GUIDELINE ANSWERS

EXECUTIVE PROGRAMME

DECEMBER 2019

MODULE 1

THE INSTITUTE OF
Company Secretaries of India
भारतीय कम्पनी सचिव संस्थान
IN PURSUIT OF PROFESSIONAL EXCELLENCE
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The Guideline Answers contain the information based on the Laws/Rules applicable at the time of preparation. However, students are expected to be well versed with the amendments in the Laws/Rules made upto **six** months prior to the date of examination.

C O N T E N T S

EXECUTIVE PROGRAMME EXAMINATION

DECEMBER 2019

COMPANY LAW

Time allowed : 3 hours *Maximum marks : 100*

NOTE : *1. Answer ALL Questions.*

2. All references to sections relate to the Companies Act, 2013 unless stated otherwise.

Question 1

Comment on the following statements :

(a) Nirja is a newly appointed company secretarial staff in the office of the Company Secretary of a listed company. She has suggested that an existing floating charge on the fixed assets of the company can be converted into fixed charge by passing only a board resolution and no steps are required in this regard by the lenders.

(b) Only a Company Secretary, being officer responsible for ensuring compliances under the Companies Act, 2013, shall be treated as officer in default in case of violations committed by the company.

(c) Buy-back of shares is more advantageous to the promoters than a hefty dividend payment.

(d) It is mandatory to have atleast three directors on the CSR committee of every company. *(5 marks each)*

Answer 1(a)

The essence of floating charge is that the security remains dormant until it is fixed or crystallizes. The company has a right to carry on its business with the help of assets over which a floating charge has been created till the happening of some event which determines this right. A floating charge crystallises and the security becomes fixed in the following cases:

(a) when the company goes into liquidation;

(b) when the company ceases to carry on its business;

(c) when the creditors or the debenture holders take steps to enforce their security;

(d) on the happening of the event specified in the deed.

In *Government Stock Investment Co. Ltd.* v/s. *Manila Railway Co. Ltd.,* (1897) A.C. 81, the debentures were secured by a floating charge. Three months' interest became due but the debenture holders took no steps and so the charge did not crystallize but remained floating. The company then made a mortgage of a specific part of its property. Held, the mortgagee had priority. The security for the debentures remained merely a floating security as the debenture holders had taken no steps to enforce their security.

Accordingly, floating charge cannot be automatically converted into fixed charge unless the any one or more of the conditions mentioned above are met/ satisfied by the company. Also, the lender of the company needs to take action for crystalizing the property subject to floating charge.

Hence, the assessment of Nirja is not correct.

Answer 1(b)

As per Section 2(60), "officer who is in default", means any of the following officers of a company, namely: -

a) whole-time director;

b) key managerial personnel;

c) where there is no key managerial personnel, such director or directors as specified by the Board in this behalf and who has or have given consent in writing to the Board to such specification;

d) any person who, under the immediate authority of the Board or any key managerial personnel, is charged with any specified responsibilities;

e) any person in accordance with whose advice the Board of Directors is accustomed to act, other than a professional advisor;

f) every director, who is aware of contravention by virtue of the receipt by him of any proceedings of the Board, or participation in such proceedings without objecting to the same, or where contravention had taken place with his consent or connivance;

g) in respect of the issue or transfer of shares, the share transfer agents, registrars and merchant bankers to the issue or transfer.

Further, as provided in Section 205 of the Companies Act, 2013 the functions of the Company Secretary include to report to the Board about compliance with the provisions of the Companies Act, 2013 and the rules made thereunder and other laws applicable to the company and also to ensure that the company complies with the applicable secretarial standards.

Accordingly, Company Secretary is not the only officer responsible for ensuring compliances under the Companies Act, 2013 for consideration of officer in default as defined under section 2(60) of the Companies Act, 2013.

Answer 1(c)

In the case of dividend payment, the net worth of the Company gets reduced without any reduction in the number of equity shares and hence the valuation of the shares of the company is also reduced and increase earning per share for future periods.

But in the case of buy back, there is a simultaneous reduction in the net worth as well as the number of equity shares and hence the value of security is not affected. However, it is to be noted that future earnings per share will improves with the reduction in the number of equity shares. Buy back gives an indication of a fair market value of the share in the market. Further, it enables the promoters to consolidate their stake.

Both the options leave some cash in the hands of the shareholders. In terms of taxation (which of course can change from time to time), while dividend payment attracts a Dividend Distribution Tax at an effective rate prescribed under section 115O of the Income Tax Act, 1961 payable by the company out of its profits over and above the amount of dividend declared, the tax in case of buy-backs by listed companies, is provided for under Section 112A of the Income Tax Act wherein the distributed income (capital gain from buybacks to the shareholder) upto Rs 10,00,000 is tax free in the hands of the investor and the amount of distributed income beyond Rs 10,00,000 is taxed tax @10 percent, in the hands of the shareholder. Further in case of Buy-back of shares by an unlisted company, under Section 115QA of the Income Tax Act, the amount of distributed income is taxable @ 20% in the hands of the company.

Accordingly, from a Promoter's points of view a buy-back of shares is more beneficial as compared to Dividend payment.

Answer 1(d)

Section 135(1) of the Companies Act, 2013 provides that every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

However, proviso to Section 135(1) read with rules made thereunder provides that in case where a company is not required to appoint an independent director under sub-section (4) of section 149, such company shall have in its Corporate Social Responsibility Committee two or more directors.

In case where a private company has only two directors on the Board, the CSR Committee can be constituted with these two directors. The CSR Committee of a foreign company shall comprise of at least two persons wherein one or more persons should be resident in India and the other person nominated by the foreign company.

Accordingly, it is not mandatory to have at least three directors on the CSR Committee of every company.

Attempt all parts of either Q. No. 2 or Q. No. 2A

Question 2

Distinguish between the following :

(a) Subsidiary company Vs. Associate company.

(b) Doctrine of indoor management Vs. Doctrine of Alter Ego.

(c) Shelf prospectus Vs. Red herring prospectus.

(d) Casual vacancy of director Vs. Retirement of director by rotation.

(4 marks each)

OR (Alternate question to Q. No. 2)

Question 2A

(i) Charlie obtained travel advance amounting to ₹1,80,000 in ₹1,000 denomination

on 7th November, 2016 based on the signature of the Managing Director of the company on the travel advance voucher. During the period of demonetization, he deposited the entire amount into his wife's savings bank account. On 1st December, 2018, he again requested for a travel advance from the company. In response to his request, he was asked to submit a report, along with supporting vouchers, on how he utilized his previous travel advance. He submitted a report stating that since the travel advance was in ₹1,000 denomination, he could not use the same after demonetization and scrapped the notes as the notes were not in circulation any more. Examine the implications under the Companies Act, 2013. *(4 marks)*

(ii) Discuss the provisions applicable to signing of Memorandum of Association of a company where the subscriber is :

(a) illiterate;

(b) a Limited Liability Partnership. *(4 marks)*

(iii) Spacekid Private Ltd. reported a paid-up share capital of ₹10 crore and bank borrowings of ₹ 60 crore as at 31st March, 2019. Smithson & Co., the statutory auditors of the Company, have been auditing the Company from the financial year ended 31st March, 2015. The Company has been quite comfortable with the auditor and Smithson & Co. also do not have any objection to continue. Are they required to change the auditor now ? *(4 marks)*

(iv) Comment if the following transactions entered into by Solace Ltd. attract compliance with provisions relating to acceptance of deposit :

(i) A sum of ₹5 lakh paid by Jeevan towards subscription to equity shares on 1st April, 2019 was adjusted towards sales invoices for goods supplied to him on 31st August, 2019.

(ii) Anirudh, a director of the Company, arranged for ₹10 lakh to meet an emergency requirement, by taking a personal loan from Indian Bank.

(iii) Bhima, a customer who has bought a machinery from the Company has paid a sum of ₹ 3 lakh towards life-time warranty for the machinery.

(iv) A sum of ₹1 lakh collected from every employee in April, 2019 towards contribution to a Housing Society which will be formed in January, 2020.
(4 marks)

Answer 2(a)

As per Section 2(87) of the Companies Act, 2013 the Subsidiary Company is a company in which the holding company

(i) controls the composition of the board of directors or

(ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies.

As per Section 2(6) of the Companies Act, 2013, Associate company in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation — For the purpose of this clause,—

(a) the expression "significant influence" means control of at least twenty percent. of total voting power, or control of or participation in business decisions under an agreement;

(b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Answer 2(b)

Doctrine of Indoor Management : The doctrine operates to protect the outsiders against the company.

In *Royal British Bank* v. *Turquand*, (1856) 119 E.R. 886, persons dealing with a company having satisfied themselves that a transaction is not in its nature inconsistent with the memorandum and articles, are not bound to inquire the regularity of any internal proceedings.

OR

According to this doctrine, persons dealing with the company need not inquire whether internal proceedings relating to the contract are followed correctly, once they are satisfied that the transaction is in accordance with the memorandum and articles of association.

The doctrine helps in protecting external members from the company and states that the people are entitled to presume that internal proceedings are as per documents submitted with the Registrar of Companies.

Hence, if an act is authorized by the Memorandum or Articles of Association, then the outsider can assume that all detailed formalities are observed in doing the act. This is the Doctrine of Indoor Management or the Turquand Rule.

Doctrine of Alter Ego : It involves ignoring the status of shareholders, officers and directors of a company in reference to their liability in their respective capacity so that they may be held personally liable for their actions when they have acted fraudulently or unjustly.

In *Lennards Carying Co. Ltd.* v. *Asiatic Petroleum Co. Ltd. [1915] AC 705*, The House of Lords stated that the default of the managing director who is the "directing mind and will" of the company, would be attributed to him and he be held for the wrong doing of the company .

OR

This doctrine was explained in the case of International Aircraft Trading vs. Manufacturers Trust Co.

The term alter ego can be described as the part of someone's personality that is usually not seen by the others. A Company is deemed to be one and same as the owner of the company and vis a vis the principle of alter ego can only be applied in one direction that is to make company liable for an act committed by a person or group of persons who control the affairs of the company as they represent the alter ego of the company.

Directors and other persons who have control over the management of the company can be held liable for the acts committed by or on behalf of the company under the Doctrine of Alter ego. Since the corporation does not have mind of its own; so, its active and directing will must be sought in the person who is really directing the mind and will of the corporation, the very ego and centre of the personality of the corporation.

Answer 2(c)

As per Section 31 of the Companies Act, 2013, Shelf Prospectus means a prospectus in respect of which the securities or class of securities included therein are issued for subscription in one or more issues over a certain period of time within a year, without the issue of further prospectus. It has a longer life than a normal prospectus. The concept of shelf prospectus will save expenditure and time of the companies in issuing a new prospectus every time they wish to issue securities to the public within a period of one year.

As per Section 32 of the Companies Act, 2013, Red Herring Prospectus means a prospectus which does not include complete particulars of the quantum or price of the securities included therein. This is issued during the book building process when the price cannot be finalized at the time of issue of prospectus. It contains only the floor price or a price band within which the bids can move. Upon closure of the bids, a final prospectus shall be issued stating the total capital raised and the closing price of the securities.

Answer 2(d)

Casual vacancy of director	**Retirement of director by rotation**
It occurs due to death, resignation, disqualification, removal or for any other reason other than retirement or expiry of tenure of office of a director.	It is regulated by the provisions of the Companies Act, 2013 wherein, in the case of a public company not less than 2/3rd of the total number of directors shall be liable to retire by rotation.
Board of directors are authorized to fill casual vacancy of directors who were appointed in general meeting, which shall be subsequently approved by the members in the immediate next general meeting.	Vacancy arising due to retirement of director by rotation to be filled in the general meeting.
The person appointed to fill casual vacancy will hold the office for the entire remaining period of tenure for which the person in whose place he is to be appointed, would have held the office.	The person filling the vacancy arising due to retirement of director by rotation will hold the office till the time of next AGM at which he would be liable for retirement by rotation.
No penal consequences if the casual vacancy is not filled by the Board of directors	Penal consequences to occur if provisions contained in section 152 with respect to retirement by rotation is not followed.

Answer 2A(i)

Section 452 of the Companies Act, 2013 states that, if any officer or employee of a company wrongfully obtains possession of any property including cash or having such property wrongfully withholds it or knowingly applies it for the purpose other than expressed or directed in the articles and authorised by this Act, then he shall, on the complaint of the company or any member or creditor or contributory thereof, be punishable with fine of not less than rupees one lakh but it may extend to rupees five lakh.

The expression 'wrongfully' would mean that a person continues to remain in possession or hold the property otherwise than in due course of law. [*B. R. Herman & Mohatta India Ltd.* v. *Ashok Rai (1948) 55 Compo Cas. 61 (Delhi)*].

Hence, it may be concluded that Charlie, by depositing the demonetized currency notes into his wife's account instead of refunding it to the company, has violated provisions of section 452 and action can be taken on the basis of compliant of company or of any member or creditor or contributory thereof, filed against him.

Alternate Answer

The Act of the Charlie is also covered under the Section 447 & 448 of the Companies Act, 2013 on the ground mentioned under section 447 and 448 of the Companies Act, 2013 which provides as under:

(i) Fraud in relation to affairs of a company or any body corporate, includes any act, omission, concealment of any fact or abuse of position committed by any person or any other person with the connivance in any manner, with intent to deceive, to gain undue advantage from, or to injure the interests of, the company or its shareholders or its creditors or any other person, whether or not there is any wrongful gain or wrongful loss;

(ii) "wrongful gain" means the gain by unlawful means of property to which the person gaining is not legally entitled;

Section 448 of the Companies Act, 2013 provides that if in any return, report, certificate, financial statement, prospectus, statement or other document required by, or for, the purposes of any of the provisions of this Act or the rules made thereunder, any person makes a statement,-

(a) which is false in any material particulars, knowing it to be false; or

(b) which omits any material fact, knowing it to be material.

Accordingly, Charlie having made a false statement in his report to the company to conceal the fact about the demonetized currency of the company appropriated by him for his wrongful gain shall be liable under Section 447.

Answer 2A(ii)

(a) Section 7(1) of the Companies Act, 2013 read with Rule 13(2) of Companies (Incorporation) Rules, 2014 provides that:

Where a subscriber to the memorandum is illiterate, he shall affix his thumb impression or mark which shall be described as such by the person, writing for him, who shall place the name of the subscriber against or below the mark and authenticate it by his own signature and he shall also write against the name of the subscriber, the number of shares taken by him.

The type written or printed particulars of the subscribers and witnesses shall be allowed as if it is written by the subscriber and witness respectively so long as the subscriber and the witness as the case may be appends his or her signature or thumb impression, as the case may be. Such person shall also read and explain the contents of the memorandum and articles of association to the subscriber and make an endorsement to that effect on the memorandum and articles of association.

(b) In case where the subscriber to the memorandum is a body corporate, the memorandum and articles of association shall be signed by director, officer or employee of the body corporate duly authorized in this behalf by a resolution of the board of directors of the body corporate and where the subscriber is a Limited Liability Partnership, it shall be signed by a partner of the Limited Liability Partnership, duly authorized by a resolution approved by all the partners of the Limited Liability Partnership:

Provided that in either case, the person so authorized shall not, at the same time, be a subscriber to the memorandum and articles of Association.

Further, this Subscriber sheet along with MOA & AOA is required to be attached to the E-form SPICe (INC-32) being filed for incorporation of the company, except when e-MOA (INC-33) and e-AoA (INC-34) are required to be filed in certain specified conditions under the digital signatures of each subscriber.

The introduction of e-MOA and e-AOA has made hand written subscriber sheet as irrelevant in current date.

Answer 2A(iii)

Section 139(2) of the Companies Act, 2013 read with Rule 5 of the Companies (Audit and Auditor) Rules, 2014 provides that except one person companies and small companies, no listed company or a company belonging to the following classes of companies, shall appoint or re-appoint-

(a) an individual as an auditor for more than one term of five consecutive years; and

(b) an audit firm as auditor for more than two terms of five consecutive years.

The following classes of companies excluding one person companies and small companies:

(a) all unlisted public companies having paid up share capital of rupees ten crore or more;

(b) all private limited companies having paid up share capital of rupees fifty crore or more;

(c) all companies having paid up share capital of below threshold limit mentioned in (a) and (b) above, but having public borrowings from financial institutions, banks or public deposits of rupees fifty crores or more.

Considering Smithson & Co an individual auditor who has completed his five years term from FY 2014-15 to FY 2018-19

In the instant case, Spacekid Private Ltd has paid up share capital with the threshold of Rs.10 Crore, but the bank borrowings are beyond the threshold limit of Rs. 50 Crore and hence the provisions relating to rotation of auditors will apply to the Company.

Accordingly, Smithson & Co, who have been the statutory auditors of the Company for the last 5 years cannot be reappointed. The Company should go for a change of the auditors.

OR

Considering Smithson & Co an auditor firm who has completed his five years term from FY 2014-15 to FY 2018-19

An audit firm which has completed the two terms of five consecutive years shall not be eligible for re-appointment as auditor in the same company for five years from the completion of such term.

Accordingly, in this case, Smithson & Co, being an auditor firm having completed only single term of 5 yrs in the Company, is eligible for reappointment.

Answer 2A(iv)

Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014 provides for inclusions and exclusions under the term "deposit" for the purpose of compliance of the Companies (Acceptance of Deposits) Rules, 2014.

(i) Sub-rule (vii) provides that the subscription money received against issue of securities is not a deposit provided in case of non-allotment of securities, the money is refunded to the subscriber within 60 days from the receipt of money. Further, adjustment of the money for any other purpose shall not be considered as a refund. Hence the amount paid by Jeevan shall be considered as a deposit.

(ii) Sub-rule (viii) provides that money received from a director as loan is not deposit provided the money is not given by the director out of any loan taken by him from others. In this case, since the amount advanced by the Director to the company was given out of funds borrowed by the Director from Indian Bank, it does not fall under the exclusion and hence it is a case of Deposit.

(iii) Sub-rule (xii)(e) excludes from deposit, any advance received for warranty and maintenance, if the warranty period does not exceed the period prevalent as per common business practice or 5 years whichever is less. In this case, as it is a life- time warranty, it does not fall under the exclusion and hence it is a deposit. However, if the life of machinery is less than 5 years then the amount shall not be treated as Deposit.

(iv) Sub-rule (xi) excludes from deposit any non-interest-bearing amount received and held in trust. In this case, company has received the amount in trust for a housing society to be formed for the benefit of the employees and the money is not interest bearing. Hence it is not a deposit.

Attempt all parts of either Q. No. 3 or Q. No. 3A

Question 3

(a) National Wind Power Ltd. is a company registered in the State of Maharashtra, in which the equity capital is held by Central Government — 40%, LIC — 20%, State Bank of India — 20% and the balance 20% by public shareholders. The Company has an approval from the Central Government to convene the next annual general meeting of the Company at Darjeeling. Comment on the feasibility. (4 marks)

(b) Comment whether the following loan transactions fall under section 185 of the Act requiring a special resolution :

(i) A Ltd. extends a loan of ₹5 crore to Maxima LLP in which Krishna, a director of the Company, is a partner.

(ii) X Ltd. who has a scheme of housing loan to cover all its employees, extended a loan of ₹1 crore to Aditya, who is a part-time director of the Company.

(iii) R Ltd. extended a loan of ₹5 crore to S Ltd. in which they hold 55% equity.

(iv) V Ltd. extended a housing loan of ₹50 lakh to Shyam when he was a General Manager of the Company but subsequently, he became a director of the Company. (4 marks)

(c) The Workers' Union of Brave Ltd. went on a strike demanding increased wages and welfare measures and during the course of the strike, publicized the news through videos captured covering the ongoing agitation against the Company. Brave Ltd. filed a suit for defamation against the Workers' Union seeking injunction against such publicity. Can the Company succeed ? (4 marks)

(d) Akilesh, as a member of a Producer Company, wants to understand his rights and voting power. Advise. (4 marks)

OR (Alternate question to Q. No. 3)

Question 3A

(i) Board of Directors of ABC Ltd. is evaluating merger of ABC Ltd. into its holding company MNP Ltd. which is registered in British Virgin Islands. Chief Financial Officer of ABC Ltd. has highlighted that under the provisions of the Companies Act, 2013, only a foreign company can amalgamate into an Indian company; therefore, an Indian company cannot amalgamate into a foreign company. Advise the Board of directors in light of the provisions of the Companies Act, 2013 and Rules framed thereunder. (4 marks)

(ii) Advise which of the following companies need to file its financial statements in XBRL format :

Amount in ₹crore

Name of the Company	*Turnover for the year ended on 31st March, 2019*	*Nature of business*	*Paid up capital as on 31st March, 2019*
Lamba Ltd. (unlisted)	*89*	*Garment manufacturing*	*5*

Simba Pvt. Ltd.	*105*	*Steel manufacturing*	*26*
Toytru Ltd. (listed)	*520*	*Power sector*	*85*

(4 marks)

(iii) Random Ltd. with 500 members, needs a quorum of 10 members physically present for a general meeting as stipulated by its Articles of Association. At a general meeting convened to consider appointment of managing director, the following were present :

(i) Ram, representing the Governor of Tamil Nadu (State of Tamil Nadu holds 15% equity)

(ii) Five preference shareholders

(iii) Two debentureholders

(iv) Six deposit holders

(v) Shyam representing Alpha Ltd., Beta Ltd. and Gamma Ltd., who hold equity in the Company duly authorized by the respective company through a proper resolution.

(vi) Ten proxies, representing equity shareholders.

(vii) Five individual equity shareholders.

Evaluate if the Company can proceed with the business at the meeting.

(4 marks)

(iv) Deepak promoted and incorporated Clever Ltd. in January, 2019. He sold 25 acres of land in the State of Punjab, which he had acquired in his name in January, 2017 to Clever Ltd. in March, 2019. He made a profit of ₹2 crore on the above transaction. Is the transaction legal ? Will your answer be different, if Deepak acquired the said property in his name during February, 2019 ?

(4 marks)

Answer 3(a)

Section 96 of the Companies Act, 2013 read with Secretarial Standard-2 provides that the Annual General Meeting shall be held either at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situated. Further, a Government Company may hold its annual general meeting either at the registered office of the company or at such other place as the Central Government may approve.

In the case of National Wind Power Ltd, the holding by Central Government is only 40% which is less than 51% and further the holding by LIC or State Bank of India will not be counted as government holding. Hence the Company is not a Government Company and hence does not enjoy the privilege to hold the annual general meeting at any other place other than the city, town or village where the registered office is situated. Therefore, the Company cannot hold the AGM at Darjeeling in spite of the approval by the Central Government.

OR

Second proviso to Section 96 (2) of the Companies Act, 2013 provides that the Central Government may exempt any company from the provisions of 96(2) subject to such conditions as it may impose. If the company has obtained an Exemption Order from the Central Government under these provisions, the AGM can be held at Darjeeling.

Answer 3(b)

Section 185(2) of the Companies Act, 2013 provides that a company may advance any loan to a person in whom any of the directors of the Company is interested subject to passing a special resolution and the loan being utilized by the borrowing company for its principal business activities.

(i) As per Explanation (b) to Section 185(2), while defining the "person in whom the director is interested" includes bodies corporate in which not less than 25% of the voting power is exercised by such director whether alone with one or more other Director of the lending company.

Hence, unless Krishna, whether alone or with one or more, other Directors of A Ltd., exercises not less than 25% of the voting power in Maxima LLP, the loan given by A Ltd to Maxima LLP need not comply with requirements of Section 185(2).

(ii) Section 185 of Companies Act, 2013 exempts any loan given to the managing director or whole-time director as a part of condition of service extended by the company from the application of Section185(2). However a part-time director is not covered under the exemption and hence the case has to comply with Section 185(2).

(iii) Any loan made by a holding company to its wholly owned subsidiary company is exempt from the application of Section 185(2). In this case, S Ltd is not wholly owned subsidiary of R Ltd and hence this case requires compliance with Section 185(2) of Companies Act, 2013.

(iv) Since, Shyam was not a director at the time of advancing the loan, hence, this case does not requires compliance with Section 185(2) of Companies Act, 2013.

The provisions of Section 185(2) require compliance only at the time of the transaction and any subsequent change in the status of the employee does not invalidate the transaction.

Answer 3(c)

A Company, being an artificial person, has a right to sue and be sued. They have right to seek damages where a defamatory material published about them, affects their business. However, where the material published does not defame the company, they do not have any right to restrain the other party from publicizing such material.

In the case of *TVS Employees Federation* Vs *TVS & Sons Ltd,* where the video cassettes were prepared by the workmen of the company showing their struggle against the company's management, it was held to be not actionable unless shown that the contents of the cassette would be defamatory.

Hence in the above case, the Brave Ltd. cannot succeed.

Answer 3(d)

In terms of Section 581D of Companies Act, 1956, where the membership of the Producer Company consists solely of Producer Institutions, the voting rights of such Producer Institutions shall be determined on the basis of their previous year's participation in the business of the company. During the first year of its regulation, the voting rights shall be determined on the basis of the shareholding by Producer Institutions.

Where individual members are also admitted, every member shall have a single vote irrespective of the number of shares held by them or their patronage of the Producer Company. The Articles of Association can restrict the voting rights to active members only.

No person, who has any business interest which conflicts with the business of Producer Company, shall become a member of that Producer Company and if subsequently, a member acquires any business interest which is in conflict, he shall cease to be a member and be removed as a member in accordance with the articles.

Answer 3A(i)

Rules 25A of the Companies (Compromise, Arrangement and Amalgamation) Rule, 2014 provides for Merger or amalgamation of a foreign company with a Company and vice versa.

Rule 25A (2) provides that a company may merge with a foreign company incorporated in any of the jurisdictions specified in Annexure B of the aforesaid Rule after obtaining prior approval of the Reserve Bank of India and after complying with provisions of sections 230 to 232 of the Companies Act, 2013 and Companies (Compromise, Arrangement and Amalgamation) Rule, 2014.

The British Virgin Island is one of the Jurisdiction covered under the Annexure B of the Companies (Compromise, Arrangement and Amalgamation) Rule, 2014 and hence, an Indian company ABC Ltd. is allowed to amalgamate into a foreign company MNP Ltd. which is registered in British Virgin Islands.

Answer 3A(ii)

As per Rule 3 of the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015 following class of companies shall file their financial statements in XBRL:

(i) all companies listed with any Stock Exchange(s) in India and their Indian subsidiaries; or

(ii) all companies having paid up capital of rupees five crore or above;

(iii) all companies having turnover of rupees one hundred crore or above; or

(iv) all Companies which are required to prepare their financial statement in accordance with companies (Indian Accounting standards) Rules, 2015.

Provided that the companies in banking, insurance, non-banking financial and housing finance companies need not file financial statements under this rule. Hence, in the present case, conclusion is as under:

Name of the Company	*Status*
Lamba Ltd.(Unlisted)	Required to prepare, as its paid-up capital is rupees five crore
Simba Private Limited	Required, as its turnover exceeds rupees hundred Crore
Toytru Ltd. (Listed)	Required, as it is a Listed Company besides having its turnover as well as Paid up capital is above the prescribed threshold

Answer 3A(iii)

As the Article of the Company provides for the larger number i.e. 10 members physically present for Quorum of the meeting. The Quorum of the meeting will be considered as under:

(i) Ram representing the Governor of Tamil Nadu shall be counted for the quorum.

(ii) The preference shareholders shall not be counted for the quorum unless the meeting was called to take decision on a subject affecting their rights.

(iii) debenture holders shall not be counted for the quorum unless the meeting was called to take decision on a subject affecting their rights.

(iv) deposit holders shall not be counted for the quorum unless the meeting was called to take decision on a subject affecting their rights.

(v) Shyam representing three companies shall be counted as three members physically present.

(vi) Proxies shall not be counted for quorum.

(vii) Five individual equity shareholders shall be counted for quorum.

Thus, the total quorum is 1+3+5=9 members.

The above members still falls short for the required number of members to be present at the general meeting as provided in the article of the company i.e. 10 members.

Hence, the Company cannot proceed to consider appointment of managing director for want of requisite quorum.

Answer 3A(iv)

When Deepak acquired the property in January 2017, he was not in a fiduciary position as Clever Ltd was not in existence. Therefore, he is entitled to retain the profits that he makes in the transaction. The transaction of profit made by Deepak in this case is legal.

However, if Deepak acquired the property in February 2019, then fiduciary relationship sets in as the company is already incorporated. He has acquired the property with a view to sell it to the company. Therefore, he must disclose all the facts to the company. In this case, he cannot retain the profits which he has not disclosed to the company.

Upon disclosure, the company may exercise any of the following options-

(i) Rescind the contract and recover the profit if any made by Deepak on any ancillary transaction.

(ii) Retain the property paying no more than what Deepak has paid, depriving him of his profits.

(iii) Where the above two options are not possible due to alteration of property or Deepak having already received his profits, the company can sue him for misfeasance and breach of duty to disclose.

Question 4

(a) Decide whether S will fall under the definition of Significant Beneficial Owner with respect to A Ltd. in the following circumstances :

(i) S holds directly 10% of equity in A Ltd. and he holds 55% of equity in H Ltd. which holds 1% equity in A Ltd.

(ii) S holds 8% of equity while M holds 7% of equity in A Ltd. and they are deemed to act together.

(iii) S holds 8% of equity in A Ltd. directly. S is also the Karta of a HUF that holds 7% equity in A Ltd.

(iv) S holds 8% of equity in A Ltd. directly. S is also the trustee of a discretionary trust that holds 3% equity in A Ltd. *(4 marks)*

(b) The statutory auditors of Diplomat Ltd. reported a fraud committed by the employees of the Company involving an amount of ₹ 25 lakh. Further, the secretarial auditor of the Company made a remark about non-filing of satisfaction of charges with the Registrar of Companies. Advise the Company on the disclosures to be made in the report of the Board of Directors to be presented to the shareholders. *(4 marks)*

(c) FYZ Ltd., an unlisted public company, has six directors on the Board with a quorum of 3 directors physically present for any board meeting. The Company convened a board meeting to approve the annual financial statements in which two out of the six directors participated through video conferencing. The financial statements were approved with the consent of the four directors physically present. Can the financial statements be taken to be validly approved ? *(4 marks)*

(d) Evaluate if in the following cases, the person will be disqualified for appointment as a director of Race Ltd. :

(i) Takur, who holds a directorship in Turf Ltd., a company which did not file the financial statements with the Registrar of Companies for the financial years 2015-16, 2016-17 and 2017-18. However, the Company has filed the financial statements during August, 2019 to rectify the lapse.

(ii) Umesh was convicted of an offence not involving moral turpitude for a period

of eight years and he has gone on appeal to a higher court, where the decision is pending. *(4 marks)*

Answer 4(a)

In terms of Section 90 of the Companies Act 2013 read with Rule 2(1)(h) of the Companies (Significant Beneficial Owners) Rules, 2018, an SBO is an individual who either singly or jointly holds, indirectly or along with other direct holdings, not less than 10% of shares or 10% of voting rights or 10% of total distributable dividends in the Indian company or has been vested with the right of exercising significant influence or control, while also indirectly holding any one of the three rights mentioned above.

(i) S holds directly 10% of equity in A Ltd and he holds 55% of equity in H Ltd which holds 1% equity in A Ltd - He is a Significant Beneficial Owner since he holds 11% totally through indirect and direct holdings.

(ii) S holds 8% of equity while Mr M holds 7% of equity in A Ltd and they are deemed to act together - S and M are not Significant Beneficial Owner Significant Beneficial Owner as there is no indirect holding and their acting together is irrelevant.

(iii) S holds 8% of equity in A Ltd directly. Mr S is also the Karta of a HUF that holds 7% of equity in A Ltd. - He is a Significant Beneficial Owner since he holds total 15% equity through indirect and direct holdings.

(iv) S holds 8% of equity in A Ltd directly. Mr S is also the trustee of a discretionary trust that holds 3% equity in A Ltd. He is a Significant Beneficial Owner since he holds total 11% equity in A Ltd through indirect and direct holdings. Holding by way of being a trustee of a discretionary trust is considered to be indirect holding.

Answer 4(b)

Section 143(12) read with Rule 13(3) of the Companies (Audits and Auditor) Rules, 2014 provides that in case of a fraud involving lesser than Rupees One Crore, the auditor shall report the matter to Audit Committee constituted under section 177 of the Companies Act, 2013 or to the Board immediately but not later than two days of his knowledge of the fraud and he shall report the matter specifying the following:-

(a) Nature of Fraud with description;

(b) Approximate amount involved; and

(c) Parties involved.

In respect of the fraud reported by the auditors, the Board's report should make following disclosure-

(i) Nature of fraud with description;

(ii) Approximate amount involved;

(iii) Parties involved, if remedial action not taken; and

(iv) Remedial action taken.

In respect of the remark by Secretarial Auditor about non-filing of satisfaction of charges with ROC, Section 204 (3) of the Companies Act, 2013 provides that the Board of Directors, in their report made in terms of sub-section (3) of Section 134, shall explain in full any qualification or observation or other remarks made by the company secretary in practice in his report under sub-section (1).

Accordingly, the Board's report should state detailed explanation for the remark, together with reasons for such lapse, and the reasons that led to the lapse.

Answer 4(c)

Section 173 read with Rule 4 of the Companies (Meetings of Board and its Powers) Rules, 2014 provides that approval of the financial statements cannot be dealt with in any meeting held through video conferencing.

Further, the 173 (2) Second proviso read with Rule 4 provides that where there is quorum presence in a meeting through physical presence of directors, any other director may participate conferencing through video or other audio-visual means. Para 3.3 of Secretarial Standard on Board meetings (SS-1) clarifies that any director participating through electronic mode in respect of the restricted items (like approval of financial statements) with the express permission of the Chairman shall however neither be entitled to vote nor be counted for the purpose of quorum in respect of such restricted item of business.

FYT Ltd. has four directors physically present at the board meeting who will make the quorum for the meeting and the subject of approval of financial statements. Therefore, the participation of the two directors through video conferencing will not invalidate the meeting and the approval of the financial statements.

Answer 4(d)

Section 164(2) of the Companies Act, 2013 provides that where a person has been a director of a company which has not filed financial statements for a continuous period of three financial years, he shall not eligible to be appointed as a director in any other company for a period of 5 years from the date on which the Company has failed to do so. Thus, Takur cannot be appointed as a director of any other company for a period of 5 years from 2018, owing to the failure of Turf Ltd to file the financial statements. Even if the lapse is rectified by the Turf Ltd subsequently, the disqualification of Takur remains for five years.

Proviso to Section 164 (1)(d) of the Companies Act,2013 provides that where a person has been convicted of an offence for a period of 7 years or more, he shall not be eligible to be appointed as a director in any company.

Proviso to the Section 164(3) states that the disqualification referred above shall continue to apply even if an appeal or petition has been filed against the order of conviction.

In the given case, the Umesh was convicted for an offence for a period of 8 years, Therefore, Umesh cannot be appointed as a director of Race Ltd. even the decision on appeal is pending.

Question 5

(a) (i) Draft specimen of a board resolution recommending payment of dividend onequity shares out of current profits of JAK Ltd., a company which is in existence for more than ten years. Assume facts and figures. (4 marks)

(ii) The Board of Directors of Prince Ltd. passed a resolution at its 50th meeting for recommending declaration of dividend out of reserves. Prepare specimen extracts of minutes containing the board resolution. Assume facts and figures. (4 marks)

(b) RAN Ltd., an unlisted company, proposes to issue equity shares of the Company to certain investors numbering to a total of 30. Advise the Company if it is feasible, and if so, narrate the conditions to be complied with. (8 marks)

Answer 5(a)(i)

SPECIMEN OF BOARD RESOLUTION RECOMMENDING PAYMENT OF DIVIDEND ON EQUITY SHARES OUT OF CURRENT PROFITS

"RESOLVED THAT in accordance with the provisions of Section 123 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Declaration and Payment of Dividend) Rules, 2014, the Board of directors of the company do hereby recommend a dividend at the rate of Rs................ per equity share out of the current profits of the company for the year ended on 31st March 2019 on the.................... fully paid equity shares of the company absorbing Rs................ out of the profits of the year and that, subject to the declaration by the members of the company at the ensuing annual general meeting, such dividend be paid to the registered holders of the equity shares whose names would appear on the register of members on ________2019."

Answer 5(a)(ii)

SPECIMEN EXTRACTS OF MINUTES CONTAINING THE BOARD RESOLUTION FOR RECOMMENDING DECLARATION OF DIVIDEND OUT OF RESERVES

The Chairman informed the meeting that the profits of the current year, i.e. the financial year ended on the 31st March, 2019 are inadequate for payment of a reasonable amount of dividend to the members of the company.

He further informed that the free reserves of the company do, however, permit the distribution of dividend not exceeding the average of the rates at which dividend was declared by it in the three years immediately preceding that year. The directors considered the matter and passed the following resolution:

RESOLVED THAT the Board of directors of the company do hereby recommend to the members of the company, the declaration and payment of a dividend at the rate of ten per cent on all the fully paid equity shares of the company out of the free reserves of the company that stood in the books of the company on............ 2019 absorbing a total of’............., with due compliance of the Companies (Declaration and Payment of Dividend) Rules, 2014, and that, subject to the declaration by the members at the forthcoming annual general meeting, to the holders of the equity shares whose names will appear on the register of members on ....2019.

Answer 5(b)

RAN Ltd. an unlisted company can issue the equity shares of the company to the identified investors by complying the following provisions of the Companies Act, 2013 read with rules made thereunder:

Section 42 of the Companies Act, 2013 contains the following conditions to be complied with in case a company makes a private placement of securities:

i) A private placement shall be made only to a select group of persons who have been identified by the Board, whose number shall not exceed 200 in any financial year. For the purpose of this limit of 200, offer or invitation made to qualified institutional buyers or employees under the ESOP scheme shall not be considered. The company may make more than one issue of securities to such class of identified persons, subject to the overall limit of 200 persons. The limit of 200 persons shall be reckoned for each class of securities that is equity, preference or debenture.

ii) If a company makes an offer to allot or invite subscription or allots or enters into an agreement to allot securities more than the prescribed number of persons, whether payment has been received or not, the same shall be deemed to be an offer to the public and shall accordingly be governed by the provisions applicable to public offer.

iii) The company shall issue private placement offer and application in the prescribed form to identified persons, whose names and addresses are recorded by the company in the prescribed manner.

iv) The private placement offer and application shall not carry any right of renunciation. This means that only the identified person to whom the offer is made can subscribe and not any other person to whom the identified person may like to renounce.

v) Every identified person willing to subscribe shall apply in the application issued to him, along with subscription money paid either by cheque or demand draft or other banking channel and not by cash.

vi) The company shall not utilize money raised through private placement unless allotment is made and the return of allotment is filed with the Registrar in accordance with Section 42(8).

vii) No fresh offer or invitation under Section 42 shall be made unless the allotment with respect to the previous offer or invitation have been completed or that offer or invitation have been withdrawn or abandoned by the company.

viii) The company shall allot its securities under private placement within 60 days from the date of receipt of the application money and if the company is not able to allot the securities within the prescribed time, it shall repay the application money to the subscribers within 15 days from the expiry of 60 days and if the company fails to repay the application money within the aforesaid time, it shall be liable to repay that money along with interest at the rate of 12% p.a. from the expiry of the 16th day.

ix) The money received under private placement shall be kept in a separate bank account and shall not be utilized for any purpose other than for adjustment against allotment of securities or for the repayment of money where the company is unable to allot securities.

x) The company making a private placement shall not issue any public advertisement or utilize any media, marketing or distribution channels or agents inform the public at large about such an issue.

Question 6

(a) *True False LLP is engaged in the business of providing logistics solutions to shipping companies. Average net profit for the last 3 years is ₹14 crore. Accordingly, it is not mandatory for True False LLP to maintain books of account. Comment.*

(b) *Zigzag Ltd. is a fast growing start-up company and has issued ESOPs to Rinku, Rina and Reshma during FY 2017-18. Due to a major accident in the premises of the company last month, Rinku died on the spot, Rina suffered major injuries which led to permanent incapacity to work and Reshma resigned due to personal reasons.Lawyers of Rinku, Rina and Reshma had sent legal notices to the company stating that ESOPs granted to their client have vested automatically. Advise the company in light of the provisions of the Companies Act, 2013.*

(c) *Lala Ltd. is engaged in manufacturing stainless steel products. The Company also has a 120 MW captive power plant within its premises. Share capital and free reserves of Lala Ltd. as on 31st March, 2019 stood at ₹ 580 crore and investment made in power plant is ₹ 150 crore. Board of Directors proposes to sell power plant to another steel company and thereby intend to raise ₹ 200 crore for funding the installation of a new furnace. Other outside bank liabilities of the company is ₹ 680 crore. Examine the requirement to pass special resolution in the present case.*

(d) *Anand who was a shareholder of PQR Ltd. died in a road accident in August, 2019. His son Niraj has sent an intimation to PQR Ltd. regarding his death. In light of the applicable Secretarial Standard, explain to whom notice of the ensuing general meeting shall be sent by PQR Ltd.* *(4 marks each)*

Answer 6(a)

As per Rules 24(1) of the Limited Liability Partnership Rules, 2009, every Limited Liability Partnership shall keep books of account which are sufficient to show and explain the limited liability partnership's transactions and are such as to:

(a) disclose with reasonable accuracy, at any time, the financial position of the limited liability partnership at that time; and

(b) enable the designated partners to ensure that any Statement of Account and Solvency prepared under this rule complies with the requirements of the Limited Liability Partnership Act, 2008.

Every Limited Liability Partnership shall file the Statement of Account and Solvency in Form 8 with the Registrar, within a period of thirty days from the end of six months of the financial year to which the, Statement of Account and Solvency relates to.

Accordingly, True False LLP is also required to maintain books of accounts.

Answer 6(b)

As per Section 62 of the Companies Act, 2013 read with Rule 12 of Companies (Share Capital and Debentures) Rules, 2014:

Sub-rule 8(d) : In the event of the death of an employee while in employment, all the options granted to him till such date shall vest in the legal heirs or nominees of the deceased employee.

Sub-rule 8(e) :In case the employee suffers a permanent incapacity while in employment, all the options granted to him as on the date of permanent incapacitation, shall vest in him on that day.

Sub-rule 8(f) : In the event of resignation or termination of employment, all options not vested in the employee as on that day shall expire. However, the employee can exercise the options granted to him which are vested within the period specified in this behalf, subject to the terms and conditions under the scheme granting such options as approved by the Board.

Hence, option will vest in the case of Rinku and Rina and in the case of Reshma, options will expire.

Answer 6(c)

As per Section 180 (1) of the Companies Act, 2013, board can exercise the following powers only with the consent of the company by special resolution, namely:

To sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking, of the whole or substantially the whole of any of such undertakings.

"Undertaking" shall mean an undertaking in which the investment of the company exceeds twenty per cent of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates twenty percent of the total income of the company during the previous financial year;

Accordingly, the net-worth of Lala Ltd as on 31st March 2019 is Rs. 580 crore and investment made in the power plant is Rs. 150 Crore. As per the Explanation to Section 180 (1) (a), power plant is an undertaking of the company being the investment exceeds 20% of the net-worth, so there is a requirement of passing of Special Resolution at the general meeting of the company for disposing off the same.

As per Section 180(1)(c) of Companies Act, 2013, where the money to be borrowed, together with the money already borrowed by the company will exceed aggregate of its paid-up share capital, free reserves and securities premium, apart from temporary loans obtained from the company's bankers in the ordinary course of business, the consent of the company is required by passing special resolution.

In the given case, the Lala Ltd. is intend to raise Rs. 200 crores for funding the installation of a new furnace, together with the money already borrowed by the Company i.e. Rs. 680 crores, exceeds its aggregate paid-up share capital and free reserves of the Company being Rs. 580 Crores. So there is a requirement of passing of Special Resolution at the general meeting of the company.

Answer 6(d)

As per Para 1.2.1 of Secretarial Standard on General Meetings [SS-2], where the company has received intimation of death of a Member, the Notice of Meeting shall be sent as under:

(a) Where securities are held singly, to the Nominee of the single holder.

(b) Where securities are held by more than one person jointly and any joint holder dies, to the surviving first joint holder.

(c) Where securities are held by more than one person jointly and all the joint holders die, to the Nominee appointed by all the joint holders

(d) In the absence of a Nominee, the notice shall be sent to the legal representative of the deceased Member.

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COST AND MANAGEMENT ACCOUNTING - SELECT SERIES

Time allowed : 3 hours *Maximum marks : 100*

Total number of Questions : 100

1. Fixed cost is a cost ....

   (A) Which changes in total in proportion to changes in output

   (B) Which varies directly with the output

   (C) Which does not change in total during a given period despite changes in the quantity of output

   (D) Which remains same for each unit of output

2. Which of the following is *not* directly considered as a function of management accounting ?

   (A) Financial planning

   (B) Decision making

   (C) Reporting

   (D) Cost computation

3. Imputed cost is a ....

   (A) notional cost

   (B) real cost

   (C) normal cost

   (D) variable cost

4. .... represent the resources that have been sacrificed to attain a particular objective.

   (A) Expenses

   (B) Costs

   (C) Assets

   (D) Liabilities

5. .... are difficult to trace to a single product or it is uneconomical to do so. They are common to several product.

   (A) Period costs

   (B) Indirect costs

   (C) Sunk costs

   (D) Step costs

6. Management accounting is :

   (a) Subjective

   (b) Objective

   (A) Only (a)

   (B) Only (b)

   (C) Both (a) and (b)

   (D) None of the above

7. Material consumed is ₹5,00,000, Opening stock of raw material is ₹50,000 and Closing stock of raw material is ₹25,000. What is the cost of raw material purchased ?

   (A) ₹4,50,000

   (B) ₹4,75,000

   (C) ₹5,25,000

   (D) ₹5,50,000

8. Scrap is ....

   (A) residue of material

   (B) abnormal gain of material

   (C) surplus material

   (D) abnormal loss of material

9. Stores ledger is a ....

   (A) Quantitative as well as value wise record of material received, issued and its balance

   (B) Quantitative wise record of material received, issued and balance

   (C) Value wise record of material received, issued and balance

   (D) Record of qualitative and quantitative information about materials purchased, issued and balance available

10. Which of the following items can be classified as "C" category as per ABC analysis of inventory control ?

Items	Unit usage	Value per unit (₹)
1	20,000	60.75
2	10,000	80.95
3	32,000	19.20
4	38,000	17.10
5	60,000	03.40

(A) Item number 5 only

(B) Items numbers 2 and 4

(C) Items numbers 2 and 3

(D) Items numbers 1 and 2

11. Costs associated with the labour turnover can be categorized into :

(A) Preventive costs only

(B) Replacement costs only

(C) Both of the above

(D) Recruitment costs

12. Calculate the labour turnover rate according to Separation method from the following :

No. of workers on the payroll :

— At the beginning of month : 500

— At the end of the month : 600

During the month, 5 workers left, 20 workers were discharged and 75 workers were recruited. Of these, 10 workers were recruited in the vacancies of those leaving and while the rest were engaged for an expansion scheme.

(A) 4.55%

(B) 1.82%

(C) 6%

(D) 3%

13. In relation to labour cost, "Free or Subsidized Food" will be classified as :

(A) Monetary Benefits

(B) Deferred Monetary Benefits

(C) Fringe Benefits

(D) None of the above

14. Normal rate per hour = ₹5.40;

Standard time per unit = 1 Minute;

Output per day = 450 units;

Working hours per day are 8;

Calculate the earning as per Merrick's Multiple Piece Rate System.

(A) ₹40.50

(B) ₹44.55

(C) ₹55.44

(D) ₹35.10

15. Normal rate per hour ₹4.00;

Piece rate ₹3.00 per unit;

Standard 2 units per hour;

In 40 hours, total production of the worker is 120 units.

Calculate the earnings of the worker under Gantt's Task and Bonus Plan.

(A) ₹630

(B) ₹432

(C) ₹288

(D) ₹192

16. Which of the following provides guaranteed time wage to workers ?

(A) Emerson's Plan

(B) Time Rate System

(C) Halsey Plan

(D) All of the above

17. Labour turnover rate for the month was 20% under replacement method; Number of workers replaced during month was 80 and left was 20. Find out the average number of workers on roll in the month :

(A) 800

(B) 400

(C) 200

(D) 1000

18. In which of the following methods “Line of best fit” is drawn to find out “variable overheads” and “fixed overheads” out of “Semi-Variable Overheads” ?

(A) Comparison by period or level of activity method

(B) Analytical Method

(C) High & Low Point Method

(D) Least Square Method

19. Under or Over absorption of overheads due to abnormal factors is :

(A) Charged off to costing P&L A/c

(B) Charged to production using supplementary overhead rate

(C) Charged to product cost

(D) Separately shown in the cost sheet

20. Percentage of direct material cost method of factory overhead absorption is suitable :

(A) If sub-standard material is used in production process.

(B) If material having low grades is used in production process.

(C) If material is a smaller part of the cost of units made in the cost centre.

(D) If the output is uniform.

21. **Assertion (A)** :

Overheads are recovered in Cost Accounting based on predetermined rates.

Reason (R) :

This solves the problem of treatment of under-recovery or over-recovery of overheads. Select the correct answer from the options given below :

(A) Both A and R are true

(B) Both A and R are false

(C) A is true, but R is false

(D) R is true, but A is false

22. Most suitable basis for apportioning insurance cost of machines would be :

(A) Weight of Machines

(B) Value of Machines

(C) Size of Machines

(D) No. of Machines

23. .... is an item like product, job or customer for which cost measurement is required in Activity Based Costing.

(A) Cost pool

(B) Cost driver

(C) Cost centre

(D) Cost object

24. Which of the following is likely to be classified as a batch level activity in an activity based costing system ?

(A) Quality assurance

(B) Assembling

(C) Purchasing

(D) Producing parts upto a certain limit

25. One of company A's cost pool is parts administration. The expected overhead cost for that cost pool was ₹3,80,000 and the expected activity was 5,000 part types. The actual overhead cost for the cost pool was ₹4,20,000 at an actual activity of 6,000 part types. The activity rate used to assign costs for that cost pool was :

(A) ₹63 per part type

(B) ₹76 per part type

(C) ₹70 per part type

(D) ₹84 per part type

26. The division of activities into unit level, batch level, product sustaining level and facility level categories is commonly known as a :

(A) Cost object

(B) Cost application

(C) Cost hierarchy

(D) Cost estimation

27. On 31st March, 2019, profit as per financial accounts was ₹50,000. A comparison of cost and financial accounts revealed the following :

Works overheads over-absorbed in cost accounting : ₹8,500

Excess depreciation charged in cost accounts : ₹3,000

Interest on investments included in financial accounts only : ₹2,500

The profit as per cost accounts will be :

(A) ₹47,000

(B) ₹36,000

(C) ₹41,000

(D) ₹53,000

28. What journal entry will be necessary to be made for sales at total sales value during a year, if the books are kept under Non integrated Accounting System ?

(A) Cash/Sundry Debtor A/c Dr.

To Sales A/c

(B) Cash/Sundry Debtor A/c Dr.

To Profit & Loss A/c

(C) Costing P&L A/c Dr.

To Nominal Ledger Control A/c

(D) General Ledger Adjustment A/c Dr.

To Costing P&L A/c

29. In non-integrated accounting system, the standing order ledger is used to record:

(A) Overheads incurred

(B) All trade debtors

(C) All trade creditors

(D) Receipt of finished goods

30. **Assertion (A) :**

In an integrated accounting system, there is no need of reconciliation of cost accounting profit and financial accounting profit.

Reason (R) :

Only one set of books provides information for the ascertainment of cost as well as preparation of balance sheet as per legal requirements.

Select the *correct* answer from the options given below :

(A) A is true, but R is false

(B) A is false, but R is true

(C) Both A and R are true and R is the correct explanation of A

(D) Both A and R are true but R is not the correct explanation of A

31. In a reconciliation statement prepared by taking profit as per cost account as the base, overheads over-recovered in cost accounts are to be :

(A) Deducted from costing profit

(B) Added to costing profit

(C) Added to financial accounting profit

(D) Deducted from financial accounting profit

32. Which of the following statements is *true* ?

(A) Job costing is not a specific order costing

(B) Job costing cannot be used in conjunction with marginal costing

(C) In cost *plus* contracts, the contractor runs a risk of incurring a loss

(D) Batch costing is a variant of job costing

33. If the sales value of a product is ₹94,080 and the profit margin on cost is 12%, the amount of profit will be :

(A) ₹7,800

(B) ₹11,290

(C) ₹8,580

(D) ₹10,080

34. In contract costing, cash received = ?

(A) Value of Work Certified – Retention Money

(B) Value of Work Certified + Retention Money

(C) Value of Work Certified + Work Uncertified – Retention Money

(D) Value of Work Certified + Work Uncertified + Material in Hand – Retention Money

35. Profit on incompleted contracts should not be transferred to profit and loss account, if the value of work certified is less than .... of contract price.

(A) 40%

(B) 50%

(C) 25%

(D) 30%

36. The total profit is ₹60,000, on a contract price of ₹3,00,000 and the contract is 60% completed and has been certified. If the retention money is 20% of the certified value, the amount of profit (on cash basis) that can be prudently credited to profit and loss account is :

(A) ₹28,000

(B) ₹32,000

(C) ₹40,000

(D) ₹60,000

37. Which of the following is *not* a feature of a process production system ?

(A) Repetitive production

(B) High production volume

(C) Low production flexibility

(D) Heterogeneous products

38. Where the scrap possesses a saleable value as a waste product or as a raw material for another product, the value there is :

(A) Credited to the Process A/c

(B) Debited to the Process A/c

(C) Credited to Costing P&L A/c

(D) Credited to Cash or Bank A/c

39. A product is completed in three consecutive processes. Details of normal and abnormal losses are as follows :

Process	I	II	III
Normal loss unit	250	470	215
Abnormal loss unit	50	—	35
Abnormal loss value (₹)	300	—	770
Abnormal gain unit	—	70	—
Abnormal gain value (₹)	—	840	—

Realisable scrap value per unit of process I, II and III are ₹1, ₹5 and ₹6 respectively. Indicate from out of the following, what will be the Abnormal Gain to be transferred to Costing P&L Account ?

(A) ₹490

(B) ₹810

(C) ₹3,890

(D) ₹840

40. Costs that are incurred after the split-off point of joint products in a production process are referred to as :

(A) Common costs

(B) Separable costs

(C) By-product costs

(D) Manufacturing costs

41. Joint costs are allocated to which of the following products :

	By-Products	Scrap
(A)	Yes	Yes
(B)	Yes	No
(C)	No	No
(D)	No	Yes

42. In service costing, costs are classified as :
   (A) Standing charges, running charges and maintenance cost
   (B) Fixed cost, normal cost and standard cost
   (C) Variable cost, fixed cost and marginal cost
   (D) Standard cost, marginal cost and fixed cost

43. Total passenger km run by ABC Ltd. was 21,60,000 for the year between town Z and town A. The bus made 3 round trips per day. Seating capacity of the bus was 50 passengers and average daily occupancy was 80% and the bus runs on an average 25 days in a month. Calculate the distance between towns Z and A.
   (A) 30 km
   (B) 25 km
   (C) 45 km
   (D) 40 km

44. A transport company is running 5 buses between two towns, which are 50 km apart. Seating capacity of each bus is 50 passengers. Actually passengers carried by each bus were 75% of its seating capacity. All the buses ran on 30 days of the month. Each bus made one round trip per day. Passenger km is.................. per month.
   (A) 2,81,250
   (B) 1,87,500
   (C) 5,62,500
   (D) None of the above

45. If fixed costs decrease while variable cost per unit and selling price per unit remain constant, the new BEP in relation to the old BEP will be :
   (A) Lower
   (B) Higher
   (C) Unchanged
   (D) Indeterminate

46. Sales ₹25,000; variable cost ₹20,000; fixed cost ₹4,000; P/V ratio is :

(A) 20%

(B) 80%

(C) 15%

(D) 30%

47. If the P/V ratio is 25% and selling price is ₹25 per unit, the marginal cost of the product would be :

(A) ₹18.75

(B) ₹16.00

(C) ₹15.50

(D) ₹20.00

48. ABC Ltd. shows a break-even sales of ₹42,500 and a budgeted sales of ₹50,000. Identify the margin of safety ratio :

(A) 15%

(B) 81%

(C) 1.81%

(D) Require more information to calculate

49. A company makes a single product and incurs fixed costs of ₹20,000 per annum. Variable cost per unit is ₹5 and each unit sells for ₹15. Annual sales demand is 7,000 units. The break-even point is :

(A) 2,000 units

(B) 3,000 units

(C) 4,000 units

(D) 6,000 units

50. Contribution margin is equal to :

(A) Fixed cost – loss

(B) Profit + variable cost

(C) Sales – fixed cost – profit

(D) Sales – profit

51. P/V Ratio is an indicator of ....

(A) the rate at which goods are manufactured

(B) the volume of sales

(C) the value of sales

(D) the rate of profit

52. In marginal costing, Angle of Incidence is ....

(A) the angle between the sales line and the total cost line.

(B) the angle between the sales line and the Y-axis.

(C) the angle between the sales line and the X-axis.

(D) the angle between the sales line and the total profit line.

53. A company's break-even point is 55,000 units per annum. The selling price is ₹92 per unit and the variable cost is ₹42 per unit. What are the company's annual fixed costs ?

(A) ₹27,50,000

(B) ₹24,00,000

(C) ₹30,00,000

(D) None of the above

54. If P/V Ratio is 20% and Margin of Safety sales is ₹4,00,000, the amount of profit is :

(A) ₹1,00,000

(B) ₹80,000

(C) ₹75,000

(D) ₹60,000

55. Standard cost per unit of X :

Material 50 kg @ ₹40/kg

Actual production	100 units
Actual material cost	₹42/kg
Material price variance	9800 A
Material usage variance	4000 F

Ascertain the actual quantity of material used :

(A) 5,000 kg

(B) 4,900 kg

(C) 4,750 kg

(D) 4,887 kg

56. When calculating cost variance under a standard costing system we must :

(A) Compare actual costs with those that were budgeted

(B) Compare standard costs with actual costs at the standard level of activity

(C) Compare actual costs with standard costs at the actual level of activity

(D) Compare actual outputs against budgeted outputs

57. Gang variance is a sub-variance of :

(A) Labour efficiency variance

(B) Labour mix variance

(C) Labour yield variance

(D) Labour rate variance

58. Match the following :

List-I	List-II
(P) Cost control purposes	(1) .... is a pre-determined cost
(Q) Standard cost	(2) Responsibility accounting fixes responsibility for ....
(R) Integrates	(3) Cost accounting guides for fixing future ....
(S) Production policies	(4) Budgeting system .... key managerial functions

Select the correct answer from the options given below :

	(P)	(Q)	(R)	(S)
(A)	(4)	(3)	(2)	(1)
(B)	(2)	(1)	(4)	(3)
(C)	(2)	(3)	(4)	(1)
(D)	(3)	(2)	(4)	(1)

59. Examine the following relating to Job No. 100 :

Standard hours planned	64.50
Actual hours worked	61.25
Standard wage rate	₹4.15
Actual wage rate	₹4.25
Standard units budgeted	20

The total labour variance for Job No. 100 is ....

(A) ₹7.36 (F)

(B) ₹6.13 (F)

(C) ₹13.49 (F)

(D) ₹6.13 (A)

60. Examine the following relating to Job No. 999 :

Standard hours planned	28.0
Actual hours worked	26.5
Standard wage rate	₹5.60
Actual wage rate	₹6.05

Assume that there is no idle time

The labour efficiency variance for Job No. 999 is ....

(A) ₹9.08 (F)

(B) ₹8.40 (F)

(C) ₹11.93 (A)

(D) ₹3.53 (A)

61. Standard for various overheads is based on :

(A) The past performance

(B) Budgeted output

(C) Forecast

(D) All of the above

62. The standards that require peak efficiency and do not allow any work interruptions are known as :

(A) normal standards

(B) practical standards

(C) ideal standards

(D) current standards

63. The following information belongs to ABC Manufacturing Company that uses a standard costing system :

- Basic wage rate : ₹12 per hour
- Fringe benefits : ₹2 per hour
- Basic time : 2 hours per unit
- Allowance for down time : 0.3 hours per unit
- Allowance for breaks : 0.2 hours per unit

Based on the above information, what is the standard direct labour cost per unit?

(A) ₹35.00

(B) ₹28.00

(C) ₹30.00

(D) ₹32.20

64. A flexible budget is :

(A) A budget that is adjusted to reflect different costs at different activity levels

(B) A budget that will be changed at the end of the month in order to reflect the actual costs of a department in the month

(C) A budget that comprises variable costs only

(D) A budget that is constantly being changed

65. If a company plans to sell 16,000 units of a product and desires to sells 17,000 units, the most appropriate comparison of the cost data associated with the sales will be possible by a budget based on :

(A) The original planned level of activity

(B) 18,000 units of activity

(C) 17,000 units of activity

(D) 16,000 units of activity

66. Consider the following data for the month of May :

Closing stock	80 units
Production	280 units
Sales	330 units

Based on the data, the closing inventory for April month was :

(A) 70 units

(B) 130 units

(C) 50 units

(D) 410 units

67. ABC Ltd. has forecast its sales for the next three months as follows :

May	:	12,000 units
June	:	20,000 units
July	:	25,000 units

Opening stock as on 1st April is expected to be 5,000 units. Closing stock should equal to 20% of the coming month's sales needs.

How many units should be produced in June month ?

(A) 20,000 units

(B) 11,000 units

(C) 21,000 units

(D) 25,000 units

68. Budgeted sales of X for March are 18,000 units. At the end of the production process for X, 10% of production units are scrapped as defective. Opening inventories of X for March are budgeted to be 15,000 units and closing inventories will be 11,400 units. All inventories of finished goods must have successfully passed the quality control check. The production budget for X for March, in units is :

(A) 12,960

(B) 14,400

(C) 15,840

(D) 16,000

69. ABC Limited is a manufacturing company that has no production resource limitations for the foreseeable future. The Managing Director has asked the company managers to coordinate the preparation of their budgets for the next financial year. In what order should the following budgets be prepared ?

(1) Sales budget

(2) Cash budget

(3) Production budget

(4) Purchase budget

(5) Finished goods inventory budget

(A) (2), (3), (4), (5), (1)

(B) (1), (5), (3), (4), (2)

(C) (1), (4), (5), (3), (2)

(D) (4), (5), (3), (1), (2)

70. ABC Ltd. is currently reviewing its cash budget for the year ended 31st March, 2020. An extract from its sales budget for the same year shows the following sales values :

Month	₹
March	60,000
April	70,000
May	55,000
June	65,000

40% of its sales are expected to be for cash. Out of its credit sales, 70% are expected to pay in the month after sale and take a 2% discount. 27% are expected to pay in the second month after the sale and the remaining 3% are expected to be bad debts. The value of sales to be shown in the cash budget for May 2019 is :

(A) ₹66,532

(B) ₹61,120

(C) ₹60,532

(D) ₹86,620

71. Which of the following will *not* appear in cash budget ?

(A) Machinery bought without down payment on hire purchase

(B) Depreciation of Plant & Machinery

(C) Sales revenue from business

(D) Wages paid to workers

72. Budgetary control involves all but not one of the following. Find that one :

(A) Modifying future plans

(B) Analyzing differences

(C) Using static budgets

(D) Determining differences between actual and planned results

73. A job requires 2,400 actual labour hours for completion and it is anticipated that there will be 20% idle time. If the wage rate is ₹10 per hour, what is the budgeted labour cost for the job ?

(A) ₹19,200

(B) ₹24,000

(C) ₹28,800

(D) ₹30,000

74. Estimated wages for January 2020, are ₹4,000 and Estimated wages for February 2020, are ₹4,400.

If the company's practics is to delay a payment of wages is half a month, the amount of wages to be considered in the actual cash budget for the month of February, 2020 is :

(A) ₹4,000

(B) ₹4,400

(C) ₹4,600

(D) ₹4,200

75. Which section of the Companies Act, 2013 deals with audit of cost accounting records ?

(A) Section 158

(B) Section 128

(C) Section 168

(D) Section 148

76. The ratio that explains how efficiently companies use their assets to generate revenue is :

(A) Revenue asset ratio

(B) Receivable turnover ratio

(C) Income ratio

(D) Asset turnover ratio

77. While calculating dividend cover for preference shares the numerator should be taken as :

(A) Earnings Before Interest and Tax

(B) Profit available for equity shareholders

(C) Profit After Tax

(D) Profit After Tax + Depreciation

78. A Ltd. financial statement shows the following data :

Equity share capital ₹5,67,500

Reserve & surplus ₹3,87,850

Total debt ₹5,88,778 out of which ₹2,88,778 are long term debts

Fixed assets are ₹11,44,128

Calculate the current ratio :

(A) 2.48

(B) 1.92

(C) 3.68

(D) 1.33

79. Profit after tax of AB Ltd. was ₹3,44,460. Total assets are ₹5,97,70,000 out of which ₹3,57,70,000 was financed from loan funds.

Calculate the return on equity :

(A) 0.962%

(B) 0.576%

(C) 1.435%

(D) 1.576%

80. ABC Ltd. gives the following information :

Fixed assets = ₹10,50,000

Fixed assets turnover ratio (on cost of sales) = 2

Gross Profit (GP) rate on sales = 25%

Calculate the Sales value :

(A) ₹21,00,000

(B) ₹25,00,000

(C) ₹26,00,000

(D) ₹28,00,000

81. Debtor velocity = 3 months

Annual Sales ₹25,00,000

Bills receivable & bills payable at the end of the year were ₹60,000 and ₹36,667 respectively. Calculate Sundry debtors :

(A) ₹6,25,000

(B) ₹5,25,000

(C) ₹5,65,000

(D) ₹6,65,000

82. In case of Financial Institutions, cash flows arising from .... are classified as cash flows from operating activities.

(A) Interest Received

(B) Dividend Received

(C) Interest Paid

(D) All of the above

83. Amortization of preliminary expenses is :

(A) A source of funds

(B) An application of funds

(C) A reduction in funds from operations

(D) Neither a source nor an application of funds

84. The assets of another company were purchased for ₹60,000 payable in fully paid shares of a company. These assets consisted of stock ₹22,000, machinery ₹18,000 and goodwill ₹20,000. In addition, sundry purchases of plant were made for ₹5,650. How much amount should be shown in fund flow statement under plant and machinery purchase application ?

(A) ₹18,000

(B) ₹23,650

(C) ₹5,650

(D) ₹43,650

85. Cash payment to and on behalf of employees is an example of cash flow from:

(A) Operating activity

(B) Investing activity

(C) Financing activity

(D) None of the above

86. In cash flow statement cash flow on account of the income tax paid is shown :

(A) Under the heading "Cash flow from investing activities"

(B) Under the heading "Cash flow from financial activities"

(C) Under the heading "Cash flow from operating activities" before the heading cash generated from operations

(D) Under the heading "Cash flow from operating activities" after the heading cash generated from operations

87. Which of the following involves a movement of cash in business ?

(A) Bonus shares issued to existing shareholders

(B) Right shares issued to existing shareholders

(C) More depreciation charged on fixed assets

(D) Provision for repair and renewals

88. In the books of ABC Ltd. the balance of 5% Debentures of the face value ₹100 each at the beginning of the year was ₹1,00,000 and at the end it was ₹70,000. At the end of the year ₹20,000, 5% Debentures were redeemed by purchase from open market @ ₹96 each. Ignoring other transactions, calculate net fund flow from transaction relating to 5% Debentures :

(A) Net outflow ₹10,000

(B) Net outflow ₹29,200

(C) Net outflow ₹19,200

(D) Net outflow ₹30,000

89. Net profit before working capital adjustments of ABC Ltd. is ₹3,52,000. The changes in working capital during the year are as follows :

	₹
Decrease in debtors	2,68,800
Decrease in outstanding expenses	9,600
Increase in stock	28,800
Increase in advances	1,920
Increase in creditors	38,400

What is the cash generated from operations ?

(A) ₹5,61,280

(B) ₹6,18,880

(C) ₹1,47,720

(D) ₹5,61,280

90. From the following details calculate the cash generated from operations :

Net profit before working capital changes is ₹3,051 lakh

Net increase in current assets is ₹3,205 lakh, while there is net increase in current liabilities by ₹9 lakh.

(A) + ₹6,247 lakh

(B) – ₹145 lakh

(C) + ₹6,256 lakh

(D) – ₹6,256 lakh

91. **Statement-I :**

In funds flow analysis, current assets and current liabilities are shown separately in a statement of changes in working capital.

Statement-II :

In cash flow analysis, increases and decreases of all current assets and current liabilities are adjusted in the calculation of cash flow from operating activities.

Select the *correct* answer from the following :

(A) Both statements are correct

(B) Both statements are incorrect

(C) Statement-I is correct, but Statement-II is incorrect

(D) Statement-I is incorrect, but Statement-II is correct

92. Calculate cost of sales from the following information :

Net Works Cost : ₹2,00,000

Office & Administration Overheads :

₹1,00,000; Selling Overheads : ₹10,000

Opening stock of WIP : ₹10,000; Closing stock of WIP : ₹20,000

Closing stock of finished goods : ₹30,000;

There was no opening stock of finished goods.

(A) ₹2,70,000

(B) ₹3,20,000

(C) ₹3,00,000

(D) ₹2,80,000

93. Calculate cost per tonne mile for a distribution division of a multinational company using the following information :

Tonnes carried	2,479
Number of drivers	20
Hours worked by drivers	35,520
Tonnes miles carried	3,75,200
Cost incurred (₹)	5,62,800

(A) ₹0.88

(B) ₹1.50

(C) ₹15.84

(D) ₹28,140

94. The main focus of .... is upon the work to be done, services to be rendered rather than things to be spent for or acquired.

(A) Programme Budget

(B) Basic Budget

(C) Current Budget

(D) Performance Budget

95. When margin of safety is 40% of sales, find fixed cost when profit is ₹25,000.

(A) ₹30,000

(B) ₹35,000

(C) ₹37,500

(D) ₹40,000

96. .... cost measures the addition in unit cost for an addition in output.

(A) Marginal

(B) Differential

(C) Incremental

(D) Imputed

97. The Cost Accounting Standard related with pollution control cost is :

(A) CAS 7

(B) CAS 10

(C) CAS 14

(D) CAS 19

98. .... plan is a most suitable incentive plan for beginners and trainees.

(A) Halsey

(B) Barth's

(C) Hayne's

(D) Diemer

99. Primary packing is an item of :

(A) Selling overhead

(B) Prime cost

(C) Distribution overhead

(D) Factory overhead

100. .... helps in predicting the future market value of the shares of a company.

(A) Price Earning Ratio

(B) Earning Per Share Ratio

(C) Dividend Yield Ratio

(D) Pay-out Ratio

ANSWER KEY
COST AND MANAGEMENT ACCOUNTING - SELECT SERIES

Q.no.	Ans	Q.no.	Ans	Q.no.	Ans
1	C	34	A	67	C
2	D	35	C	68	D
3	A	36	B	69	B
4	B	37	D	70	C
5	B	38	A	71	B
6	A	39	A	72	C
7	B	40	B	73	D
8	A	41	C	74	D
9	A	42	A	75	D
10	A	43	A	76	D
11	C	44	C	77	C
12	A	45	A	78	D
13	C	46	A	79	C
14	B	47	A	80	D
15	C	48	A	81	C
16	D	49	A	82	D
17	B	50	A	83	D
18	D	51	D	84	B
19	A	52	A	85	A
20	D	53	A	86	D
21	C	54	B	87	B
22	B	55	B	88	B
23	D	56	C	89	B
24	C	57	B	90	B
25	B	58	B	91	A
26	C	59	A	92	D
27	B	60	B	93	B
28	D	61	D	94	D
29	A	62	C	95	C
30	C	63	A	96	C
31	B	64	A	97	C
32	D	65	C	98	B
33	D	66	B	99	B
				100	A

ECONOMIC AND COMMERCIAL LAWS

Time allowed : 3 hours *Maximum marks : 100*

NOTE : *Answer ALL Questions.*

PART A

Question 1

(a) Who can purchase immovable property in India ? State the requirements which must be satisfied for repatriation of sale proceeds of any immovable property outside India under Foreign Exchange Management Act, 1999.

(b) State the process of selection of chairperson and members of Competition Commission of India as given in the Competition Act, 2002. Under what circumstances, they may be removed by the Central Government ?

(c) Discuss in brief the initiative taken in U.N. Vienna Convention held in Dec. 1988 to prevent money laundering in the world for investment in drugs and narcotics.

(d) In an action of passing-off on the basis of unregistered trademark, what factors are to be considered while deciding the question of the deceptive similarity under the Trademarks Act, 1999.

(e) Distinguish between the "assignment of a copyright" under the Copyright Act, 1957 and the "assignment of Geographical Indication" under the Geographical Indication Act, 2005. Can a registered Geographical Indication be assigned/ transmitted ? *(5 marks each)*

Answer 1(a)

As per section 6(5) of Foreign Exchange Management Act, 1999, a person resident outside India can hold, own, transfer or invest in any immovable property situated in India if such property was acquired, held or owned by him/ her when he/ she was resident in India or inherited from a person resident in India. Further, a 'Non-Resident Indian' (NRI) and an 'Overseas Citizen of India (OCI)' can acquire by way of purchase any immovable property (other than agricultural land/ plantation property/ farm house) in India. Foreign Embassy/ Diplomat/ Consulate General, may purchase/ sell immovable property (other than agricultural land/ plantation property/ farm house) in India.

Repatriation of sale proceeds of immovable property

A person acquiring property in accordance with section 6(5) of Foreign Exchange Management Act, 1999 or his successor cannot repatriate outside India the sale proceeds of such immovable property without the prior permission of the Reserve Bank. However, if such a person is a Non-Resident Indian (NRI) or a Person of Indian Origin (PIO) resident outside India, he/ she can utilise the remittance facilities available under the Foreign Exchange Management (Remittance of Assets) Regulations, 2016, as amended from time to time.

In the event of sale of immovable property other than agricultural land/ farm house/ plantation property in India by a PIO resident outside India or an NRI or an OCI, the Authorised Dealer may allow repatriation of the sale proceeds outside India, provided the following conditions are satisfied, namely:

(a) the immovable property was acquired by the seller in accordance with the provisions of the foreign exchange law in force at the time of acquisition by him;

(b) the amount for acquisition of the immovable property was paid in foreign exchange received through banking channels or out of funds held in FCNR(B) account or NRE account;

(c) in the case of residential property, the repatriation of sale proceeds is restricted to not more than two such properties

Answer 1(b)

Section 9(1) of the Competition Act, 2002 envisages that the Chairperson and other Members of the Competition Commission of India shall be appointed by the Central Government from a panel of names recommended by a Selection Committee consisting of the Chief Justice of India or his nominee, as Chairperson; and the Secretary in the Ministry of Corporate Affairs, Member; the Secretary in the Ministry of Law and Justice, Member; and two experts of repute who have special knowledge of, and professional experience in international trade, economics, business, commerce, law, finance, accountancy, management, industry, public affairs or competition matters including competition law and policy, as member.

Section 11(2) of the Competition Act, 2002 provides that in the following circumstances the Central Government may, by order, remove the Chairperson or any Member from his office if such Chairman or Member as the case may be, -

1. is, or at any time has been, adjudged as an insolvent; or
2. has engaged at any time, during his term of office, in any paid employment; or
3. has been convicted of an offence which, in the opinion of the Central Government, involves moral turpitude; or
4. has acquired such financial or other interest as it likely to affect prejudicially his functions as a Member; or
5. has so abused his position as to render his continuance in office prejudicial to the public interest; or
6. has become physically or mentally incapable of acting as a Member.

Answer 1(c)

The first major initiative in the prevention of money laundering was the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances in

December 1988 (popularly known as Vienna Convention). This convention laid the groundwork for efforts to combat money laundering by obliging the member states to criminalize the laundering of money from drug trafficking. It promotes international cooperation in investigations and makes extradition between member states applicable to money laundering. The convention also establishes the principle that domestic bank secrecy provisions should not interfere with international criminal investigations.

Answer 1(d)

In case of unregistered marks, the owner of the trade mark may lodge a case against passing off action in case his trademark is used by some other person. It has been held by the Courts in various cases and the ownership of a trademark is decided by its usage in commercial transactions.

In the case of *Mahendra and Mahendra Paper Mills Ltd.* Vs. *Mahindra and Mahindra Ltd. [AIR 2002 SC117]* Supreme Court broadly stated, in an action for passing – off on the basis of unregistered trade mark generally for deciding the question of deceptive similarity under the Trade Marks Act, 1999, the following factors are to be considered —

- The nature of the marks i.e. whether the marks are word marks or labels marks or composite marks i.e. both words and label works.
- The degree of resembleness between the marks, phonetically similar and hence similar in idea.
- The nature of the goods in respect of which they are used as trade marks.
- The similarity in nature, character and performance of the goods of the rival traders
- Class of purchasers who are likely to buy the goods bearing the marks they require, on their education and intelligence and a degree of care they are likely to exercise in purchasing and /or using the goods.
- The mode of purchasing the goods or placing orders for the goods.
- Any other surrounding circumstances which may be relevant in the extant of dissimilarity between the competing marks.

Weightage to be given to each of the aforesaid factors depending upon facts of each case and the same weightage cannot be given to each factor in every case.

Answer 1(e)

Section 18 of the Copyright Act, 1957 provides that the owner of the copyright in an existing work or the prospective owner of the copyright in a future work may assign to any person the copyright either wholly or partially and either generally or subject to limitations and either for the whole term of the copyright or any part thereof.

However, in case of the assignment of copyright in any future work, the assignment shall take effect only when the work comes into existence.

Section 24 of the Geographical Indication of Goods (Registration and Protection) Act, 1999 prohibits assignment or transmission of geographical indication.

No. registered geographical indication cannot be assigned/transmitted. A geographical indication is a public property belonging to the producers of the concerned goods. It shall not be the subject matter of assignment, transmission, licensing, pledge, mortgage or such other agreement. However, when an authorised user dies, his right devolves on his successor in title under the law for the time being in force.

Attempt all parts of either Q. No. 2 or Q. No. 2A

Question 2

(a) *X has two properties, property 'A' and property 'B'. He sells his property 'A' to Y and puts a condition that Y should not construct more than one storey on property 'A', so that property 'B', which he retains, shall have good light and free air.*

Ascertain, whether condition imposed by X is valid under the Transfer of Property Act, 1882 ? (3 marks)

(b) *'X', the father of a boy of marriageable age and 'Y' the father of a girl, who was to be married to boy, agreed that each of them shall pay a sum of money to the boy who was to take up the new responsibilities of married life. After the demise of both the contracting parties, the boy (husband) sued the executors of his father-in- law upon the agreement between his father-in-law and his father.*

Whether suit of the boy (husband) is maintainable against the executor of his father-in-law in the Court of Law under Indian Contract Act, 1872. (3 marks)

(c) *Rita hired a locker for keeping her ornaments and other valuable assets in a private bank and paid the rent for a year. On one day she visited the bank and expressed her desire to open her locker. Later on, while opening the said locker, she found that all ornaments and other valuables are missing. The locker was empty.*

The custodian of the bank stated that as all lockers in bank are locked safely and there is no sign of breaking the locker in question, therefore, private bank is not responsible for the loss.

She filed complaint with the District Consumer Disputes Redressal Forum. Will she succeed ? Discuss with reference to the Consumer Protection Act, 1986. (3 marks)

(d) *State the designs which are prohibited for registration under the Design Act, 2000. (3 marks)*

(e) *Explain the term 'Denoting Duty' under the provisions of the Indian Stamp Act, 1899. (3 marks)*

OR (Alternate question to Q. No. 2)

Question 2A

(i) *What do you mean by the doctrine of 'Quantum Meruit' under Indian Contract Act, 1872 ? State the circumstances under which this doctrine may be applied.*

(ii) *Who can act as a 'Patent Agent' under the provisions of the Patent Act, 1970 ? State the rights and powers of the Patent Agent.*

(iii) "Z Ltd." a real estate company incorporated in India under the Companies Act, 2013, fails to comply with the orders of the Competition Commission of India, issued after giving full opportunity of being heard according to the procedure laid down by the Competition Commission of India. State whether the "Z Ltd." may be penalised for non-compliance of the orders under the Competition Act, 2002?

(5 marks each)

Answer 2(a)

The condition which is imposed by Mr. X is for the benefit of another property which he retains. Such a condition is valid as per provisions of section 11 of the Transfer of property Act, 1882.

Section 11 of the Transfer of property Act, 1882 provides that where any condition has been made in respect of one piece of immoveable property for the purpose of securing the beneficial enjoyment of another piece of such property then such condition is valid as per the provisions of the Transfer of Property Act, 1882 without effecting the other rights of both the parties i.e. transferor and transferee.

In the given case the condition imposed by Mr X is valid under the provisions of the Transfer of property Act, 1882.

Answer 2(b)

A stranger to a contract cannot sue both under the English and Indian law for want of privity of contract even though the contract is for his benefit. This situation is decided in the leading case of *Tweddle* v. *Atkinson* (1861). In this case the Court held that the suit was not maintainable as the boy was not a party to the contract.

In this case the Boy (husband) was not a party the contract. Hence the suit of the Boy (husband) against the executor of his father in law in the Court of Law under Indian Contract Act, 1872 is not maintainable.

No, the suit of the Boy (husband) against the executor of his father in law in the Court of Law under Indian Contract Act, 1872 is not maintainable.

Answer 2(c)

The present case is similar to the case of *Punjab National Bank* v. *K.B. Shetty*. In this case the National Commission held the bank guilty of negligence and deficiency of service performed by the bank and therefore, bank liable to make good the loss.

According to the Consumer Protection Act, 1986, failure to maintain the quality of performance required by the law or failure to provide services as per warranties given, by the provider of the service would amount to 'deficiency'.

In view of the above, Rita will succeed in the present case.

Answer 2(d)

A design which prohibited of registration under the Design Act, 2000 are as follows:

— Design which is not new or original; or

— Design which has been disclosed to the public anywhere in India or in any other country by publication in tangible form or by use or in any other way prior to the filing date, or where applicable, the priority date of the application for registration; or

— Design which is not significantly distinguishable from known designs or combination of known designs; or

— Design which comprises or contains scandalous or obscene matter.

Answer 2(e)

Section 16 of the Indian Stamp Act, 1899 deals with denoting duty. The object of this section is to spare parties to an instrument, the inconvenience of having to produce (in cases in which the duty payable on an instrument depends upon the duty already paid on another instrument), the original or principal instrument in order to prove that the second instrument has been duly stamped.

Section 16 provides that where the duty with which an instrument is chargeable, or its exemption from duty, depends in any manner upon the duty actually paid in respect of another instrument, the payment of such last mentioned duty, shall, if application is made in writing to the Collector for that purpose, and on production of both the instruments, be denoted upon such first mentioned instrument, by endorsement under the hand of the Collector of Stamps or in such other manner as the rules of the State Government may provide.

Answer 2A(i)

The term *"Quantum Meruit"* literally means "as much as earned" or reasonable remuneration. It is used where a person claims reasonable remuneration for the services rendered by him when there was no express promise to pay the definite remuneration, Thus, the law implies reasonable compensation for the services rendered by a party if there are circumstances showing that these are to be paid for.

The general rule is that where a party to a contract has not fully performed what the contract demands as a condition of payment, he cannot sue for payment for that which he has done. The contract has to be indivisible and the payment can be demanded only on the completion of the contract.

But where one party who has performed part of his contract is prevented by the other from completing it, he may sue on a quantum meruit, for the value of what he has done.

The claim on a quantum meruit arises when one party abandons the contract, or accepts the work done by another under a void contract.

The party in default may also sue on a "quantum meruit" for what he has done if the contract is divisible and the other party has had the benefit of the part which has been performed. But if the contract is not divisible, the party at fault cannot claim the value of what he has done.

Answer 2A(ii)

According to Section 126 of the Patents Act, 1970 , a person shall be qualified to have his name entered in the register of patent agent if he is a citizen of India, completed the age of 21 years, has obtained a degree in science, engineering or technology from any university established under law for the time being in force in the territory of India or possesses such other equivalent qualifications as the Central Government may specify in this behalf and in addition has passed the qualifying examination prescribed for the purpose or has, for a total period of not less than ten years, functioned either as an examiner or discharged the functions of the Controller under Section 73 or both, but cease to hold any such capacity at the time of making the application for registration and paid prescribed fees.

Section 127 of the Patents Act, 1970 empowers the patent agent to practice before the Controller and to prepare all documents, transact all business and discharge such other functions as may be prescribed in connection with any proceeding before the Controller under the Act. In accordance with the provisions of section 128 of the Patents Act, 1970, the patent agent may sign under authorisation in writing in this behalf by the person concerned all applications and communication to the Controller.

Answer 2A(iii)

The Competition Act, 2002 prescribes penalties for contravention of orders of the Competition Commission of India.

As per Section 42, the Competition Commission of India may cause an inquiry to be made into compliance of its orders or directions made in exercise of its powers under the Act.

If any person, without reasonable clause, fails to comply with the orders or directions of the Commission issued under sections 27, 28, 31, 32, 33, 42A and 43A of the Competition Act, he shall be punishable with fine which may extend to rupees one lakh for each day during which such non-compliance occurs, subject to a maximum of rupees ten crore, as the Commission may determine.

If any person does not comply with the orders or directions issued, or fails to pay the fine imposed above, he shall, without prejudice to any proceeding under section 39, be punishable with imprisonment for a term which may extend to three years, or with fine which may extend to rupees twenty-five crore, or with both, as the Chief Metropolitan Magistrate, Delhi may deem fit.

Question 3

(a) When the Central Government is empowered to supersede the affairs of the Special Economic Zone Authority ? What will be the consequences of publication of the notification superseding such Authority under the Special Economic Zone Act, 2005. (5 marks)

(b) A transfers his property to B, worth rupees two lakh and by the same instrument asks B to transfer the property for rupees one lakh to C. If B does not accept the same, the property will revert to A. But before B exercises his option, A dies. Decide, whether C can claim the right in the given property. (5 marks)

(c) Who can file an application for patent for invention ? Whether the applicant can claim world wide protection on the basis of the patent protection for invention in India. (5 marks)

Answer 3(a)

Section 40(1) of the Special Economic Zones Act, 2005 empowers the Central Government to supersede an Authority, if at any time it is of the opinion that an Authority is unable to perform, or has persistently made default in the performance of the duty imposed on it or has exceeded or abused its powers, or has wilfully or without sufficient cause, failed to comply with any direction issued by it.

Section 40(2) of the Special Economic Zones Act, 2005 dealing with the consequences of publication of the notification superseding the Authority. It provides that,

(a) the Chairperson and other Members of the Authority shall, notwithstanding that their term of office has not expired as from the date of supersession, vacate their offices as such;

(b) all the powers, functions and duties which may, by or under the provisions of the Act, be exercised or discharged by or on behalf of the Authority shall, during the period of supersession, be exercised and performed by such person or persons as the Central Government may direct;

(c) all property vested in the Authority shall, during the period of supersession, vest in the Central Government.

Answer 3(b)

Section 35 of the Transfer of Property Act deals with doctrine of election. The foundation of doctrine of election is that a person taking the benefit of an instrument must also bear the burden, and he must not take under and against the same instrument. Suppose, a property is given to you and in the same deed of gift you are asked to transfer something belonging to you to another person. If you want to take the property you should transfer your property to someone else, otherwise you cannot take the property which is transferred to you by someone.

In the given case, A dies before B has made his option, then the heirs of A have to compensate C from A's property to the extent of rupees one lakh. Since B's property worth rupees one lakh was intended by A to be transferred to C.

Answer 3(c)

Section 6 of the Patents Act, 1970 provides that an application for a patent for an invention may be made by any of the following persons:

(a) by any person claiming to be the true and first inventor of the invention;

(b) by any person being the assignee of the person claiming to be the true and first inventor in respect of the right to make such an application;

(c) by the legal representative of any deceased person who immediately before his death was entitled to make such an application.

Patent protection is territorial right and therefore it is effective only within the territory of India. However, filing an application in India enables the applicant to file a corresponding application for same invention in convention countries, within or before expiry of twelve months from the filing date in India. Therefore, separate patents should be obtained in each country where the applicant requires protection of his invention in those countries. There is no patent valid worldwide.

Question 4

(a) What do you mean by the term 'foreign award' ? State the grounds upon which the enforcement of the foreign award may be opposed in India. (8 marks)

(b) Discuss briefly the objectives of Merchandise Exports from India Scheme (MEIS) in relation to export of notified goods/products through courier or foreign port offices using e-commerce. (7 marks)

Answer 4(a)

Sections 44 and 53 of the Arbitration and Conciliation Act defines the foreign awards as to mean an arbitral award on differences between persons arising out of legal relationship, whether contractual or not, considered commercial under the law in force in India made on or after the 11th day of October 1960 in the case of New York Convention awards and after the 28th day of July 1924 in the case of Geneva Convention awards.

Section 48 of the Arbitration and Conciliation Act, 196 enumerates the following grounds for opposing enforcement of a foreign award, namely:

(i) the parties to the agreement referred to in section 44 were, under the law applicable to them, under some incapacity, or the said agreement is not valid under the law to which the parties have subjected it or, failing any indication thereon, under the law of the country where the award was made; or

(ii) the party against whom the award is invoked was not given proper notice of the appointment of the arbitrator or of the arbitral proceedings or was otherwise unable to present his case; or

(iii) the award deals with a difference not contemplated by or not failing within the terms of the submission to arbitration, or it contains decisions on matters beyond the scope of the submission to arbitration.

Provided that, if the decisions on matter submitted to arbitration can be separated from those not so submitted, that part of the award which contains decisions on matters submitted to arbitration may be enforced; or

(iv) the composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties, or, failing such agreement, was not in accordance with the law of the country where the arbitration took place; or

(v) the award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which or under the law of which, that award was made; or

(vi) the subject-matter of the difference is not capable of settlement by arbitration under the law of India; or

(vii) the enforcement of the award would be contrary to the public policy of India.

For the avoidance of any doubt, it is clarified that an award is in conflict with the public policy of India, only if,- the making of the award was induced or affected by fraud or corruption; or was in violation of section 75 or section 81; or it is in contravention with the fundamental policy of Indian law; or it is in conflict with the most basic notions of morality or justice.

Answer 4(b)

The objective of Merchandise Exports from India Scheme (MEIS) is to offset infrastructural inefficiencies and associated costs involved in export of goods/products, which are produced/manufactured in India, especially those having high export intensity, employment potential and thereby enhancing India's export competitiveness.

Export of notified goods through courier or foreign post offices using e-Commerce:

(i) Exports of goods through courier or foreign post office using e-commerce, as notified in Appendix 3C of Appendices and Aayat Niryat Forms) of FTP 2015-2020, of FOB value of specified value per consignment shall be entitled for rewards under MEIS.

(ii) If the value of exports using e-commerce platform is more than specified value per consignment then MEIS reward would be limited to FOB of specified value only.

(iii) Such goods can be exported in manual mode through Foreign Post Offices at New Delhi, Mumbai and Chennai.

(iv) Export of such goods under Courier Regulations shall be allowed manually on pilot basis through Airports at Delhi, Mumbai and Chennai as per appropriate amendments in regulations to be made by Department of Revenue. Department of Revenue shall fast track the implementation of Electronic Data Interchange (EDI) mode at courier terminals.

PART-B

Question 5

(a) Krishna was carrying certain goods in his vehicle which were prohibited by the concerned State Government under the Essential Commodities Act, 1955. Hence, the goods were seized by the Competent Authority and subsequently the said goods were confiscated by the Collector of the District, after giving comprehensive opportunity to Krishna, the owner of the goods, of being heard.

Now Krishna desires to get back his goods. Advise, in the light of the provisions of the Essential Commodities Act, 1955. (3 marks)

(b) X a trustee of Y, wrongfully disposes the property of the trust and acquired another property in his own name, partly with his own money and partly with the money received from the disposal of the trust property. What remedy is available to Y against X under the Indian Trust Act, 1882 ? (3 marks)

(c) State the importance of International Organization of Legal Metrology (OIML) system for measuring instruments. When it was introduced ? (3 marks)

(d) What are the objectives of 'New Industrial Policy, 1991' issued by the Government of India for the development and regulation of certain industries ? (3 marks)

(e) A has executed a document outside India. Whether this document is valid in India ?

Discuss with reference to the Registration Act, 1908. *(3 marks)*

Answer 5(a)

In terms of Section 6C of the Essential Commodities Act, 1955, any person aggrieved by an order of confiscation under Section 6A of the Act may appeal to the State Government concerned within one month from the date of passing the order.

The State Government shall give an opportunity to the appellant to be heard and pass such order as it may think fit, confirming, modifying or annulling the order appealed against. If the appeal has been decided in favour of appellant, he is entitled to the possession of the confiscated goods and if it is not possible for any reason to return the essential commodity seized from him, such person shall be paid the price thereof as if the essential commodity had been sold to the Government with reasonable interest calculated from the day of seizure of essential commodity.

In the light of the above mentioned provisions Krishna may appeal to the concerned State Government.

Answer 5(b)

According to Chapter VI of the Indian Trust Act, 1882 a beneficiary has a right to follow the trust property in the hands of a third person. Even where a trustee disposes of the trust property and acquires some other property with the help of the disposal money, the beneficiary is entitled to have the latter property, the same rights or as nearly as possible the same rights, he had over the trust property.

X, a trustee for Y wrongfully dispose of the property of trust and acquired another property in his own name, partly with his own money, partly with money subject to a trust for Y.

In the given problem Y is entitled to a charge on the property for the amount of the trust money so misemployed.

Answer 5(c)

The International Organization of Legal Metrology (OIML) Certificate System for Measuring Instruments facilitate administrative procedures and lower the costs associated with the international trade of measuring instruments subject to legal requirements. The System provides the possibility for a manufacturer to obtain an OIML Certificate and a Test Report indicating that a given instrument type (pattern) complies with the requirements of the relevant OIML International Recommendations.

The International Organization of Legal Metrology (OIML) Certificate System for Measuring Instruments was introduced in 1991.

Answer 5(d)

The objectives of New Industrial Policy 1991 issued by the Government of India are:

— To maintain a sustained growth in productivity;

— To enhance gainful employment;

— To achieve optimal utilisation of human resources;

— To attain international competitiveness; and

— To transform India into a major partner and player in the global arena.

The Industrial Policy focus is on deregulating Indian industry; allowing the industry freedom and flexibility in responding to market forces and providing a policy regime that facilitates and fosters growth of Indian industry.

Answer 5(e)

As per Section 26 of the Registration Act, 1908, where the registering officer is satisfied that the document was executed outside India and it has been presented for registration within four months after its arrival in India, he may accept such document for registration on payment of proper registration fee.

A document executed outside India is not valid unless it is registered in India (*Nainsukhdas* v. *Gowardhandas*, AIR 1948 Nag. 110).

In view of the above it is clear that the document executed by Mr. A outside India, is not valid in India unless it is registered in India within four months from the date of its arrival in India.

Attempt all parts of either Q. No. 6 or Q. No. 6A

Question 6

(a) After takeover of an undertaking, under section 18FD of the Industries (Development and Regulation) Act, 1951, state the circumstances for taking the decision by the Central Government either to sell the undertaking as a running concern or to prepare a scheme for the reconstruction of the company. (5 marks)

(b) 'Y Ltd.' a contractor is planning to handle 'Hazardous Substance'. What are the requirements as regards to taking insurance policy before starting the handling of hazardous substance ? Is there any limit for taking insurance ? Discuss under the provisions of Public Liability Insurance Act, 1991. (5 marks)

(c) X presents a sale deed for registration of a plot before the Sub-Registrar and the registration is refused on the ground of undervaluation of stamp. What remedy is available to X in such situation under the Registration Act, 1908 ? (5 marks)

OR (Alternate question to Q. No. 6)

Question 6A

(i) Who is entitled to file an application for the grant of relief or compensation or settlement of dispute under the National Green Tribunal Act, 2010 ?

(ii) "A society registered under the Societies Registration Act, 1860 is a legal entity. It is capable of suing and be sued". In the light of this statement, explain the procedure for filing the suit by and against society.

(iii) *How the State Pollution Control Board is constituted under Water (Prevention and Control of Pollution) Act, 1974 ? Whether the Central Government is empowered to constitute State Pollution Control Board ? Examine.*

(5 marks each)

Answer 6(a)

Section 18FD of the Industries (Development and Regulation) Act, 1951 provides two alternatives to the Central Government in respect of receipt of the report from the authorised person. The Central Government can either decide to sell the undertaking as a running concern or it may decide to prepare a scheme for the reconstruction of the company.

The decision to sell the undertaking as a running concern may be taken by the Central Government on being satisfied that:

(a) in the case of the company owning the industrial undertaking, which is not being wound up by the High Court, its financial conditions and other circumstances are such that it is not in a position to meet the current liabilities out of its current assets and the interest of the general public makes it expedient to sell the undertaking as a running concern and also proceedings for winding up of the company by the High Court should be started simultaneously;

(b) in the case of the undertaking concerned owned by a company and is being wound up by the High Court, its assets and liabilities are such that in the interests of its creditors and contributories, the industrial undertaking should be sold as running concern.

Further, the decision to prepare a scheme of reconstruction of the company owning the industrial undertaking may be ordered by the Central Government, if it is satisfied that:

(i) it is in the interest of the general public, or

(ii) it is in the interest of the shareholders, or

(iii) such a course of action is necessary to secure the proper management of the company owning the industrial undertaking.

Answer 6(b)

Section 4 of the Public Liability Insurance Act, 1991 requires the owner to take out one or more insurance policies, before starting the handling of hazardous substance. Such insurance policy should provide for contract of insurance, whereby he is insured against liability to give relief under Section 3 of the Act.

The amount of insurance policy should not be less than the amount of paid up capital of the undertaking handling any hazardous substance and more than the amount, not exceeding rupees fifty crore, as may be prescribed.

Answer 6(c)

According to Section 72(1) of the Registration Act, 1908 an appeal shall lie against an order of a Sub-Registrar refusing to admit a document to registration (whether the registration of such document is compulsory or optional) to the

Registrar to whom such Sub-Registrar is subordinate within thirty days from the date of the order; and the Registrar may reverse or alter such order.

In the given case X may appeal to the Registrar against the order of Sub-Registar for registration of plot.

OR (Alternate to question to Q. No.6)

Answer 6A(i)

According to Section 18 of the National Green Tribunal Act, 2010, an application for grant of relief or compensation or settlement of dispute may be made to the National Green Tribunal by—

(a) the person, who has sustained the injury; or

(b) the owner of the property to which the damage has been caused; or

(c) where death has resulted from the environmental damage, by all or any of the legal representatives of the deceased; or

(d) any agent duly authorised by such person or owner of such property or all or any of the legal representatives of the deceased, as the case may be; or

(e) any person aggrieved, including any representative body or organisation; or

(f) the Central Government or a State Government or a Union Territory Administration or the Central Pollution Control Board or a State Pollution Control Board or a Pollution Control Committee or a local authority, or any environmental authority constituted or established under the Environment (Protection) Act, 1986 or any other law for the time being in force

Answer 6A(ii)

A Society registered under the Society Registration Act, 1860, is a legal entity. It is capable of suing and be sued in the name of the President, Chairman or Principal, Secretary or Trustees as determined by the rules and regulations. If there is no such prescribed determination then in the name of such person as appointed by the governing body for the occasion. If no such person is nominated by the governing body on an application made to it, then a person having a claim against society may sue the president or chairman or secretary or trustee.

No suit or proceeding in any Civil Court shall abate or discontinue if the person in whose name the suit has been brought has died or ceased to fill the character. Such suit shall be continued in the name of or against the successor of such person.

Answer 6A(iii)

Section 4 of the Water (Prevention and Control of Pollution) Act, 1974 empowers the State Government to constitute the State Boards. The composition of a State Board shall be the following, namely:

(a) a Chairman, being a person having special knowledge or practical experience, to be nominated by the State Government.

(b) such number of officials not exceeding five, to be nominated by the State Government to represent that Government;

(c) such number of persons not exceeding five to be nominated by the State Government from amongst the members of the local authorities functioning within the State;

(d) such number of non-officials not exceeding three, to be nominated by the State Government to represent the interests of agriculture, fishery or industry or trade or labour or any other interests, which, in the opinion of the Government, ought to be represented;

(e) two persons to represent the companies or corporations owned, controlled or managed by the State Government to be nominated by that Government;

(f) a full-time member secretary .

Section 3 of the Water (Prevention and Control of Pollution) Act, 1974 empowers the Central Government to constitute a Central Pollution Control Board to exercise such powers and functions as may be conferred upon it.

The Central Government is not empowered to constitute a Central Pollution Control Board.

Section 13 of the Water (Prevention and Control of Pollution) Act, 1974 enables the constitution of Joint Boards by two or more Governments of contiguous States, or by the Central Government and one or more State Government contiguous to any Union Territory.

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TAX LAWS AND PRACTICE - SELECT SERIES

Time allowed : 3 hours *Maximum marks : 100*

Total number of Questions : 100

Note : All questions in Part-A relate to the Income-tax Act, 1961 and Assessment Year 2019-20, unless stated otherwise

PART A

1. The basic exemption limit in the case of a non-resident individual being super senior citizen is :

   (A) ₹NIL

   (B) ₹2,50,000

   (C) ₹3,00,000

   (D) ₹5,00,000

2. Ms. Kapoor born in UK came to India for the first time on 10-5-2018 and remainedin India till 31-08-2018. Her maternal grandparents were born in Dhaka in the year 1940. Her residential status for the assessment year 2019-20 would be :

   (A) Resident and ordinarily resident

   (B) Non-resident

   (C) Resident but not ordinarily resident

   (D) None of the above

3. Which of the following income is not chargeable to tax in the case of Suresh who is resident but not ordinarily resident ?

   (A) Income accruing outside India but received in India

   (B) Income earned in India

   (C) Past untaxed profit

   (D) Income from business outside India but controlled from India

4. Ramchand (age 62) is a pensioner with monthly pension of ₹29,000. His income from interest on bank fixed deposit is ₹80,000. His income-tax liability for the assessment year 2019-20 would be :

   (A) NIL

   (B) ₹9,170

   (C) ₹9,260

   (D) ₹7,180

5. M/s XYZ Co. Ltd., Delhi filed appeal before Commissioner (Appeals) and succeeded in its appeal. Now the Revenue wants to prefer an appeal before the tribunal. For filing appeal by the Revenue before the tribunal, the tax effect must exceed :

   (A) ₹10,00,000

   (B) ₹20,00,000

   (C) ₹25,00,000

   (D) ₹50,00,000

6. Income Computation and Disclosure Standards (ICDS) are applicable for transactions under the head of income :

   (A) Salaries

   (B) Income from house property

   (C) Profits and gains of business or profession

   (D) Capital gains

7. Welfare Charitable Trust (registered under section 12AA), paid monthly salary of ₹25,000 to its manager. It paid ₹10,000 by account payee crossed cheque and ₹15,000 by cash on the first day of every month during the previous year 2018-19. The amount of salary eligible for deduction while computing the income of charitable trust for the assessment year 2019-20 would be :

   (A) ₹3,00,000

   (B) ₹1,80,000

   (C) ₹1,20,000

   (D) NIL

8. As per ICDS, the unlisted securities shall be valued at :

   (A) Initial cost

   (B) Market price as on 31st March of the previous year

   (C) Cost or market price, whichever is less

   (D) Average of cost plus market price

9. Philip who retired from Central Government service on 28-2-2018, received monthly pension of ₹42,000 up to 30-9-2018 and ₹44,100 thereafter. His income from salary after standard deduction would be :

   (A) ₹5,16,600

   (B) ₹5,01,600

   (C) ₹4,76,600

   (D) ₹4,61,600

10. Mahadev (age 45) engaged in business paid ₹52,000 towards medical insurance of his parents who are senior citizens. He also paid ₹30,000 towards medical insurance for himself, his wife and one daughter. The premium amount was paid by account payee crossed cheque. The amount of deduction allowable under section 80D would be :

    (A) ₹55,000

    (B) ₹75,000

    (C) ₹80,000

    (D) ₹82,000

11. Zeet (P) Ltd. incurred loss of ₹1,10,000 for the assessment year 2019-20. It is planning not to file return of loss and claim the loss for carry forward. The monetary limit of the tax amount for applying prosecution provisions contained in section 276CC will apply when the tax liability exceeds :

    (A) No monetary limit (NIL)

    (B) ₹3,000

    (C) ₹10,000

    (D) ₹25,000

12. MNO Ltd. was incorporated in April, 2018 and its aggregate turnover for the previous year 2018-19 must not exceed .... in order to be eligible for deduction under section 80-IAC of the Act.

    (A) ₹2 crores

    (B) ₹5 crores

    (C) ₹10 crores

    (D) ₹25 crores

13. Ramesh owns two vehicles for the purpose of plying on hire. The gross vehicle weight or unladen (without any goods) weight of one vehicle was 13 MT and of another vehicle 6 MT. The presumptive income under section 44AE for the previous year would be :

    (A) ₹1,80,000

    (B) ₹2,46,000

    (C) ₹1,20,000

    (D) ₹2,40,000

14. When foreign institutional investor has longterm capital gain on sale of listed share (STT paid) of ₹5 lakhs, the amount of tax payable on such capital gain would be :

    (A) NIL

    (B) @ 20%

(C) @ 10%

(D) @ 30%

15. M incurred ₹2 lakh as expenditure towards medical treatment of his father P (age 61) who suffered from advanced stage of cancer. The amount of expenditure eligible for deduction under section 80DDB would be :

(A) ₹30,000

(B) ₹60,000

(C) ₹80,000

(D) ₹1,00,000

16. Anuj owned land measuring 2 hectares and carried on agricultural operations. The land would be treated as agricultural land and not capital asset if it is within the aerial distance of .... kms from the local limits of municipality when its population exceeds 10 lakhs.

(A) 2

(B) 4

(C) 6

(D) 8

17. Yadav leased his agricultural land in Meerut to Kailash. There is one dwelling house and storehouse in the immediate vicinity of the land. He received lease rent for land ₹50,000. He also received ₹12,000 as rent for dwelling house occupied by the tenant/cultivator and ₹18,000 as rent for the store house. The amount of income to be treated as agricultural income would be :

(A) ₹80,000

(B) ₹68,000

(C) ₹62,000

(D) ₹50,000

18. Which of the following activity is an agricultural activity ?

(A) Supply of water for irrigation purposes

(B) Production of salt from seawater

(C) Spontaneous growth of grass

(D) Cultivation of flowers

19. Agricultural income of an assessee is aggregated for computing tax liability when it exceeds :

(A) ₹50,000

(B) ₹20,000

(C) ₹5,000

(D) ₹2,000

20. Malik retired from Mehbooba Ltd. after rendering service for 27 years and 8 months. His 15 days salary is ₹26,000. He received ₹11,50,000 as gratuity from the employer. He is covered under the Payment of Gratuity Act, 1972. The amount of gratuity eligible for exemption under section 10(10) would be :

(A) ₹10,00,000

(B) ₹7,28,000

(C) ₹11,50,000

(D) ₹7,02,000

21. Ms. Bhavani, a blind employee, working in Beta Ltd. was paid transport allowance of ₹2,000 per month from April, 2018 to September, 2018. She was paid ₹3,000 as transport allowance from October, 2018 to March, 2019. The amount of transport allowance eligible for exemption u/s 10(14) would be :

(A) ₹7,200

(B) ₹9,600

(C) ₹38,400

(D) ₹30,000

22. Sridhar employed as general manager in LMN Ltd. received ₹30,000 as medical reimbursement from the employer by producing bills of a Government hospital. The amount of medical reimbursement taxable as perquisite is :

(A) NIL

(B) ₹30,000

(C) ₹15,000

(D) ₹18,000

23. Venkat (age 63) received ₹25 lakh from State Bank of India under reverse mortgage scheme on 5-6-2018. The house property under reverse mortgage was acquired on 1-4-1980 for ₹90,000. The fair market value on 1-4-1981 was ₹1,50,000. The fair market value as on 1-4-2001 was ₹8,40,000. The fair market value on 5-6-2018 was ₹21 lakh. The cost inflation index for the financial year 2018-19 is 280. The amount of capital gain liable to tax would be :

(A) Long-term capital gain ₹12,48,000

(B) Long-term capital gain ₹10,80,000

(C) Long-term capital gain ₹1,48,000

(D) NIL

24. Ghosh having 25% of the share capital in Ghosh Mfg. Industries (P) Ltd. took loan of ₹3,50,000 on 15-9-2018 from the company. He repaid ₹1 lakh on 20-3-2019. The company has accumulated profit of ₹8 lakh as on 1-4-2018. It earned

profit in the previous year 2018-19 also. The amount assessable as deemed dividend in the hands of Ghosh would be :

(A) ₹1,50,000

(B) ₹2,50,000

(C) ₹3,50,000

(D) NIL

25. Which of the following income of registered trade union is liable to tax ?

(A) Income from house property

(B) Income from other sources

(C) Capital gains

(D) All of the above

26. Dunlop Traders (P) Ltd. is engaged in trade of textile items. On the eve of the Diwali, it sold suitings and shirtings to its employees at cost. The market value of those goods was ₹1,60,000. The cost price ₹1,20,000. The amount liable for adjustment in its total income would be :

(A) NIL

(B) ₹1,60,000

(C) ₹1,20,000

(D) ₹40,000

27. Goel completed the construction of a residential house property on 30-6-2018. He already owns another property in the same town which is self-occupied. The new construction is also self-occupied by him. He wants to treat the new construction as deemed let out property. The relevant details of the new property are : (i) municipal value ₹3,00,000; (ii) fair rent ₹3,60,000; and (iii) standard rent ₹2,80,000. The gross annual value of the property would be :

(A) ₹2,80,000

(B) ₹2,10,000

(C) ₹3,00,000

(D) ₹3,60,000

28. Priti (age 61) a Chartered Accountant retired from SCG & Co. (a partnership firm) on 31-3-2018. As per the deed of retirement, she is eligible for a sum of ₹20,000 every month in consideration for not practicing the profession of chartered accountancy for the next 5 years. The receipts is :

(A) Taxable under the heat 'other sources'

(B) Taxable under the head 'profits and gains of business or profession'

(C) Not taxable receipt

(D) Taxable as capital gain

29. An asset eligible for additional depreciation at 20% is entitled to only 50% of the additional depreciation i.e. 10% as additional depreciation when it is put to use for less than .... number of days and it is purchased and put to use in same year.

 (A) 180

 (B) 183

 (C) 182

 (D) 270

30. Manoj & Co. (partnership firm) paid monthly rent of ₹30,000 for its premises during the previous year 2018-19. No tax was deducted at source for the rent paid up to 31-3-2019. Total Tax was deducted tax at source on 5-5-2019 and remitted on 10-9-2019. The return of income of the firm for the assessment year 2019-20 was filed on 31-08-2019, the due date. The amount of expenditure liable for disallowance under section 40(a)(ia) for the assessment year 2019-20 would be :

 (A) NIL

 (B) ₹3,60,000

 (C) ₹1,08,000

 (D) ₹30,000

31. Vinod & Co. is an AOP consisting of three members E, F and G. The concern paid interest on capital to member E ₹1,05,000 @ 15% per annum. It also received interest from the member E ₹90,000 on the amount advanced @ 18% per annum. The total income of the AOP after including interest receipt and deducting interest payment to E is ₹4,85,000. Its total income liable for income-tax assessment would be :

 (A) ₹4,85,000

 (B) ₹5,00,000

 (C) ₹4,70,000

 (D) ₹6,80,000

32. Ginger Shippers is owned by a non-resident engaged in shipping business. It received ₹120 lakh for carriage of goods shipped from Mumbai, India to Durban, South Africa. The presumptive income of the assessee under section 44B would be :

 (A) ₹9,60,000

 (B) ₹12,00,000

(C) ₹6,00,000

(D) ₹9,00,000

33. Ravinder has aggregate receipt from profession of ₹45 lakhs for the previous year 2018-19. His income as per books of account is ₹20,50,000. He wants to declare income as per the presumptive provisions contained in section 44ADA. The amount of income liable to tax would be :

(A) ₹22,50,000

(B) ₹20,50,000

(C) ₹1,64,000

(D) ₹3,60,000

34. Which of the following is not a capital asset ?

(A) Jewellery

(B) Equity shares

(C) Personal effects

(D) Land and building

35. Pankaj, a Company Secretary in practice for the past 30 years, retired and gave his practice to Chandra in consideration for ₹15 lakh by way of goodwill. His income for the past 3 assessment years are ₹12 lakh, ₹10 lakh and ₹8 lakh respectively. The amount of goodwill chargeable to income-tax as capital gain would be :

(A) NIL

(B) ₹15,00,000

(C) ₹10,00,000

(D) ₹3,00,000

36. Richard acquired 1,000 preference shares of₹100 each in Terry Ltd. on 10-4-2016 for ₹1,32,000. He received 10,000 equity shares of ₹10 each on conversion of preference shares into equity shares. The Fair Market Value (FMV) of equity shares on the date of such conversion was ₹2,20,000.

Cost Inflation Index F.Y. 2016-17 = 264; F.Y. 2018-19 = 280.

The taxable long-term capital gain would be :

(A) NIL

(B) ₹70,000

(C) ₹10,000

(D) ₹15,000

37. Clean Air (P) Ltd. converted into a LLP on 30-4-2018. It is not liable to pay capital gains on conversion if the total value of assets in any of the 3 previous years preceding the previous year in which conversion took place, does not exceed :

(A) ₹1 crore

(B) ₹3 crore

(C) ₹5 crore

(D) ₹10 crore

38. Chatterjee received ₹1 lakh towards advance for sale of his residential house to Xavier on 10-11-2018. As the buyer Xavier could not pay the balance amount of consideration within 3 months, Chatterjee forfeited the advance money in accordance with the sale agreement. The advance money forfeited is :

(A) Deductible from cost of the asset

(B) Taxable as long-term capital gain

(C) Taxable as income from other sources

(D) Taxable as short-term capital gain

39. Chandni (age 14) received ₹70,000 as cash gift on her birthday from her parents' friends. How much of her income would be liable for clubbing in the hands of her parent ?

(A) ₹70,000

(B) ₹40,000

(C) ₹20,000

(D) ₹1,08,500

40. All & All is a charitable trust registered under the Income-tax Act, 1961. It acquired a vacant land for ₹8,40,000 from Allen. The stamp duty value of the land was ₹10,20,000. How much will be added to the income of the trust towards purchase of property for inadequate consideration ?

(A) ₹27,000

(B) ₹1,80,000

(C) NIL

(D) ₹1,38,000

41. Palak employed in a private company acquired a generator to be let out on hire for marriages and social functions. He received hire charges of ₹8,50,000 and paid on 1st day of every month, salary to operator @ ₹35,000 by cash. He also paid interest in cash to SBI towards loan for acquisition of generator of ₹1,52,000. The income of Palak from the said activity liable to tax would be (without considering 44AD) :

(A) ₹2,78,000

(B) ₹6,98,000

(C) ₹5,78,000

(D) ₹3,98,000

42. Minor Ravi received ₹60,000 by way of gift on his birthday from grandparents and ₹10,000 from non-relatives. He also received a gold chain from his father's friend whose fair market value on the date of gift was ₹45,000. The amount of income of minor Ravi taxable (after exemption) in the hands of parents would be:

(A) ₹1,15,000

(B) ₹1,13,500

(C) ₹53,500

(D) ₹52,000

43. Annamalai has income from business of ₹5,50,000 and loss from horse race of ₹60,000 of the previous year 2018-19. He has brought forward discontinued business loss of ₹1,10,000 of the assessment year 2010-11 and regular business loss of ₹90,000 of assessment year 2017-18. His total income for the assessment year 2019-20 after set off of eligible losses would be :

(A) ₹2,90,000

(B) ₹3,50,000

(C) ₹4,60,000

(D) ₹4,10,000

44. Kamal has eligible brought forward business loss relating to assessment year 2016-17 of ₹70,000. For the previous year 2018-19 he has (i) loss from house property ₹3,10,000; (ii) loss from business ₹90,000; and (iii) loss under the head 'other sources' ₹1,00,000. He filed the return of income for the assessment year 2019-20 on 5-9-2019 which is beyond the 'due date' specified in section 139(1). State the losses which are eligible for carry forward for assessment year 2020-21.

(A) All losses except loss under the head "other sources"

(B) Carried forward loss of ₹70,000 from AY 16-17

(C) Only loss from house property is eligible for carry forward

(D) All losses are eligible for carry forward including loss under the head "income from other sources"

45. Rahul & Co. Ltd. paid ₹1,10,000 towards printing of pamphlets of a registered political party in connection with state assembly elections. The expenditure incurred is :

(A) Inadmissible expenditure

(B) Deductible @ 50%

(C) Deductible @ 100%

(D) Deductible U/s 80GGB

46. Lal authored a text-book for school students of Malaysia. He received Royalty (in convertible foreign exchange before 31-5-2019) of ₹5 lakh. He incurred expenditure such as ₹20,000 for reference books, ₹60,000 for text proof readers and ₹1,00,000 for content assistants. How much of his income is eligible for deduction under section 80QQB ?

(A) NIL

(B) ₹3,20,000

(C) ₹3,00,000

(D) ₹1,60,000

47. Dee & Co. is a partnership firm which filed its return of income by opting section 44AD for the assessment year 2017-18. It filed its return of income as per regular provision by getting the books of account audited u/s 44AB for the assessment year 2018-19 with profit of ₹70,000. For the assessment year 2019-20 its income as per section 44AD is ₹4,80,000 and its income as per regular provisions is ₹6,30,000. What would be the income which is chargeable to tax for the assessment year 2019-20 ?

(A) ₹6,30,000

(B) ₹4,80,000

(C) ₹3,45,000

(D) ₹3,00,000

48. Alternate Minimum Tax (AMT) under chapter XII-BA will not apply if the adjusted total income of an individual does not exceeds :

(A) ₹5,00,000

(B) ₹10,00,000

(C) ₹20,00,000

(D) ₹25,00,000

49. The total income of a co-operative society is ₹2,10,000 after claiming deduction under section 80P of the Act. The total tax payable by the co-operative society on its total income, including cess, would be :

(A) NIL

(B) ₹52,000

(C) ₹62,400

(D) ₹64,890

50. PQ Ltd. is a domestic company whose turnover for the assessment year 2017-18 was ₹45 crore and for the assessment year 2018-19 ₹80 crore. Its turnover for the previous year 2018-19 is ₹110 crore. The rate of tax (excluding cess) applicable for the assessment year 2019-20 would be :

(A) 40%

(B) 30%

(C) 29%

(D) 25%

51. When a domestic company has paid tax on book profit which is higher than the normal tax payable on the total income, such excess tax so paid is eligible for carry forward up to :

(A) 5 succeeding assessment years

(B) 8 succeeding assessment years

(C) 10 succeeding assessment years

(D) 15 succeeding assessment years

52. In the case of non-resident Indian (not being a company) income from long-term capital gain is chargeable to tax at .... when the asset was originally acquired by remitting convertible foreign exchange into India.

(A) 5%

(B) 10%

(C) 15%

(D) 20%

53. Kayal engaged in trading activity reported turnover of ₹210 lakh for the previous year 2017-18 and ₹190 lakh for the previous year 2018-19. She paid brokerage of ₹40,000 to Padmaja in October, 2018. Both the party are resident for tax purpose. The amount of tax deductible by Kayal on the brokerage paid would be:

(A) NIL

(B) ₹800

(C) ₹2,000

(D) ₹4,000

54. Anyway (P) Ltd. paid sitting fees to directors, who attended the Board Meeting. S was paid ₹5,000 per meeting and he attended 7 meetings during the year. The amount of tax deductible at source on the sitting fees would be .... if S has not furnished his PAN.

(A) ₹7,000

(B) ₹3,500

(C) ₹1,750

(D) NIL

55. For which of the following transactions, quoting of Permanent Account Number is mandatory ?

(A) Payment to hotel ₹22,000 on any single day

(B) Deposit of cash in saving bank account of ₹55,000 on any single day

(C) Purchase of property valued at ₹3 lakh

(D) Payment of life insurance premium of ₹25,000

56. Kayalvizhi employed in a private company, having only salary income, filed her return of income of assessment year 2019-20 on 10-9-2019. Her total income is ₹4,10,000. The amount of fee payable by her under section 234F would be :

(A) ₹10,000

(B) ₹5,000

(C) ₹1,000

(D) NIL

57. Srikant filed his return of income for the assessment year 2019-20 on 5-6-2019 declaring total income of ₹7,40,000. What is the maximum time within which notice under section 143(2) is to be served on the assessee ?

(A) 31-12-2019

(B) 31-3-2020

(C) 30-9-2020

(D) 31-12-2020

58. When the taxpayer files application for settlement of the case the additional amount of income-tax payable, as a result of search, on the income disclosed in the application must exceed :

(A) ₹10,00,000

(B) ₹25,00,000

(C) ₹50,00,000

(D) ₹1,00,00,000

59. A notice under section 142(1) was issued to Ashok Ghosh for filing the return of the assessment year 2019-20. When he failed to file the return within the time specified in the notice, the amount of penalty leviable would be :

(A) ₹10,000

(B) ₹20,000

(C) ₹50,000

(D) ₹1,00,000

60. Ganesh Traders (partnership firm) reported a turnover of ₹250 lakh for the assessment year 2019-20. It has not filed the tax audit report under section 44AB before specified date. The amount of penalty leviable for such failure would be :

(A) ₹25,000

(B) ₹1,00,000

(C) ₹1,25,000

(D) ₹1,50,000

61. Natraj engaged in business repaid loan received from Narain of ₹50,000 by cashon 16-3-2019 (Sunday). He also repaid the balance of ₹15,000 by cheque on 20-3-2019. The amount of penalty leviable for repayment of loan would be :

(A) ₹15,000

(B) ₹50,000

(C) NIL

(D) ₹65,000

62. Who can claim deduction under section 80GG in respect of rent paid for accommodation ?

(A) Company

(B) Partnership firm

(C) Individual

(D) Co-operative society

63. An Indian resident availed services by way of online advertisement space provided by a foreign company located in UK. The foreign company does not have a PE (Permanent Establishment) in India. The Indian company has to pay equalization levy when the amount paid to the foreign company exceeds :

(A) ₹50,000 in previous year

(B) ₹1,00,000 in previous year

(C) ₹5,00,000 in previous year

(D) ₹10,00,000 in previous year

64. Which of the following relationships between two enterprises would result in them being deemed associated enterprises ?

(A) One enterprise giving loan equal to 10% of the total assets of the other enterprise.

(B) 25% of the directors of both the enterprises being same persons.

(C) One enterprise guaranteeing not less than 10% of the total borrowings of other enterprise.

(D) One enterprise supplying more than 26% of the raw materials consumed by another enterprise.

65. Which of the following powers cannot be exercised by the Transfer Pricing Officer ?

(A) Power to call evidence/information from the assessee

(B) Power to amend the order to rectify arm's length price

(C) Power of survey under section 133A

(D) Power to conduct search under section 132

66. When the Advance Pricing Agreement (APA) has been entered into, it is valid for not more than .... consecutive previous years.

(A) 7

(B) 5

(C) 3

(D) 1

67. A resident having transaction with a non-resident who has filed form 35D for advance ruling, can withdraw the application within :

(A) 15 days

(B) 30 days

(C) 45 days

(D) 60 days

68. Income tax assessment of Ajay was completed determining the income at ₹8,40,000 as against the returned income of ₹5,40,000. The amount payable as fee for appeal before Commissioner (Appeals)by him, would be :

(A) ₹250

(B) ₹500

(C) ₹1,000

(D) ₹5,000

69. Income tasx assessment of Kuber was completed on 15-12-2018 for the assessment year 2016-17. There is an error apparent in the assessment order. The time limit for rectification of mistake in the assessment order under section 154 is available up to :

(A) 31-3-2020

(B) 31-3-2021

(C) 31-3-2022

(D) 31-3-2023

70. Senthil employed in a nationalized bank incurred ₹60,000 towards medical expenditure of his parent who is a senior citizen and dependent upon him. There is no health insurance policy to cover the parent. The amount eligible for deduction under section 80D would be :

(A) ₹10,000

(B) ₹25,000

(C) ₹35,000

(D) ₹50,000

PART— B

71. Which of the following goods manufactured or produced in India is not liable for GST upon its supply in India ?

(A) Motor Car

(B) Jewellery

(C) Ceramic tiles

(D) High Speed Diesel

72. Which Article was inserted in the Indian Constitution for levy of tax on goods and services by Centre and State/Union territories ?

(A) Article 246A

(B) Article 286

(C) Article 366

(D) Article 368

73. Who is the chairman of GST Council ?

(A) President

(B) Union Finance Minister

(C) Prime Minister

(D) Vice-President

74. When goods are sold from one place to another place, the tax liability would accrue under GST law, at :

(A) Place of dispatch

(B) Place of raising the bill

(C) Place of consumption/destination

(D) Routes in which the goods travel

75. Dual GST model followed in India, is mainly drawn from :

(A) Australia

(B) Canada

(C) USA

(D) France

76. GST laws are implemented on the recommendations of :

(A) GST council

(B) Central Government

(C) President of India

(D) GST Network (GSTN)

77. A & Co. sold goods to B & Co. Both A & Co. and B & Co. are in the State of Uttar Pradesh. The tax to be included in the tax invoice by A & Co. would represent :

(A) CGST + IGST

(B) CGST + SGST

(C) SGST + IGST

(D) CGST + UTGST

78. XYZ & Associates is a firm of Company Secretaries at Delhi. It agreed to provide continuous services to members of FICCI by entering into an agreement. In order to consider the service as continuous service, the period of service must exceed :

(A) 1 month

(B) 3 months

(C) 6 months

(D) 12 months

79. Which of the following is 'goods' liable for GST ?

(A) Actionable claim

(B) Grass

(C) Vegetables

(D) Furniture

80. Which of the following is neither supply of goods nor supply of services ?

(A) Services of Member of Parliament

(B) Branch transfer

(C) Goods sent to agent by principal

(D) Import of services

81. Which of the following is liable for GST even though there is no consideration ?

(A) Branch transfer of goods

(B) Services by court or tribunal

(C) Services of funeral

(D) Gift of jewellery

82. Which of the following is a composite supply under GST ?

(A) Sale of jewellery by goldsmith

(B) Readymade garments sold by showroom

(C) Works contract services

(D) Sweets packed in carton boxes

83. Pujara of Mumbai is running a restaurant. His aggregate turnover was ₹60 lakh. He did not collect GST on his Restaurant sales of ₹60 lakh. His total GST tax liability under composition scheme would be :

(A) ₹1,20,000

(B) ₹3,00,000

(C) ₹60,000

(D) ₹30,000

84. Out of the following manufacturer/producer/service provider, who can not avail composition scheme ?

(A) Tax payer making interstate supplies

(B) Manufacturer

(C) Beauty Parlour

(D) Restaurant

85. Balaji & Co. (firm), Chennai, a trader, furnishes the breakup of goods supplied by it during the year. (i) taxable supplies ₹40 lakh; (ii) exempt supplies ₹15 lakh; (iii) export of goods ₹30 lakh; and (iv) branch transfer of goods ₹13 lakh. What is the aggregate turnover for the purpose of deciding the eligibility for composition scheme under GST ?

(A) ₹98 lakh

(B) ₹85 lakh

(C) ₹55 lakh

(D) ₹40 lakh

86. A dealer wishing to opt for composition scheme, must convey his option :

(A) Within a period of 60 days from the commencement of the relevant financial year

(B) Within 90 days from the commencement of the relevant financial year

(C) Within 30 days from the commencement of the relevant financial year

(D) Within 10 days from the commencement of the relevant financial year

87. Mumbai Soft Drink is a trader owned by Vineet & Co., a partnership firm selling soft drink. They desire to opt. for composition scheme. What is the rate of tax applicable to them under composition scheme ?

(A) 0.5%

(B) 5%

(C) 1%

(D) 2.5%

88. The aggregate turnover of Turner & Co. exceeded the limit prescribed for composition scheme on 7-3-2019. What is the course of action to be adopted by Turner & Co. for rest of the financial year ?

(A) Intimate within 7 days to the GST authority and pay GST as normal supplier of goods.

(B) Suspend business till 31-3-2019.

(C) Compute and pay tax as normal supplier w.e.f. 1-4-2018.

(D) Since the period is less than 30 days for the end of the financial year, continue the business as composition dealer.

89. Mani dispatched goods to Prasad on 31-10-2018. The invoice is dated 30-10-2018. The goods were received by Prasad on 3-11-2018. The amount towards supply was received by Mani on 1-10-2018. The time of supply would be :

(A) 31-10-2018

(B) 1-10-2018

(C) 3-11-2018

(D) 30-10-2018

90. What is the time of supply of service in the following case :

Date of issue of invoice 31-12-2018; Date of receipt of payment by supplier of service 20-12-2018; Date of provision of service 25-11-2018; and date of order 30-12-2018.

(A) 31-12-2018

(B) 20-12-2018

(C) 25-11-2018

(D) 30-12-2018

91. WY (P) Ltd. sold goods to PR & Co. The list price was ₹1,40,000 for the goods besides (i) packing charges ₹6,000; (ii) interest for delayed payment ₹8,000; (iii) transport charges ₹12,000 through own vehicle of WY (P) Ltd. The value of supply is :

(A) ₹1,66,000

(B) ₹1,54,000

(C) ₹1,46,000

(D) ₹1,40,000

92. Saran (P) Ltd. supplied goods to Ashwini (P) Ltd. The list price of goods was ₹3,60,000 excluding packing charges of ₹15,000. The supplier of goods i.e. Saran (P) Ltd. allowed discount of ₹20,000 for prompt payment made by the recipient of supply i.e. Ashwini (P) Ltd. The value of supply would be :

(A) ₹3,40,000

(B) ₹3,60,000

(C) ₹3,95,000

(D) ₹3,55,000

93. Which of the following shall not be included in the value of supply ?

(A) Late fee

(B) Interest

(C) GST

(D) Commission

94. Which of the following is an exempted good under GST ?

(A) Fresh Milk

(B) Motor Car

(C) Generators

(D) Branded Atta

95. Which of the following supply of goods or services is eligible for input tax credit?

(A) Purchase of motor vehicle for supply of goods

(B) Membership fee for health club

(C) Food and beverages to employees

(D) Cost of paint for office building

96. Lamb Ltd. received goods from Gower & Co. on 23-4-2018 along with delivery

challan. It paid the amount to the supplier on 2-5-2018. The invoice issued by Lamb Ltd. dated 27-4-2018 was lost and input tax credit was omitted to be claimed. The maximum time within which the input tax credit could be claimed by Lamb Ltd. is available up to :

(A) Within 6 month from the date of invoice

(B) Within 1 year from the date of invoice

(C) Within 3 month from the date of invoice

(D) Within 1 month from the date of invoice

97. Sun & Co. purchased raw materials from supplier vide invoice dated 1-7-2018. It was sent directly to job worker, Moon Industries on 7-8-2018 as per the direction of Sun & Co., by the supplier of goods. The job worker Moon Industries has not completed the job work up to 31-3-2019. What is the maximum time limit within which the goods have to be sent to Sun & Co. from job worker, Moon Industries?

(A) 31-3-2020

(B) 30-6-2019

(C) 6-8-2019

(D) 31-8-2019

98. Verma Traders engaged in retail trade since April, 2018 applied for voluntary registration in August, 2018 and obtained registration on 29-8-2018. State the period for which it can avail input tax credit for the purchases and stocks held by it :

(A) from 1-8-2018

(B) from 1-5-2018

(C) from 1-4-2018

(D) from 1-9-2018

99. Which of the following persons is not liable for registration under GST law ?

(A) Electronic commerce operator

(B) Input service distributor

(C) Payer of reverse charge

(D) Agriculturists supplying produce out of cultivation of land

100. What is the monetary limit for total value of supply of taxable goods in order to attract deduction of tax at source by Government under GST ?

(A) ₹5 lakhs

(B) ₹2.5 lakhs

(C) ₹2 lakhs

(D) ₹50,000

ANSWER KEY
TAX LAWS AND PRACTICE - SELECT SERIES

PART A

Qno	Ans
Q1	B
Q2	B
Q3	C
Q4	A
Q5	B
Q6	C
Q7	C
Q8	A
Q9	C
Q10	B
Q11	A
Q12	D
Q13	B
Q14	C
Q15	D
Q16	*
Q17	A
Q18	D
Q19	C
Q20	B
Q21	D
Q22	A
Q23	D
Q24	C/D
Q25	C
Q26	A
Q27	B
Q28	B
Q29	A
Q30	C
Q31	B
Q32	D
Q33	A
Q34	C
Q35	A
Q36	A
Q37	C
Q38	C
Q39	A
Q40	C
Q41	B
Q42	*
Q43	C
Q44	B
Q45	A/D
Q46	A
Q47	A
Q48	C
Q49	C
Q50	D
Q51	D
Q52	B/D
Q53	C
Q54	A
Q55	B
Q56	C
Q57	C
Q58	C
Q59	A
Q60	C
Q61	B
Q62	C
Q63	B
Q64	C
Q65	D
Q66	B
Q67	B
Q68	C
Q69	D
Q70	D

PART B

Qno	Ans
Q71	D
Q72	A
Q73	B
Q74	C
Q75	B
Q76	A
Q77	B
Q78	B
Q79	D
Q80	A
Q81	A
Q82	C
Q83	B
Q84	A/C
Q85	A
Q86	A
Q87	B
Q88	A
Q89	B
Q90	C
Q91	A
Q92	D
Q93	C
Q94	A
Q95	A/D
Q96	B
Q97	C
Q98	*
Q99	D
Q100	B

Notes

Q. No. 16 As per provision of section 2(14) of the Income Tax Act, 1961, Capital assets does not include agriculture land in india not being land situate in any area within the distance, measured aerially, not being more than eight kilometres, from the local limits of any municipality or cantonment board and which has a population of more than ten lakh. The question has used the word agriculture land and capital assets. Since, the land fall under the difinition of agriculture land but not under the definition of capital assets and therefore none of the options are correct.

Q.No. 24 Any income by way of dividends referred to in section 115-O is exempt u/s 10(34) of the Income Tax Act, 1961. Dividend includes deemed dividend u/s 2(22) (e) also as per section 115-O. Though the dividend is chargeable to tax in the hands of Mr. Ghosh but by virtue of exemption granted u/s 10(34) the same is exempt. The question is required to compute amount assessable as deemed dividend may be referred to as value of deemed dividend chargeable to tax i.e. 350000 or taxable value of deemed dividend i.e. Nil.

Q.No. 42 None of the options are correct. As per section 56(2)(x), the aggregate value of amount exceeds Rs. 50000 is separately for each categeory i.e. money received in cash, moveble property as well as immovable property. In this case, Cash of Rs. 10000 is not taxable being not exceeds Rs. 50000. Further, gift in kind Rs. 45000 is also not taxable being not exceeds Rs. 50000. Gift received from relative (Grandparent) Rs. 60000 is not taxable as being section 56(2)(x) not applicable in this case.

Q.No. 45 As per section 37(2B), specifically considered inadmissible expenditure incurred by an assessee on advertisement in any souvenir, brochure, tract, pamphlet or the like published by a political party. Further, the same will be deductibel u/s 80GGB. Section 80GGB In computing the total income of an assessee, being an Indian company, there shall be deducted any sum contributed by it, in the previous year to any political party or an electoral trust. the word “contribute”, with its grammatical variation, has the meaning assigned to it under section 293A of the Companies Act, 1956 (1 of 1956) which spesicially include expenditure on pamphlets. Therefore, both option A/D are correct.

Q.No. 52 The question specifically not mentioned which type of capital assets i.e. specified assets (shares etc.) or other assets. If it is specified assets, tax rate is 10%, if it is other assets, the tax rate is 20%. (Section 115E of the Income Tax Act, 1961). Therefore, both option B/D are correct.

Q. 84 Option A and C both are the correct answer as Tax payer making interstate supplies can not avail composition scheme and for FY 18-19, service providers were not eligible for composition scheme.

Q.95 Option A and option D both options are correct as ITC is available on purchase of motor vehicle for supply of goods and Cost of paint for office building also.

Q.98 None of the option is correct because date immediately preceding the grant of registration is to be seen.

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