rate being 10% p.a. The PVIFA for the lease payments would be 5.7590. We need to find out how much of this payment relates to the lease and how much to the additional financing being provided. The calculations below would help to understand this bifurcation:

Table 1: Bifurcation of lease payments

Particulars	₹ crores	₹ crores
	Per aircraft	10 aircraft
Present value of annual lease payments (lease payment of ₹ 12 crores per year per aircraft × PVIFA of 5.759)	69.1080	691.08
Additional financing provided by ZEAL	25	250
Annual lease payments	12	120
Annual lease payments relating to additional financing (Additional financing/PV of lease payments) × (annual lease payments) = (25 crores / 69.1080 crores) × (12 crores for each aircraft)	4.3410	43.410
Annual lease payments relating to leasing arrangement	7.6590	76.590

In summary, out of the total annual lease payments of ₹ 120 crores for 10 aircraft, ₹ 43.410 crores relates to additional financing received from ZEAL and the balance ₹ 76.590 crores relates to leasing arrangement.

At the commencement date in May 2026, COAL has to measure the Right to Use (ROU) asset arising from leaseback of the aircraft at the proportion of the carrying amount of the aircraft that relates to the right-of-use retained by itself.

Table 2: ROU asset retained by COA

Particulars	₹ crores	₹ crores
	Per aircraft	10 aircraft
Carrying cost of the aircraft	60	600
Fair value of aircraft	75	750
Discounted lease payments Annual lease payments relating to lease payments from Table 1 above × PVIFA = ₹ 7.6590 crores × 5.759 = ₹ 44.108 crores	44.1080	441.08
ROU asset retained by COA (Carrying cost of the aircraft/ fair value of aircraft) × Discounted lease payments (₹ 60 crores/ ₹ 75 crores) × 44.1080 per aircraft	35.2864	352.864

Therefore, the ROU asset retained by COAL is ₹ 35.2864 crores per aircraft, which totally for 10 aircraft amounts to ₹ 352.864 crores. This Right-of-use (ROU) represents the value of rights it has retained through the lease. The original carrying amount of the amount of the aircraft that is ₹ 60 crores per aircraft is derecognized, instead the ROU asset of ₹ 35.2864 crores per aircraft is recognized as an asset in the Balance Sheet.

Also, each aircraft is being sold for a gain of ₹ 15 crores, comparing the fair value and carrying value of each aircraft. This also needs to be bifurcated into that which relates to ROU retained by COAL and that which relates to rights transferred to ZEAL.

Table 3: Bifurcation of gain on sale of aircraft

Particulars	₹ crores	₹ crores
	Per aircraft	10 aircraft
Fair value of aircraft	75	750
Carrying cost of the aircraft	60	600
Discounted lease payments from Table 2	44.1080	441.08
Gain on sale of aircraft	15	150
Relating to ROU of COA (Discounted lease payments/ Fair value) × Gain on sale of aircraft (44.108/75) × 15 crores per aircraft	8.8216	88.216
Relating to rights transferred to ZEAL	6.1784	61.784

The gain relating to the rights transferred to ZEAL that is ₹ 6.1784 crores per aircraft, amounting to ₹ 61.784 crores for 10 aircraft will be recognized in the income statement for the year.

Therefore, at the commencement of the lease in May 2026, COAL will account for the transaction as follows:

Particulars	Debit (₹)	Credit (₹)
Cash Dr.	1,000 crores	
Right-of-use asset Dr.	352.864 crores	
To Cost of aircraft		600 crores
To Lease Liability		691.080 crores
To Gain on rights transferred		61.784 crores

- 1.8** As per Section 17(5)(i) broadly ITC is blocked on motor vehicles, vessels and aircrafts used for passenger transportation with certain exceptions. Further ITC is also blocked on certain services relating to motor vehicles, vessels and aircrafts namely, general insurance, servicing and repair and maintenance. The basic principle here is that motor vehicles, aircrafts and vessels on which ITC is blocked, the ITC on services of insurance,

servicing and repair and maintenance pertaining to such motor vehicles, vessels and aircrafts is also blocked.

ITC on vessels and aircrafts used for any purpose other than the eligible purpose is not allowed.

Below are the eligible purposes for vessels and aircrafts:

- Making further taxable supply of such vessels or aircraft
- Making taxable supply of transportation of passengers
- Making taxable supply of imparting training on navigating such vessels
- Making taxable supply of imparting training on flying such aircrafts
- Transportation of goods

In such cases, when used for eligible purposes, ITC on vessels and aircrafts can be availed. Similarly, when ITC on such vessels and aircrafts is allowed, the ITC on leasing, renting or hiring of motor vehicles, vessels or aircrafts is also allowed.

COAL is using its aircrafts to make taxable supply of transportation of passengers. This is the core business of the company that is a taxable supply as per the GST law. As per the discussion in foregoing paras, it is therefore an eligible purpose for which ITC is allowed to be taken. It also follows that the ITC on the lease rental of such aircrafts is also allowed.

Therefore, Sunita Jain can advise Dev Patel that ITC is allowed both on aircrafts used in COAL's business, services of general insurance, servicing, repair and maintenance, of said aircrafts as well as on the lease rental of these aircrafts, covered under the sale and lease back arrangement.

2.1 The correct answer is (d): US \$ 1,000,000

Reason: The permissible amount of US Dollars that can be remitted to MCG for the consulting services received from Dubai without prior approval of Reserve Bank of India would be US \$ 1,000,000.

2.2 The correct answer is (d): Benefit 4 – Reduce the risk of drug obsolescence and wastage arising from expired medicines

Reason: A **pull system** of inventory management is driven by actual customer demand rather than demand forecasts. Production is initiated only after receiving customer orders, thereby minimizing the holding of finished goods inventory. This significantly reduces the likelihood of products becoming obsolete or expiring while in storage.

In the present case, S&S manufactures certain categories of drugs, particularly **Type 1** and **Type 4**, which have a **very short shelf life**. Under the existing push system, these drugs are produced in anticipation of demand, resulting in recurring losses due to expired inventory. By adopting a pull system for suitable products, production can be aligned with actual customer orders, thereby substantially reducing wastage arising from drug expiry.

The other stated benefits cannot be realistically achieved through the adoption of a pull system:

- **Benefit 1 (Achieve economies of scale in production and distribution)** is generally associated with a **push system**, where large production batches reduce per-unit production and distribution costs. A pull system typically involves smaller, demand-driven production batches.
- **Benefit 2 (Guarantee product availability at all times, reducing the risk of stock-outs)** is also more characteristic of a push system, where inventory is maintained in anticipation of demand. Under a pull system, there is a greater possibility of stock-outs if demand suddenly exceeds production capacity.
- **Benefit 3 (Do away with planning and demand forecasting)** is incorrect because a pull system does **not eliminate planning**. Although reliance on demand forecasting may reduce, planning relating to capacity, procurement, labour, production scheduling, and other resources continues to remain essential.

Accordingly, **Benefit 4, reducing the risk of drug obsolescence and wastage due to expired medicines, is the benefit that Charlotte can most realistically recommend to the management.**

2.3 The correct answer is (d): Type 4 drugs

Reason: Based solely on the information provided in the case study, Type 4 drugs should be identified as the most appropriate candidate for a detailed product portfolio review. These drugs contribute only 1% of the Mumbai manufacturing facility's bottom line, have low profit margins, highly volatile and unpredictable demand, require significant production set-up costs, disrupt normal production schedules, and have a short shelf life, resulting in frequent wastage due to expired inventory.

Although these factors make Type 4 drugs the most suitable candidate for a portfolio review, they do not, by themselves, justify discontinuation. Before arriving at a final decision, the management should also evaluate strategic considerations such as customer requirements, regulatory obligations, contractual commitments, and the products' long-term contribution to the company's overall business objectives.

2.4 The correct answer is (b): Rediwrap India Limited is an associate of S&S

Reason: Almost 90% of Rediwrap's output is procured by S&S. Therefore, it is dependent on S&S for continuation of its business. Hence, even though S&S holds only 15% of the total voting power, it has significant influence over Rediwrap Limited. Therefore, it is an associate of S&S.

2.5 The correct answer is (b): An equity share swap ratio arrangement where CPL issues its own shares to the existing shareholders of Rediwrap India Limited based on fair exchange valuation.

Reason: This allows the management to acquire Rediwrap India Limited without any cash outflow or additional debt burden. This satisfies the management's objective of neither increasing the financial or operational risk of CPL. It should be noted that this move will dilute CPL's existing shareholder's percentage ownership, which should be assessed further to align with the company's overall strategic objectives.

2.6 In cases where the parent auditor is not the auditor of all the components included in the consolidated financial statements, SA 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the

Independent Auditor's Report, provides that if the auditor considers it necessary to refer to the audit conducted by the other auditors, the auditor's report on the consolidated financial statements should clearly disclose the magnitude of the portion of the consolidated financial statements audited by those auditors. Such disclosure may be made by stating the aggregate rupee amounts or percentages of the total assets, total revenues and cash flows of the components that were not audited by the parent auditor. This disclosure should be included in an Other Matter paragraph in the Independent Auditor's Report.

Accordingly, in the present case, CA. Ravikant Desai should disclose, in the audit report on the consolidated financial statements of Synovia & Synovia Life Sciences Ltd. (S&S) for the financial year 2025–26, the aggregate amounts of total assets, total revenues and net cash outflows relating to the seven subsidiaries whose financial statements were audited by other auditors. A suitable Other Matter paragraph is as follows:

Other Matter

We did not audit the financial statements and other financial information of seven subsidiaries included in the consolidated financial statements, whose financial statements reflect total assets of ₹ 1,010 crores as at 31 March 2026, total revenues of ₹ 1,254 crores, and net cash outflows of ₹30 crores for the year then ended. These financial statements and other financial information have been audited by other auditors, whose reports have been furnished to us by the management of Synovia & Synovia Life Sciences Ltd., the Holding Company.

Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of Section 143(3) of the Companies Act, 2013, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of such other auditors.

Two of these subsidiaries are located outside India, and their financial statements and other financial information have been prepared in accordance with the accounting principles generally accepted in their respective countries and audited by other auditors in accordance with the

generally accepted auditing standards applicable in those countries. The Holding Company's management has converted the financial statements of these subsidiaries from the accounting principles generally accepted in their respective countries to the accounting principles generally accepted in India.

We have audited the conversion adjustments made by the Holding Company's management. Our opinion, in so far as it relates to the balances and affairs of these subsidiaries, is based on the reports of the other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements is not modified with respect to our reliance on the work done and reports of the other auditors and the financial statements and other financial information certified by the Management.

- 2.7** Based on the facts of the case, Charlotte should recommend the adoption of a pull system of inventory management only for Type 1 drugs.

Type 1 drugs are specialty medicines with high profit margins that contribute significantly to the profitability of the Mumbai manufacturing facility. Although the demand for these medicines is infrequent, they can be manufactured in varying quantities without causing any significant disruption to normal production. Further, these medicines have a very short shelf life and are currently produced in anticipation of demand under the push system, resulting in frequent wastage due to expiry while lying in storage. Since a pull system triggers production only in response to actual customer orders, it would substantially reduce inventory holding, minimize wastage arising from expired drugs, and improve overall profitability.

On the other hand, **Type 2 drugs** are in continuous demand throughout the year, have a high inventory turnover, and possess a long shelf life of up to two years. They are therefore more suitable for production under the existing push system, which ensures uninterrupted product availability to wholesalers, hospitals, and pharmacy chains.

Similarly, **Type 3 drugs** are manufactured only in fixed production batches, making it impractical to vary production quantities according to customer orders. Despite their high demand and inventory turnover, the lack of production flexibility makes them unsuitable for a pull system.

Although **Type 4 drugs** also have a short shelf life, their demand is highly volatile and unpredictable, and their production requires significant setup costs and disruption to normal manufacturing operations. Consequently, adopting a pure pull system for these products may not be feasible, particularly where immediate availability is essential during emergencies such as disease outbreaks or disaster relief situations.

Accordingly, Type 1 drugs are the most suitable candidates for implementing a pull system of inventory management at the Mumbai manufacturing facility.

- 2.8** Charlotte Peters has proposed that Synovia & Synovia Life Sciences Ltd. (S&S) acquire Rediwrap India Limited as a wholly owned subsidiary to strengthen its supply chain and support the proposed implementation of a pull-based inventory management system. The proposal should be evaluated by considering both its strategic benefits and the associated risks.

Advantages of the Acquisition

Greater supply chain control and responsiveness - Rediwrap currently supplies nearly **90%** of its production to S&S, with an average lead time of **five days** from receipt of an order. However, occasional delays arise when Rediwrap prioritizes large orders from external customers. If Rediwrap becomes a wholly owned subsidiary, S&S can align production schedules with its own manufacturing requirements, thereby ensuring uninterrupted availability of packaging materials. This would improve supply chain responsiveness, particularly if the company adopts a pull-based inventory management system.

Cost optimization - At present, the purchase price paid by S&S includes Rediwrap's profit margin, increasing the procurement cost of packaging materials. Following the acquisition, such external profit margins would effectively be eliminated at the group level. Although Rediwrap may

continue to charge internal transfer prices for operational purposes, inter-company profits would be eliminated on consolidation, thereby reducing the overall cost to the group and improving operational efficiency.

Improved quality control and operational integration - Packaging plays a critical role in preserving the quality, safety, and effectiveness of pharmaceutical products. Complete ownership would enable S&S to exercise greater control over Rediwrap's manufacturing processes, quality standards, production planning, and delivery schedules. Better coordination between the two entities can strengthen quality assurance and improve overall operational integration.

Disadvantages / Risks of the Acquisition

Risk of operational inefficiencies- At present, Rediwrap competes in the open market and must continuously control costs and improve efficiency to remain competitive. Once it becomes a captive subsidiary serving only S&S, competitive pressures may reduce, increasing the risk of managerial complacency and operational inefficiencies. Any increase in Rediwrap's cost structure would ultimately be borne by S&S, potentially increasing the cost of its finished pharmaceutical products. Accordingly, appropriate performance measurement systems and benchmarking mechanisms should be implemented to ensure that Rediwrap continues to operate efficiently despite becoming an internal supplier.

Financial and capital allocation risks- The case indicates that S&S is already investing substantial financial resources towards its strategic expansion into African markets through acquisitions and investments in manufacturing facilities. Acquiring Rediwrap would require additional capital and may divert funds from these high-priority strategic initiatives. If financed through borrowings, the acquisition could increase the company's leverage and financial risk at a time when export profitability is already under pressure due to higher international trade tariffs. Therefore, the acquisition should be undertaken only after carefully evaluating its funding structure, expected returns, and impact on the company's capital structure and liquidity.

Conclusion

The proposed acquisition offers significant strategic advantages in terms of supply chain integration, improved responsiveness, cost optimization, and enhanced quality control, particularly if S&S proceeds with the implementation of a pull-based inventory management system. However, these benefits must be weighed against the potential risks of reduced operating efficiency at Rediwrap and the additional financial commitment required when the company is simultaneously pursuing its expansion into African markets.

Accordingly, the acquisition should be undertaken **only if** a detailed financial and strategic appraisal demonstrates that the expected long-term benefits outweigh the associated costs and risks. Further, S&S should ensure that Rediwrap continues to operate with market-driven efficiency through appropriate performance management systems while maintaining a prudent capital structure to avoid excessive financial leverage.

**Applicability of Standards / Guidance Notes / Legislative
Amendments etc. for November, 2026 Examination**
Final Course

Paper 4: Direct Tax Laws & International Taxation

The provisions of direct tax laws, as amended by **the Finance Act, 2025** including significant notifications, circulars issued and legislative amendments made up to **30.04.2026**, are applicable for November, 2026 examination. The relevant assessment year is **A.Y.2026-27**.

The September 2025 edition of the Study Material for Final Paper 4 based on the provisions of direct tax laws as amended by the Finance Act, 2025 and Notifications and Circulars issued upto 31st July, 2025, is relevant for November, 2026 Examination. The said Study Material comprises of Modules 1 to 4. Considering that no significant Notifications and Circulars [*except Notification No. 54/2026 dated 31.3.2026 which is included as a Note below the AAR (Income-tax) v. Tiger Global International II Holdings (2026) 485 ITR 214 (SC), in the Judicial Update for November, 2026 examination*] are issued between 1st August 2025 and 30th April, 2026, there is no statutory update for November 2026 examination. The Study Material has to be read along with the **Judicial Update for November, 2026 examination**.

Note - As regards certain topics on International Taxation, namely, Overview of Model Tax Conventions, Application & Interpretation of Tax Treaties, Fundamentals of Base Erosion and Profit Shifting and Latest Developments in International Taxation, the specific content as covered in the Study Material would be relevant for November, 2026 Examination.

Final Paper 5: Indirect Tax Laws

The following are applicable for November 2026 examination:

- (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 30.04.2026.
- (ii) The provisions of the Customs Act, 1962 and the Customs Tariff Act, 1975, as amended by the Finance Act, 2025 including significant

notifications and circulars issued and other legislative amendments made, which have become effective up to 30.04.2026.

Note - The amendments made by the Annual Union Finance Acts in the Indirect Tax Laws are made effective from a date notified subsequently. Thus, only those amendments made by the relevant Finance Acts which have become effective till 30.04.2026 are applicable for November 2026 examination.

Further, it may be noted that amendments made by the Finance Act, 2023 in section 65 of the Customs Act, 1962 and insertion of new section 65A in the Customs Act, 1962 have not become effective till 30.04.2026 and thus, are not applicable for November 2026 examination. Also, the amendments made by the Finance (No. 2) Act, 2019 in sections 2(4), 95, 102, 103, 104, 105 and 106 of the CGST Act, 2017 and the insertion of new sections 101A, 101B & 101C in the CGST Act, 2017, have not become effective till 30.04.2026 and thus, are not applicable for November 2026 examination.

The Study Guidelines given below specify the exclusions from the syllabus for November 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)
Part-I: Goods and Services Tax		
(i)	Case studies based on following: Levy and collection of CGST and IGST – Application of CGST/ IGST law; Concept of supply, inter-State supply, intra-State supply, supplies in	(i) Rate of tax prescribed for supply of goods* (ii) Rate of tax prescribed for supply of services* (iii) Exemptions for supply of goods (iv) Value of supply in cases where Kerala Flood Cess is applicable.

	territorial waters; Charge of tax including reverse charge; Exemption from tax; Place of supply; Time of Supply; Value of supply; Input tax credit; Computation of GST liability	(v) Manner of determination of input tax credit in respect of inputs, input services and capital goods and reversal thereof in respect of real estate projects (vi) Manner of reversal of credit of additional duty of customs in respect of Gold dore bar
(xii)	Other provisions	Transitional Provisions

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

Note: 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.

It is important to note that the entire content included in the September 2025 edition of Study Material (*except where it is expressly mentioned that the content is not relevant for the examination*) and the Statutory Update for November 2026 examination shall ALONE be relevant for the said examination. The amendments in the GST law as well as the Customs & FTP, made after the issuance of the Study Material - to the extent covered in the Statutory Update for November 2026 examination shall only be relevant for the said examination. Statutory update for November 2026 will be available at the following link:

<https://www.icaai.org/post/sm-final-paper5>