

GUIDELINE ANSWERS

EXECUTIVE PROGRAMME

JUNE 2017

MODULE 1



**THE INSTITUTE OF
Company Secretaries of India**

IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

ICSI House, 22, Institutional Area, Lodi Road, New Delhi 110 003

Phones : 41504444, 45341000; Fax : 011-24626727

E-mail : info@icsi.edu; Website : www.icsi.edu

These answers have been written by competent persons and the Institute hopes that the **GUIDELINE ANSWERS** will assist the students in preparing for the Institute's examinations. It is, however, to be noted that the answers are to be treated as model answers and not as exhaustive and the Institute is not in any way responsible for the correctness or otherwise of the answers compiled and published herein.

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.

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(i)

NOTE: Guideline Answers of the last Sessions may require updation in the light of changes and references given below:

EXECUTIVE PROGRAMME

UPDATING SLIP

COMPANY LAW

MODULE – 1 – PAPER 1

<i>Examination Session</i>	<i>Question No.</i>	<i>Updatons required in the answers</i>
(1)	(2)	(3)
All Previous Sessions	—	All answers are based on the notified provisions of Companies Act, 2013 and the provisions of Companies Act, 1956 which are still in force. Answers pertaining to Corporate Governance to be updated according to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(ii)

UPDATING SLIP

ECONOMIC AND COMMERCIAL LAWS

MODULE – 1 – PAPER 3

<i>Examination Session</i>	<i>Question No.</i>	<i>Updatons required in the answers</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>
All Previous Sessions	—	Foreign Trade Policy 2015-20. Foreign Direct Investment Policy 2016.

(iii)

UPDATING SLIP

TAX LAWS AND PRACTICE

MODULE – 1 – PAPER 4

<i>Examination Session</i>	<i>Question No.</i>	<i>Updatons required in the answers</i>
(1)	(2)	(3)
All Previous Sessions	—	<p>For December 2017, examination</p> <ul style="list-style-type: none">(i) For Direct taxes, Finance Act, 2016 is applicable.(ii) Applicable Assessment year is 2017-18 (previous year 2016-17).(iii) Wealth Tax Act, 1957 has been abolished w.e.f. 1st April, 2016. The questions from the same will not be asked in examination from December 2015 session onwards.(iv) For Indirect taxes, with the implementation of Goods & Services Tax w.e.f July 1,2017, the students of Executive Programme are hereby notified that Part B (30 marks) of the syllabus of Tax Laws and Practice Paper (Module 1 Paper 4) of Executive Programme has been replaced with Goods and Services Tax (GST) for December, 2017 examinations. Students are advise to refer the notification available at the following weblink https://www.icsi.edu/WebModules/Notification_GST_CS_Executive_Programme.pdf for detailed syllabus applicable for December 2017 examination.(v) Students are also required to update themselves on all the relevant Circulars, Clarifications, Notifications, issued by CBDT / CBEC/ Central Government etc. which became effective, on or before six months prior to the date of the respective examination. <p>The questions based on case laws, in conflict with the latest law be treated as of academic interest only.</p>

EXECUTIVE PROGRAMME EXAMINATION

JUNE 2017

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 :

- (a) *A Limited Liability Partnership can become member in a company incorporated under the provisions of the Companies Act, 2013.*
- (b) *Consolidation of financial statements is mandatory for all companies including unlisted companies and private companies.*
- (c) *A statutory auditor of a private limited company is restricted to take up any other assignment in the companies.*
- (d) *Merger of a 'Subsidiary' Company into 'Holding' Company. (5 marks each)*

Answer 1(a)

Subject to the Memorandum and Articles, any *sui juris* (a person who is competent to contract on its own behalf) except the company itself, can become a member of a company. Yes, Limited Liability Partnership, being an incorporated body and separate legal entity, under the statute, can become a member of a company.

Answer 1(b)

The Companies Act, 2013 has made preparation of consolidated accounts mandatory for all companies including unlisted companies and private companies having one or more subsidiaries or associates or joint ventures.

In accordance with the provisions of the Companies Act, 2013, as contained in section 129(3), where a company has one or more subsidiaries or associates or joint ventures, it shall, in addition to its financial statements for the financial year, prepare a consolidated financial statement of the company and of all the subsidiaries or associates or joint ventures in the same form and manner as that of its own which shall also be laid before the annual general meeting of the company along with the laying of its financial statements, a separate statement containing the salient features of the financial statements of its subsidiaries or associate(s) or joint venture(s) in Form AOC-1(Rule 5).

However, for intermediate holding company, the provisions of Rule 6 of Companies (Accounts) Rules, 2014 *inter alia* provide certain conditions, compliance of which ensures exemption from consolidation of accounts to such intermediate holding company. These conditions are :-

1. intimation to all members for not consolidating the accounts,

2. shares being unlisted or not in process of listing on any stock exchanges and filing of consolidated financial statement by the ultimate Indian holding company whose 100% subsidiary is the intermediate holding company.

Answer 1(c)

The statement is correct. Section 144 of the Companies Act, 2013 provides that an auditor appointed under this Act shall provide to the company only such other services as are approved by the Board of Directors or the audit committee, as the case may be, but which shall not include any of the following services (whether such services are rendered directly or indirectly to the company or its holding company or subsidiary company), viz.:—

- (a) accounting and book keeping services;
- (b) internal audit;
- (c) design and implementation of any financial information system;
- (d) actuarial services;
- (e) investment advisory services;
- (f) investment banking services;
- (g) rendering of outsourced financial services;
- (h) management services; and
- (i) any other kind of services as may be prescribed.

Therefore, the statement that a statutory auditor of a private company is restricted to take up any other assignment in the company is correct. It cannot take up assignment or provide services on the above mentioned matters being statutory auditor of the company.

Answer 1(d)

Section 233(1) provides that notwithstanding the provisions of section 230 and section 232, a scheme of merger or amalgamation may be entered into between a holding company and its wholly-owned subsidiary company or such other class or classes of companies as may be prescribed, subject to the following, viz.:—

- (a) a notice of the proposed scheme inviting objections or suggestions, if any, from the Registrar and Official Liquidators where registered office of the respective companies are situated or persons affected by the scheme within 30 days is issued by the transferor company or companies and the transferee company;
- (b) the objections and suggestions received are considered by the companies in their respective general meetings and the scheme is approved by the respective members or class of members at a general meeting holding at least 90% of the total number of shares;
- (c) each of the companies involved in the merger files a declaration of solvency, in the prescribed form, with the Registrar of the place where the registered office of the company is situated; and

- (d) the scheme is approved by majority representing nine-tenth in value of the creditors or class of creditors of respective companies indicated in a meeting convened by the company by giving a notice of 21 days along with the scheme to its creditors for the purpose or otherwise approved in writing.

The scheme is to be sent to Regional Director for approval under 'Fast Track Mode'.

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

Question 2

Distinguish between the following :

- (a) 'E-voting' and 'Voting by show of hands'.
 (b) 'Key-managerial personnel' and 'Managing Director'.
 (c) 'Internal Audit' and 'Secretarial Audit'.
 (d) 'Punishment for false statement' and 'punishment for false evidence' under the provisions of the Companies Act, 2013. (4 marks each)

OR (Alternate question to Q. No. 2)

Question 2A

- (i) San Industries Private Limited Company has its paid-up share capital of Rs. 40 lakhs and turnover of Rs. 10 crore as per the last audited Balance Sheet. Examining the provisions of the Companies Act, 2013, decide whether the company will be treated as small company.

What would be your answer in case the company is governed by any special Act ? (4 marks)

- (ii) A2Z Management Services Limited is a listed company quoted at Bombay Stock Exchange Limited. The company closed its register of debenture holders in June and August 2016 for 12 and 21 days respectively. The Chief Financial Officer (CFO) of the company has informed the Secretary of the company to consider closing the register in December for another 15 days for some strategic reasons. Referring to the provisions of the Companies Act, 2013, examine the validity of the above action of the company. (4 marks)

- (iii) Mr. Atul Rastogi, the Managing Director of ABC Limited has resigned from the Managing Directorship of the company. He, however, wants to continue as a director in the company. Referring to the provisions of the Companies Act, 2013, state whether Mr. Atul can continue as a director in the company. (4 marks)

- (iv) Innovative Energies Limited has 2,505 members as on the date of the company's extraordinary general meeting. The Executive Director, Mr. Avinash has asked you, the Secretary of the Company, what is the required quorum for the meeting. Referring to the provisions of the Companies Act, 2013, inform the Executive Director, Mr. Avinash, the quorum that must be present for holding the Extra-Ordinary General Meeting of the company. State whether the required quorum must be present throughout the meeting. (4 marks)

Answer 2(a)**‘E-voting’ and ‘Voting by show of hands’**

Votes before the general meeting can be cast either by ‘e-voting’ method or by showing hands.

<i>E-voting</i>	<i>Voting by show of hands</i>
Governed by the provisions of section 108.	Governed by the provisions of section 107.
Provisions applicable to every company which has listed its equity shares on a recognised stock exchange and every company having not less than one thousand members.	Applicable to all companies at their general meetings, wherein resolution is put to the vote unless a poll is demanded under section 109 or the voting is carried out electronically.
The facility for remote e-voting shall remain open for not less than three days and shall close at 5.00 p.m. on the date preceding the date of the general meeting.	The facility of voting by show of hands is available at the time of the meeting.
During the period, when facility for e-voting is provided, the members of the company holding the shares in either physical form or in demat form, as on the cut-off date, may opt for remote e-voting.	In general meeting, members who have not voted in e-voting mode can cast their votes by raising their hands.
Number of votes of a member is equal to the number of shares held.	Only one vote is counted for each shown hand.

Answer 2(b)**‘Key-managerial personnel’ and ‘Managing Director’**

<i>Key-managerial personnel</i>	<i>Managing Director</i>
As per section 2(51) of the Companies Act, 2013, "key managerial personnel", in relation to a company, means—	According to section 2(54) of the Companies Act, 2013, "managing director" means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.
(i) the Chief Executive Officer or the managing director or the manager;	
(ii) the Company Secretary;	
(iii) the whole-time director;	
(iv) the Chief Financial Officer; and	
(v) such other officer as may be prescribed.	

<i>Key-managerial personnel</i>	<i>Managing Director</i>
<p>'Key managerial personnel' (KMP) is a broader term and it includes managing director and other specified officers of a company.</p> <p>For being designated as KMP vesting of substantial power is not necessary. For example, a CFO or a Company Secretary may or may not have substantial power of management; still they may be designated as KMP.</p>	<p>A Managing Director (MD) can be KMP but it is not mandatory that a KMP shall be MD.</p> <p>The Managing Director must have substantial power of management.</p>

Answer 2(c)

'Internal Audit' and 'Secretarial Audit'

<i>Internal Audit</i>	<i>Secretarial Audit</i>
Governed by the provisions of section 138	Governed by the provisions of section 204
Applicable on every Private Company having:	Not Applicable on Private Companies.
<ul style="list-style-type: none"> i. turnover of Rs. 200 crore rupees or more during the preceding financial year; or ii. outstanding loans or borrowings from banks or PFIs exceeding Rs. 100 crore or more at any point of time during the preceding financial year. 	
The auditor may be a Chartered Accountant or a Cost Accountant, or a Company Secretary or a firm thereof or any employee of the company, as may be decided by the Board to conduct internal audit of the functions and activities of the company.	The audit is conducted by a Company Secretary in Practice.
The audit committee or Board shall in consultation with the internal auditor formulate the scope, functioning, periodicity and methodology for conduct of internal audit.	If there is qualification or adverse remark in the audit report, the Board of directors have to comment on the same in their report to members.
	The format of the Secretarial Audit Report shall be in Form No. MR.3. Every listed company and a company

<i>Internal Audit</i>	<i>Secretarial Audit</i>
	belonging to other class of companies shall annex with its Board's report made in terms of sub-section (3) of section 134, a secretarial audit report, given by a Company Secretary in practice.

Answer 2(d)**'Punishment for False Statement' and 'Punishment for False Evidence'**

<i>Punishment for False Statement</i>	<i>Punishment for False Evidence</i>
<p>A false statement under section 448 is one 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,—</p> <p>(a) which is false in any material particulars, knowing it to be false; or</p> <p>(b) which omits any material fact, knowing it to be material.</p> <p>He shall be liable to imprisonment for a term which shall not be less than 6 months but which may extend to 10 years and shall also be liable to fine which shall not be less than the amount involved in the fraud, but which may extend to 3 times the amount involved in the fraud. Where the fraud in question involves public interest, the term of imprisonment shall not be less than 3 years.</p>	<p>A person shall be punishable under section 449, if he intentionally gives false evidence—</p> <p>(b) upon any examination on oath or solemn affirmation, authorised under this Act; or</p> <p>(c) in any affidavit, deposition or solemn affirmation, in or about the winding up of any company under this Act, or otherwise in or about any matter arising under this Act.</p> <p>He shall be punishable with imprisonment for a term which shall not be less than 3 years but which may extend to 7 years and with fine which may extend to rupees 10 lakh.</p>

Question 2A(i)

In accordance with the provisions as contained in section 2(85) of the Companies Act, 2013, "small company" means a company, other than a public company,—

- (i) paid-up share capital of which does not exceed fifty lakh rupees or such higher amount as may be prescribed which shall not be more than five crore rupees; and
- (ii) turnover of which as per its last profit and loss account does not exceed two

crore rupees or such higher amount as may be prescribed which shall not be more than twenty crore rupees:

Provided that nothing in this clause shall apply to—

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

Therefore, taking into account the above provisions, San Industries Private Limited is not a small company in accordance with section 2(85) of the Companies Act, 2013.

The proviso to Section 2(85) reads that companies governed by any special act shall not be treated as small companies even when they comply with the provisions of the said section. Hence, the answer shall remain the same.

Answer 2A(ii)

By virtue of the provisions of the Companies Act, 2013, as contained in section 91(1), a company may close the register of members or the register of debenture-holders or the register of other security holders for any period or periods not exceeding in the aggregate 45 days in each year, but not exceeding 30 days at any one time.

In the given case, A2Z management Services Limited has closed its register of debenture holders for 12 and 21 days in June and August, 2016 respectively. Therefore, the closure is within the time limits prescribed in section 91(1) as each closure has not exceeded 30 days.

If the company closes the register again in December, 2016 for another 15 days, the aggregate closure during the year would be 48 days which will exceed the prescribed time limit of 45 days.

Hence, the proposal of CFO of the company is not valid under the above provisions of the Companies Act, 2013.

Answer 2A(iii)

Yes. According to the provisions of the Companies Act, 2013, Mr. Atul Rastogi can continue as a director of the company in the given case.

In *G. Subba Rao v. Rasmi Die-Casting Ltd.* [1998] 93 Com. Cases. 797, the Andhra Pradesh High Court held that from the definition of 'managing director' as per Section 2(26) [Corresponds to section 2(54) of the Companies Act, 2013], it is clear that the managing director has to act under the superintendence, control and direction of the Board of directors. Moreover, powers of routine administrative nature like the power to affix common seal, to draw and endorse any negotiable instrument do not fall within the substantial powers conferred upon the managing director. What is to be seen is whether the managing director making any representation for and on behalf of a company had in fact, 'actual authority' either in terms of the provisions of the constitution of that company or by virtue of the delegation by the Board of directors.

A managing director must hold and continue to hold the office of director. A managing

director is first a director and then a managing director with certain additional powers [*Shanta Shamsher Jung Bahadur v. Kamani Brothers P. Ltd.* (1959) 29 Com Cases 501 (Bom.)]. A managing director is an ordinary director entrusted with special powers. If a company wants to appoint a person as managing director, who is not a director of the company, he has first to be appointed as an additional director in accordance with the provisions of Section 260 [Corresponds to section 161 of the Companies Act, 2013] of the Act.

Answer 2A(iv)

Quorum for general meeting of a company is regulated by section 103 of the Companies Act, 2013. Accordingly, as per section 103(1), unless the articles of the company provide for a larger number, in case of a public company,—

- (i) 5 members personally present if the number of members as on the date of meeting is not more than 1,000;
- (ii) 15 members personally present if the number of members as on the date of meeting is more than 1,000 but up to 5,000;
- (iii) 30 members personally present if the number of members as on the date of the meeting exceeds 5,000.

In the given case, Innovative Energies Limited has 2,505 members as on date of its extra-ordinary general meeting. Hence, the required number of quorum, if the articles do not provide for a larger number, will be 15 members personally present. The Company Secretary shall inform the Executive Director, Mr. Avinash accordingly.

Also, the required quorum must be present throughout the meeting.

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

Question 3

- (a) *XYZ Limited has office building in London. The company has been granted a term loan of Rs. 15 crore from a Bank. The company wants to mortgage office building of London. Examining the provisions of the Companies Act, 2013, answer the following :*
 - (i) *Whether the company can mortgage the above office building ?*
 - (ii) *Whether a charge can be created for property situated outside India ?*
(4 marks)
- (b) *Board of Directors of Anil Limited has decided not to preserve the books of accounts and other related records of accounts, for more than five years immediately preceding the relevant financial year of 2016-17 due to shortage of space in the office premises. Referring to the provisions of the Companies Act, 2013, examine the validity of the Board's decision.* (4 marks)
- (c) *RR Limited has decided to make investment in other companies for Rs. 50 lakhs, which is in excess of 60% of the company's paid-up share capital, free reserves and securities premium account. Company has 5 directors. Four directors were present in the Board meeting, three directors have given their*

consent but one director abstained from voting. The decision of the Board was noted in the minutes of Board meeting and decided to make such investment by passing of Board resolution with majority. Referring to the provisions of Companies Act, 2013, examine the validity of the Board's decision. (4 marks)

- (d) *Mr. X is a director in Greenfield Industries Limited. He is a man of wide knowledge of commercial matters. The company has not filed financial statements with the Registrar of Companies for the years ended 31st March, 2014, 31st March, 2015 and 31st March, 2016. However, it has filed the annual returns for those years in compliance of the provisions of the Companies Act, 2013.*

Considering Mr. X's huge experience, Redfield Industries Limited wants to induct him as a director on its Board. Referring to the provisions of the Companies Act, 2013, examine the validity of such proposition. (4 marks)

OR (Alternate question to Q. No. 3)

Question 3A

- (i) *Newly incorporated Abhay Limited has not mentioned names of first directors of the company in the Articles of Association. Referring to the provisions of the Companies Act, 2013, advise the Board of Directors regarding the appointment of first directors of the company. What would be your answer in case the company is a One Person Company? Also state whether provisions of the Act are applicable to a Private Limited Company. (4 marks)*
- (ii) *Board of Directors of AVB Limited wants to declare dividend Rs. 15 lakh out of capital profits for the year ended 31st March, 2017, without making a provision for depreciation. Referring to the provisions of the Companies Act, 2013, you being the Secretary of the Company advise the board whether it can go ahead with its proposal? (4 marks)*
- (iii) *Charjee Biotech Private Limited is a two year old company. The Board of Directors of the company wants to contribute 2.8% of its average net profits of the last years to the Prime Minister's National Relief Fund. Referring to the provisions of the Companies Act, 2013, advise the board. (4 marks)*
- (iv) *CIF Technosystems Private Limited is proposed to be incorporated in Bhubaneswar, Orissa under the Companies Act, 2013. The company will be a holding company of CIF Holding Private Limited, already incorporated in Brazil under the Company Law of Brazil. The company in Brazil follows financial year 1st January to 31st December of a calendar year. Referring to the provisions of the Companies Act, 2013, state whether the financial year of CIF Technosystem can also be 1st January to 31st December, in order to make it easier to prepare consolidated financial statements. (4 marks)*

Answer 3(a)

In accordance with the provisions of the Companies Act, 2013, as contained in section 77(1), it shall be the duty of every company creating a charge within or outside India, on its property or assets or any of its undertakings, whether tangible or otherwise, and situated in or outside India, to register the particulars of the charge signed by the company and the charge-holder together with the instruments, if any, creating such

charge in such form, on payment of such fees and in such manner as may be prescribed, with the Registrar within thirty days of its creation.

Therefore, XYZ Limited can mortgage the office building of London (UK) according to Rule 3 of Companies (Registration of Charges) Rules, 2014; e-form prescribed for the purpose of creating the charge is Form No. CHG-1 and it will be filed within the prescribed period.

Answer 3(b)

According to sub-section (5) of section 128 of the Companies Act, 2013, the books of accounts, together with vouchers relevant to any entry in such books are required to be preserved for a period of not less than eight financial years immediately preceding a financial year. Where the company had been in existence for a period less than eight years, the books of account in respect of all the preceding years together with the vouchers relevant to any entry in such books of account shall be kept in good order. The provisions of the Income-tax Act, 1961 shall also be complied with in this regard. As per proviso to sub-section (5) of section 128, where an investigation has been ordered in respect of the company under Chapter XIV, the Central Government may direct that the books of account may be kept for such longer period as it may deem fit and give directions to that effect.

The decision taken by the Board of Directors of Anil Limited is not in accordance with the provisions of the law and the company cannot do so.

Answer 3(c)

In accordance with the provisions of the Companies Act, 2013, as contained in section 186(5), no investment shall be made or loan or guarantee or security given by the company unless the resolution sanctioning it is passed at a meeting of the Board with the consent of all the directors present at the meeting and the prior approval of the public financial institution concerned where any term loan is subsisting, is obtained.

Further, under the provisions of section 186(2) and 186(3), the loan amount must not exceed 60% of its paid-up capital, free reserves and securities premium account or 100% of free reserves and securities premium account, whichever is more. In case, the company wishes to exceed the said limit, prior approval of company through special resolution would be required.

In the given case, in absence of adequate information, even if we assume that Rs. 50 lakh does not exceed the 100% of free reserves and securities premium account, RR limited has not complied with the provisions of section 186(5) of the Companies Act, 2013 where consent of all the directors present is required. The resolution of the Board of Directors therefore, is not valid and has no legal effect.

Answer 3(d)

Section 164 of the Companies Act, 2013 deals with the Disqualifications for Appointment of Director. Clause (a) of sub-section (2) thereof provides that no person who is or has been a director of a company which has not filed financial statements or annual returns for any continuous period of 3 financial years, shall be eligible to be re-appointed as a director of that company or appointed in other company for a period of 5 years from the date on which the said company fails to do so.

In the given case, Greenfield Industries Limited has not filed its financial statements for the financial years ended 31st March, 2014, 31st March, 2015 and 31st March, 2016. Therefore, it has not filed such statements for a continuous period of 3 financial years. However, it has filed annual return for those 3 financial years. Non-filing of any one of financial statements or annual returns for a continuous period of 3 financial years will disqualify such director from being appointed as a director in any other company.

Applying the above provisions of section 164(2)(a), in the given case, Mr. X, a director of Greenfield Industries Limited cannot be appointed as a director in Redfield Industries Limited till the expiry of five years.

Answer 3A(i)

First directors of the companies are generally named in the articles of the company. Regulation 60 of Table F provides that the number of directors and the names of the first directors shall be determined in writing by the subscribers of the memorandum or a majority of them. If they are not so named in the articles of a company, then subscribers to the memorandum who are individuals shall be deemed to be the first directors of the company until the directors are duly appointed.

In case of a One Person Company, an individual being a member shall be duly deemed to be the company's first director until the director(s) are duly appointed by the members in accordance with the provisions of section 152 of the Companies Act, 2013.

Section 152(1) of the Act is applicable to all companies, whether public or private.

Answer 3A(ii)

In accordance with the provisions of the Companies Act, 2013, as contained in third proviso to section 123(1), no dividend shall be declared or paid by a company from its reserves other than free reserves. As per section 2(43) of the Companies Act, 2013, "free reserves" means such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend.

Further according to section 123(2), for the purposes of declaration of dividend by a company as per section 123(1)(a), depreciation shall be provided in accordance with the provisions of Schedule II.

Therefore, in the given case, AVB Limited can neither declare dividend from capital profit and nor it can declare dividend without making provision for depreciation.

Answer 3A(iii)

Section 181 of the Companies Act, 2013 states that the Board of Directors of a company may contribute to *bona fide* charitable and other funds, provided that prior permission of the company in general meeting shall be required for such contribution in case any amount the aggregate of which, in any financial year, exceed five per cent of its average net profits for the three immediately preceding financial years.

In the given case, Charjee Biotech Private Limited wants to contribute 2.8% of its net profits of the last two years, as it has been in existence for the last two years only.

Prime Minister's National Relief Fund is a *bona fide* charitable fund. As the rate of contribution does not exceed 5% of the average net profits, prior permission of members in general meeting is not required. A resolution passed by the Board of Directors shall suffice for making the said contribution.

Answer 3A(iv)

Section 2(41) of the Companies Act, 2013 has defined the term "financial year". It states that financial year in relation to any company or body corporate, means the period ending on the 31st day of March every year.

The financial year of every company registered under the Companies Act in India has to be from April of a calendar year to March of the next calendar year.

However, proviso to section 2(41) reads that on an application made by a company or body corporate, which is a holding company or a subsidiary of a company incorporated outside India and is required to follow a different financial year for consolidation of its accounts outside India, the Tribunal may, if it is satisfied, allow any period as its financial year.

On the basis of position of law hereinabove, CIF Technosystems Private Limited proposed to be incorporated under the Companies Act, 2013 has to have its financial year to end on 31st march every calendar year.

However, as it is a holding company of CIF Private Limited, a company in Brazil incorporated outside India, and that company follows its financial year 1st January to 31st December of a calendar year, the Indian company CIF Technosystems Private Limited can apply to Tribunal to allow its financial year to be aligned to end on 31st December for ease of consolidation of financial statements. The Tribunal will decide on the basis of merit in application.

Question 4

- (a) *KPS India Producer Company Limited having an average annual turnover exceeding Rupee six crore in each of the three consecutive financial year. The company has to appoint a Company Secretary. Advise the company by referring to the provisions of the Companies Act, 1956 as applicable to producer company relating to such appointment. (4 marks)*
- (b) *Shaky Commodities Private Limited could not hold its 10th annual general meeting for the year 2016 by 30th September, 2016. The company sought extension of time for holding the AGM from the Registrar of Companies but failed to hold the meeting within the extended time too. Instead, it held the meeting on 31st March, 2017 and passed resolutions thereat. Certain shareholders have challenged the validity of these resolutions. Referring to the provisions of the Companies Act, 2013, examine whether the contention of the shareholders shall be tenable. (4 marks)*
- (c) *From the following information in respect of two companies viz. ZYX Limited and CBA Private Limited, compute the amount the companies are required to spend on account of Corporate Social Responsibility (CSR) :*

	13	EP-CL-June 2017
<i>Financial Year</i>	<i>ZYX Ltd. Net Profit/(Loss) Rs. (In crore)</i>	<i>CBA Private Ltd. Net Profit/(Loss) Rs. (In crore)</i>
2014-15	Not incorporated	(4)
2015-16	6	(1)
2016-17	18	6

- (d) During the financial year 2016-17, the Board of Directors of CARE Automation Services Limited has issued shares to employees under Employees Stock Option Scheme. Ms. Excellent has recently joined the Board of the company and asks you, the Secretary of the company, as to what details are to be disclosed in the Board's Report for the year ending 31st March, 2017 in this regard. Advise her. (4 marks)

Answer 4(a)

In accordance with the provisions of the Companies Act, 1956, as contained in section 581X, every Producer Company having an average annual turnover exceeding five crore rupees in each of three consecutive financial years shall appoint a member of the Institute of Company Secretaries of India as a whole-time Secretary of the company.

If a producer company fails to appoint Company Secretary, the company and every officer of the company who is in default, shall be punishable with fine which may extend to Rs. 500 for every day during which the default continues. However, in any proceedings against a person in respect of any offence for failure to appoint Company Secretary, it shall be a defence to prove that all reasonable efforts were made to comply with the provisions or that the financial position of the company was such that it was beyond its capacity to appoint a whole-time Company Secretary.

Therefore, according to the above provisions, KPS India Producer Company Limited has to appoint a whole-time Company Secretary.

Answer 4(b)

According to Section 99 of the Companies Act, 2013, if any default is made in holding a meeting of the company in complying with any directions of the Tribunal, the company and every officer of the company who is in default shall be punishable with fine which may extend to one lakh rupees and in the case of a continuing default, with a further fine which may extend to five thousand rupees for every day during which such default continues.

Further, any member of the company in such a case may make an application to the Tribunal to call or direct the calling of an AGM of the company and give such ancillary or consequential directions as the Tribunal thinks expedient, including a direction that one member of the company present in person or by proxy shall be deemed to constitute a meeting. (Section 97)

In *Turner Morrison and Co. Ltd. v. Hungerford Investment Trust Ltd.* ILR (1972), Cal., the Court held that a meeting (AGM) held beyond the time cannot be said to be void or illegal, if the Central Government (Tribunal) does not extend the date of holding AGM u/s 167 (Section 97).

Therefore, the resolution passed at the meeting held on 31st March, 2017 is valid and enforceable. The directors shall, however, be liable to penalties in accordance with the provisions of section 99, as stated above. Contention of the shareholders shall not be tenable.

Answer 4(c)

Section 135(1) read with section 135(5) of the Companies Act, 2013 provides that every company having net worth of rupees 500 crore or more, or turnover of rupees 1,000 crore or more or a net profit of rupees 5 crore or more during any financial year shall ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years.

In the given case, in case of ZYX Limited, the net profit for financial year 2016-17 is Rs. 18 crore. The average net profit for preceding 3 financial years is Rs. $(0+6+18)$ crore/3 = Rs. 24 crore/3 = Rs. 8 crore. It is to be noted that though the company was not incorporated in the financial year 2014-15, yet that year is to be considered for calculation of average net profit. Accordingly, the company has to spend 2% of Rs. 8 crore, *i.e.*, Rs. 0.16 crore towards CSR activities.

In case of CBA Private Limited, the net profit for financial year 2016-17 is Rs. 6 crore. The average net profit for preceding 3 financial years is Rs. $(-4)+(-1)+6$ crore/3 = Rs. 1 crore/3 = Rs. 33.33 Lakh. It is to be observed that though the company suffered losses in 2 years 2014-15 and 2015-16, yet those 2 years are to be considered for calculation of average net profit. Accordingly, the company has to spend 2% of Rs. 33.33 Lakh, *i.e.*, Rs. 0.67 Lakh towards CSR activities.

Answer 4(d)

Pursuant to Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014, the Board of directors, shall, *inter alia*, disclose in the Directors' Report for the year, the following details of the Employees Stock Option Scheme:

- (a) options granted;
- (b) options vested;
- (c) options exercised;
- (d) the total number of shares arising as a result of exercise of option;
- (e) options lapsed;
- (f) the exercise price;
- (g) variation of terms of options;
- (h) money realized by exercise of options;
- (i) total number of options in force;
- (j) employee wise details of options granted to —
 - i. key managerial personnel;
 - ii. any other employee who receives a grant of options in any one year of option amounting to 5% or more of options granted during that year.

- iii. identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.

Mr. Excellent, who has recently joined the Board of CARE Automation Services Limited has to be informed on the above lines based on provisions of the Companies Act, 2013 read with Companies (Share Capital and Debentures) Rules, 2014.

Question 5

- (a) *Radhika Textiles Limited has utilized the securities premium during the financial year 2016-17 as follows :*
- (i) *Rs. 15 lakhs against expenses of foreign travelling of directors.*
 - (ii) *Rs. 5 lakhs for writing-off the balance of the preliminary expenses of the company.*
 - (iii) *Rs. 10 lakhs distributed as dividend for the financial year ending 31st March 2017.*

You, being the Secretarial Auditor of the company, referring to the provisions of the Companies Act, 2013 relating to the Securities Premium Account, examine the validity of the above. (8 marks)

- (b) *Board of Directors of Day Night Prakashani Limited decide to shift its registered office of the company from Mumbai to National Capital Region (NCR). The Board has approved the change. The Board has to seek the approval of the members of the company for going ahead with the legal formalities as required under the Companies Act, 2013, for which the extra-ordinary general meeting of the members is scheduled to be held on 17th June, 2017. In this connection you are required to draft notice of the EGM for shifting of office outside the state and give explanatory statement in this regard.* (8 marks)

Answer 5(a)

Utilization of Securities Premium

In accordance with the provisions of Section 52(2) of the Companies Act, 2013, the securities premium can be utilised only for:

- (1) Issuing fully paid bonus shares to members;
- (2) Writing-off the balance of the preliminary expenses of the company;
- (3) Writing off commission paid or discount allowed, or the expenses incurred on issue of shares or debentures of the company;
- (4) For providing for the premium payable on redemption of any redeemable preference shares or debentures of the company;
- (5) For the purchase of its own shares or other securities under section 68 of the Companies Act, 2013.

The validity of the areas of utilization of securities premium balance may be checked against the above provisions. The same shall yield the following results:

(i) Amount of Rs. 15 Lakh against expenses of foreign travelling of directors	Company cannot do so as per above provisions
(ii) Rs. 5 Lakh against the writing off the balance of the preliminary expenses of the company	Company can do so as per above provisions
(iii) Rs. 10 Lakh distributed as dividend	Company cannot do so as per above provisions

The premium cannot be treated as profit and as such the amount of premium is not available for distribution as dividend. Secondly, the amount of premium whether received in cash or in kind must be kept in a separate account, known as the 'Securities Premium Account'. Thirdly, the amount of premium is to be maintained with the same sanctity as the share capital.

Answer 5(b)

DAY NIGHT PRAKASHANI LIMITED
123, SUMAN SUMANA STREET, MUMBAI-700015
(CIN:xxxxxxxxxxxxxxxxxx)

Notice is hereby given that an extra-ordinary General Meeting of the Company will be held on 17th June, 2017 at 11.00 A.M. at the registered office of the Company to transact the following special business:

1. To consider, and if thought fit, to pass, with or without modification in the following as a special resolution:

“**RESOLVED** that subject to the confirmation of the Tribunal, clause II of the Memorandum of Association be substituted by the following clause:

II. The registered office of the company shall be situated in the NCR.”

“**RESOLVED FURTHER** that the Board of Directors of the Company is authorised to take necessary steps in this regard.”

Place: Mumbai.

Date: 10th April, 2017

NOTES:

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member of the company. Proxies in order to be effective must be lodged with the company at least 48 hours before the meeting.
2. Explanatory statement under Section 102 of the Companies Act, 2013 is annexed.

Clause II of the Memorandum of Association of the Company provides that the

registered office of the company will be situated in New Delhi. As manufacturing operations of the company at one time were limited to Mumbai, the registered office has been located in Mumbai. The company has now factories also in Delhi and NCR and it is more convenient and economical to manage the operations from New Delhi. The head office has, for this reason, already been transferred to New Delhi and the directors consider that the registered office should also be similarly transferred.

After obtaining shareholders approval, the proposal shall be submitted to the Tribunal for approval under Section 17(2) of the Companies Act, 2013.

The Board places this proposal before you for approval. None of the directors is interested or concerned in the resolution.

Question 6

- (a) *Mr. Sunil Goyal, a director of XYZ Limited wants to go on foreign trip. He wants to assign his office to the Vice President of the company. Mr. Sunil Goyal seeks your advise whether he can do so. Referring to the provisions of the Companies Act, 2013 advise him in the matter. (4 marks)*
- (b) *Mrs. Beautiful, aged 40 years, is the Managing Director of Beauty Care Products Limited. She has received contribution to superannuation fund and leave encashment during her tenure with the company during the financial year ending 31st March, 2017. The Manager (Accounts) of the company is not very confident, if these perquisites are to be included in the computation of ceiling on remuneration specified in the Companies Act, 2013. Referring to the provisions of the Act, advise the Manager (Accounts). (4 marks)*
- (c) *Mr. Solid, a young professional of 29 years, has stayed in India for 150 days in the previous financial year. He does not hold any shares in Happy Retails Limited, which is a quoted (listed) company. Small shareholders have decided amongst themselves that he is proposed to be appointed as small shareholders director who shall not be liable to retire by rotation and his tenure shall be for five years from the date of joining the office of director. Examining the provisions of the Companies Act, 2013, state whether Mr. Solid can be so appointed as small shareholders' director. (4 marks)*
- (d) *As a Practising Company Secretary, advise your client company regarding the matters relating to issue of shares with differential rights, to be included in the Board of Directors Report. (4 marks)*

Answer 6(a)

In accordance with the provisions of the Companies Act, 2013, as contained in section 166(6), a director of a company shall not assign his office. Any assignment so made shall be void. Therefore, Mr. Sunil Goyal, the director of the company who wants to go on a foreign trip cannot assign his office to the Vice President. He is advised accordingly not to assign his office.

However, for the purpose of quorum and smooth function of Board, Alternate director may be appointed under the provisions of section 161 of Companies Act, 2013.

Answer 6(b)

The matter given in the question needs to be solved in the light of the provisions as contained in Section IV of Part II to Schedule V of the Companies Act, 2013. A managerial person shall be eligible for the following perquisites which shall not be included in the computation of the ceiling on remuneration specified in Section II and Section III:—

- (a) contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961;
- (b) gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
- (c) encashment of leave at the end of the tenure.

Therefore, applying the provisions as stated above, contribution to superannuation fund received by Mrs. Beautiful, Managing Director shall not be included in the computation of managerial remuneration ceiling. But she has received leave encashment during the tenure of her service and not at the end of her tenure and thus it should be included in the calculation of ceiling of managerial remuneration under the provisions of the Companies Act, 2013.

The Manager (Accounts) is accordingly advised.

Answer 6(c)

Rule 7 of Companies (Appointment and Qualification of Directors) Rules, 2014 contains provisions for appointment and qualification of small shareholders' directors. Sub-rule (2) allows a person who is not a shareholder to become shareholders' director. Pursuant to sub-rule (5), the appointment of small shareholders' director shall be subject to the provisions of section 152 except that –

- (a) such director shall not be liable to retire by rotation;
- (b) such director's tenure as small shareholders' director shall not exceed a period of three consecutive years; and
- (c) on the expiry of the tenure, such director shall not be eligible for re-appointment.

Thus, in accordance with sub-rule (2) of rule 7, Mr. Solid who does not hold any shares in Happy Retails limited can be proposed to be appointed as a small shareholder director. He shall not be liable to retire by rotation but he cannot be appointed for 5 years. Mr. Solid can be appointed as a small shareholders' director only for 3 years.

Answer 6(d)

The Board of Directors shall, *inter alia*, disclose in the Board's Report for the financial year in which the issue of equity shares with differential rights was completed, the following details, viz.:-

- (a) the total number of shares allotted with differential rights;
- (b) the details of the differential rights relating to voting rights and dividends;
- (c) the percentage of the shares with differential rights to the total post issue equity

share capital with differential rights issued at any point of time and percentage of voting rights which the equity share capital with differential voting right shall carry to the total voting right of the aggregate equity share capital;

- (d) the price at which such shares have been issued;
- (e) the particulars of promoters, directors or key managerial personnel to whom such shares are issued;
- (f) the change in control, if any, in the company consequent to the issue of equity shares with differential voting rights;
- (g) the diluted Earnings Per Share pursuant to the issue of each class of shares, calculated in accordance with the applicable accounting standards;
- (h) the pre and post issue shareholding pattern along with voting rights in the format specified under sub-rule (2) of rule 4 of the Companies (Share Capital and Debentures) Rules, 2014.

The Board of Directors of the company are accordingly advised to make disclosures in their report – Director's Responsibility Statement.

COST AND MANAGEMENT ACCOUNTING - SELECT SERIES

Time allowed : 3 hours

Maximum marks : 100

Total number of Questions : 100

1. The chief objective of cost accounting is to:
 - (A) Earn more profit
 - (B) Increase production
 - (C) Provide information for management for planning and control
 - (D) Fix the price

2. Cost accounting differs from financial accounting in respect of :
 - (A) Recording Cost
 - (B) Ascertaining Cost
 - (C) Control of Cost
 - (D) Reporting of Cost

3. A power house which generates and supplies power is called :
 - (A) Profit Centre
 - (B) Production Centre
 - (C) Cost Centre
 - (D) Service Cost Centre

4. Over-absorption of factory overheads due to inefficiency of management should be disposed by :
 - (A) Use of supplementary rate
 - (B) Transfer to costing profit and Loss account
 - (C) Carry forward to next year
 - (D) Transfer to production account

5. Costs which can be identified easily and indisputably with a unit of operation or costing unit or cost centre is called :
 - (A) Variable Cost
 - (B) Direct Cost
 - (C) Product Cost
 - (D) Fixed Cost

6. The following information relates to the production department of a factory :
- Materials used ₹30,000
Direct labour ₹20,000
Overheads ₹5,000
- On an order carried out in the department, direct wages amounted to ₹3,000.
Find out the overheads chargeable to this order on the basis of direct wages :
- (A) ₹700
(B) ₹650
(C) ₹800
(D) ₹750
7. Salary of a foreman should be classified as a:
- (A) Fixed overhead
(B) Variable overhead
(C) Semi-fixed or semi-variable overhead
(D) None of the above
8. The costing method in which fixed factory overheads are added to the inventory is :
- (A) Direct Costing
(B) Marginal Costing
(C) Absorption Costing
(D) Standard Costing
9. The primary documents used for collection of production overheads are :
- (A) Stores requisitions for indirect materials
(B) Wages analysis sheet for indirect labour
(C) Cash book for indirect expenses
(D) All of the above
10. Which of the following costs is *not* a factory overhead expense ?
- (A) Depreciation of equipment used in the research department
(B) Salary of quality control inspector
(C) Overtime premium paid to direct labour
(D) Machine maintenance labour cost

11. A method of dealing with overheads involves spreading common costs over cost centres on the basis of benefit received. This is known as :
- (A) Overhead absorption
 - (B) Overhead apportionment
 - (C) Overhead identification
 - (D) Overhead analysis
12. Which of the following is *not* a means whereby factory overheads can be charged out of production ?
- (A) Direct labour rate
 - (B) Overtime rate
 - (C) Machine-hour rate
 - (D) Blanket rate
13. An organisation is divided into number of departments and overheads are collected, allocated or apportioned to respective departments, is called :
- (A) Service departments
 - (B) Divisionalisation
 - (C) Departmentalisation
 - (D) Classification
14. Ramya Ltd. furnishes the following information:
- Production 10,000 units, Sales 10,000 units, Selling price ₹12 per unit, Variable cost ₹6 per unit, Fixed costs ₹40,000 per annum (normal capacity of 10,000 units) Profit/Loss under marginal costing method will be :
- (A) ₹10,000
 - (B) ₹30,000
 - (C) ₹20,000
 - (D) ₹25,000
15. A manufacturer produces 2,00,000 units of a product at a cost of ₹3.25 per unit. Later on he produces 2,75,000 units at a cost of ₹3.20 per unit, when its fixed overheads have increased by 10%. The original fixed overheads will be :
- (A) ₹50,000
 - (B) ₹55,000
 - (C) ₹30,000
 - (D) ₹40,000

16. Mr. Mahesh has a sum of ₹3,00,000 which invested in a business. He wishes 15% return on his fund. It is revealed from the present cost data analysis that variable cost of operation are 60% of sales and fixed costs are ₹1,50,000 p.a. On the basis of this information, you are required to find out the sales volume to earn 15% return.
- (A) ₹4.875 Lakhs
(B) ₹4.675 Lakhs
(C) ₹4.775 Lakhs
(D) ₹5.875 Lakhs
17. A radio manufacturer finds the while it costs ₹6.25 per unit to make component M-140 and the same is available in the market at ₹5.75 each. Continuous supply is also fully assured. The break-down cost per unit as follows :
- Materials ₹2.75, Labour ₹1.75 other variable expenses ₹0.50, Depreciation and other fixed cost ₹1.25 . What would be your decision, if the supplier offered the component at ₹4.85 per unit ?
- (A) Make
(B) Buy
(C) Sell
(D) None of the above
18. In a purely competitive market, 10,000 pocket transistors can be manufactured and sold and certain profit is generated. It is estimated that 2,000 pocket transistors need to be manufactured and sold in a monopoly market to earn the same profit. Profit under both the conditions is targeted at ₹2,00,000. The variable cost per transistor is ₹100 and the total fixed costs are ₹37,000. You are required to find out unit selling price per transistor under competitive condition.
- (A) ₹125.70
(B) ₹123.70
(C) ₹128.70
(D) ₹228.70
19. A firm has given the following data :
- Fixed expenses at 50% ₹15,000, Fixed expenses when factory is close down ₹10,000, Additional expenses in closing down ₹1,000, Production at 50% capacity 5,000 units, contribution per unit ₹1. Advise whether to run the factory or close it down :
- (A) Close
(B) Run
(C) Continue
(D) None of the above

20. From the following data, P/V ratio will be:

Year	Sales ₹	Profit ₹
2015	50,00,000	5,00,000
2016	75,00,000	10,00,000

- (A) 50%
 (B) 10%
 (C) 20%
 (D) 40%
21. You are requested to report to top management of Eastern India Engineering Company the point of sales in terms of rupee to break-even. For the purpose, you obtain that :

Fixed overheads remain constant at ₹12,000

Variable costs will rise zero to ₹12,000

Selling price is ₹600 per ton

The tonnage produced and sold is 30 tons.

- (A) ₹36,000
 (B) ₹32,000
 (C) ₹30,000
 (D) ₹38,000
22. In a period sales amount to ₹ 2,00,000, net profit ₹20,000 and Fixed overheads are ₹30,000. If sales ₹3,00,000 profit will be:

- (A) ₹48,000
 (B) ₹50,000
 (C) ₹40,000
 (D) ₹45,000

23. Reliance Furniture House places before you the following trading results :

Year	Units	Total Costs ₹	Sales ₹
2015	10,000	80,000	1,00,000
2016	12,000	90,000	1,20,000

Fixed cost will be :

- (A) ₹15,000
 (B) ₹10,000
 (C) ₹30,000
 (D) ₹60,000

24. A factory engaged in manufacturing plastic buckets is working at 40% capacity and produces 10,000 buckets per annum. The present cost-break-up for one bucket is as under :
- | | |
|-----------|----------------|
| Materials | ₹10 |
| Labour | ₹3 |
| Overheads | ₹5 (60% fixed) |
- The selling price per bucket ₹20. If factory operates 90% of capacity the profit will be:
- (A) ₹75,000
(B) ₹80,000
(C) ₹82,500
(D) ₹92,500
25. Rowan premium plan is an improvement over :
- (A) Taylor plan
(B) Gantt bonus plan
(C) Halsey premium plan
(D) None of the above
26. A company has fixed cost of ₹90,000 with sales of ₹3,00,000 and profit of ₹60,000. Margin of safety will be :
- (A) ₹1,00,000
(B) ₹1,20,000
(C) ₹1,50,000
(D) ₹1,30,000
27. A company sells its product at ₹15 per unit. In a period if it produces and sells 8,000 units, it incurs a loss of ₹5 per unit. If the volume is raised to 20,000 units, it earns a profit of ₹4 per unit. Break-even point in units will be :
- (A) 13,000 units
(B) 12,000 units
(C) 14,000 units
(D) 10,000 units
28. The cost accountant of M Ltd. has ascertained the selling price of a product is ₹20 per unit. Variable cost is ₹15 per unit and break-even point is 21,600 units. Management has decided to treat 12,000 units of B.E.P. because production department cannot produce more than this at the moment. The selling price for ₹12,000 units B.E.P. will be :
- (A) ₹20 per unit
(B) ₹24 per unit
(C) ₹26 per unit
(D) ₹28 per unit

29. Yadhav Co. has annual fixed cost of ₹1,20,000. In 2015 sales amounted to ₹6,00,000 as compared to ₹4,50,000 in 2014 and profit in 2015 was ₹50,000 higher than in 2014. If there is not need to expand the company's capacity. The profit or loss in 2016 on a forecasted sales of ₹9,00,000 will be :
- (A) ₹1,80,000
(B) ₹1,90,000
(C) ₹1,70,000
(D) ₹1,85,000
30. A company manufactures and sells three types of product namely A, B and C. Total sales per month is ₹80,000 in which the share of these three products are 50%, 30% and 20% respectively. Variable cost of these products are 60%, 50% and 40% respectively.
- The combined P/V Ratio will be :
- (A) 49%
(B) 48%
(C) 47%
(D) 50%
31. A plant produces a product in the quantity of 10,000 units at a cost of ₹3 per unit. If 20,000 units are produced, the cost per unit will be ₹2.50. Selling price per unit is ₹4. The variable cost per unit will be :
- (A) ₹2
(B) ₹3
(C) ₹4
(D) ₹1
32. A plant is operating at 60% capacity. The fixed costs are ₹30,000, the variable costs are ₹1,00,000 and the sales amount to ₹1,50,000. The percentage of capacity at which the plant should operate to earn a profit of ₹40,000 will be :
- (A) 80%
(B) 84%
(C) 90%
(D) 94%

33. The standard cost card shows the following details relating to material requirements for production one kg of groundnut oil :

Quantity of groundnut	3 kg.
Price of groundnut	₹1.50 per kg.

Actual production data are :

Production during the month	1,000 kg.
Quantity used	3,500 kg.
Price of groundnut	₹2.00 per kg.

Material cost variance will be :

- (A) ₹2,500 (A)
(B) ₹2,000 (A)
(C) ₹3,000 (A)
(D) ₹4,500 (A)
34. When demand forecasting is difficult, budget which is prepared :
- (A) Sales Budget
(B) Production Budget
(C) Financial Budget
(D) Flexible Budget
35. Standard set for material consumption was
100 kg. @ ₹2.25 per kg.
In a cost period opening stock was 100 kg.
@ ₹2.25 per kg.
Purchase made 500 kg. @ ₹2.15 kg.
Consumption 110 kg.
The material price variance will be :
- (A) ₹50 (F)
(B) ₹50 (A)
(C) ₹100 (F)
(D) ₹100 (A)

36. The following information is given :
Materials purchased 3,000 kg.
Value of materials purchased ₹9,000
Standard quantity 25 kg. for one kg. finished goods
Standard price ₹2 per kg.
Closing stock of materials 500 kg.
Finished goods produced 80 kg.
Material usage variance will be :
(A) ₹1,000 (F)
(B) ₹1,000 (A)
(C) ₹1,500 (F)
(D) ₹1,500 (A)
37. Given for a factory :
Normal number of workers in the department 50
Normal hours paid for in a week 40
Standard rate of wages per hour ₹0.80
Standard output of the department per hour taking into account normal 20 units
In the first week of March, 2016, it was ascertained that 1,000 units were produced despite 20% idle time due to power failure and actual rate of wages was ₹0.90 per hour. Labour Cost variance will be :
(A) ₹300 (F)
(B) ₹300 (A)
(C) ₹200 (A)
(D) ₹200 (F)
38. The following information relate to manufacturing process of a company :
Number of employees 200
Weekly hours worked 40
Standard wages rate 50 paise per hour
Standard output 250 units per hour
During the first week of February 2016, four employees were paid at 45 paise per hour and two employees at 55 paise per hour, the rest of the employees were paid at standard rate. Idle time is one hour per employee. Actual output was 10,250 units. Labour efficiency variance will be :
(A) ₹200 (F)
(B) ₹300 (F)
(C) ₹250 (F)
(D) ₹400 (F)

39. The data given below :

	Standard	Actual
Labour hours	10,000	12,000
Variable overheads	₹2,000	₹3,000
Units output	5,000	4,000

Variable Overhead Expenditure variance will be:

- (A) ₹600 (A)
 (B) ₹700 (A)
 (C) ₹600 (F)
 (D) ₹700 (F)
40. Dividend per share
- $$\frac{\text{Dividend per share}}{\text{Market price per share}} \times 100 = \dots\dots\dots$$
- (A) Payout ratio
 (B) Earning yield ratio
 (C) Dividend yield ratio
 (D) Dividend ratio
41. The branch of accounting which primarily deals with processing and accounting data for internal use in a concern is :
- (A) Financial accounting
 (B) Cost accounting
 (C) Management accounting
 (D) None of the above
42. Material cost variance is due to :
- (A) Change in price of material
 (B) Change in quantity used
 (C) Change in material mix
 (D) All of the above
43. In cash flow, income tax paid is treated as :
- (A) Operating activity
 (B) Investing activity
 (C) Financing activity
 (D) Not shown anywhere

44. When margin of safety is 20% and P/V ratio is 60%, the Profit will be :
- (A) 30%
 - (B) $33\frac{1}{3}\%$
 - (C) 12%
 - (D) None of the above
45. Proprietor's net capital employed is known as :
- (A) Net worth
 - (B) Equity shares
 - (C) Long-term loans
 - (D) Fixed assets
46. Which of the following is not applied in Management Accounting ?
- (A) Comparative Statement
 - (B) Managerial reporting
 - (C) Double entry system
 - (D) Operation research
47. EBIT/Total assets ratio is :
- (A) Liquidity ratio
 - (B) Profitability ratio
 - (C) Solvency ratio
 - (D) Turnover ratio
48. If the total cost of producing 20,000 units of a product is ₹90,000 and if 25,000 units will be produced, then the total cost will be ₹1,05,000 and the selling price is ₹8 per unit. The break-even Point will be :
- (A) 10,000 units
 - (B) 8,000 units
 - (C) 6,000 units
 - (D) 5,000 units
49. P/V ratio 25% , Sales ₹1,20,000 and Fixed costs ₹17,500, Profit will be :
- (A) ₹12,500
 - (B) ₹30,000
 - (C) ₹17,500
 - (D) ₹20,000

50. Under marginal costing system, product costs are :
- (A) Equal to fixed cost plus variable costs
 - (B) Equal to only marginal costs
 - (C) Equal to semi-variable costs
 - (D) None of the above
51. A, B, C analysis is.....
- (A) a system of profit planning
 - (B) a technique of financial analysis
 - (C) a technique of inventory control
 - (D) a technique of profit determination
52. In differential cost analysis, managerial decisions are based on :
- (A) P/V ratio
 - (B) Comparison of cost differential and income differential
 - (C) Difference in costs between two alternatives
 - (D) Both (B) and (C)
53. The difference between the standard hours for the actual output and actual hours for actual output and multiplied by standard rate per hour is :
- (A) Labour rate variance
 - (B) Overhead cost variance
 - (C) Labour efficiency variance
 - (D) Overhead volume variance
54. The difference between actual price and standard price multiplied by actual quantity will result into :
- (A) Material quantity variance
 - (B) Material mix variance
 - (C) Material price variance
 - (D) Material yield variance
55. The budget which usually takes the form of profit and loss account and balance sheet is known as :
- (A) Cash budget
 - (B) Master budget
 - (C) Flexible budget
 - (D) Labour budget

56. A fixed budget is one which:
- (A) is a plan for capital expenditure in monetary terms
 - (B) is designed to remain unchanged irrespective of the volume of output or turnover attained
 - (C) deals with income and expenditure applicable to a particular function
 - (D) deals with none of these
57. A good costing system gives equal emphasis on cost ascertainment and cost.....
- (A) Reduction
 - (B) Control
 - (C) Maximisation
 - (D) None of the above
58. The method of costing used both in a cinema and a hospital is costing.
- (A) operating
 - (B) marginal
 - (C) job
 - (D) process
59. is a location, person or item of equipment for which cost may be determined and used for the purpose of cost control.
- (A) Profit centre
 - (B) Cost centre
 - (C) Cost unit
 - (D) Cost driver
60. Difference between standard normal loss and actual normal loss is :
- (A) Material variance
 - (B) Material loss variance
 - (C) Material yield variance
 - (D) Material cost variance
61. Prime cost plus variable overheads gives :
- (A) Cost of sales
 - (B) Marginal costs
 - (C) Works cost
 - (D) Cost of production

62. One of the most significant tools in cost planning is :
- (A) Direct material
 - (B) Budget
 - (C) Marginal costing
 - (D) Direct labour
63. Cost of goods produced consists of :
- (A) Work-in-progress and finished goods inventory
 - (B) Production cost, work-in-progress and finished goods inventory
 - (C) Production cost and work-in-progress
 - (D) Prime cost and wages
64. $\frac{\text{Cost of Sales} + \text{Operating Expenses}}{\text{Sales}} \times 100$ is :
- (A) Sales ratio
 - (B) Sales operating ratio
 - (C) Operating ratio
 - (D) Cost sales ratio
65. Two avoidable reasons for the difference between bin card and physical quantity of material may be and wrong posting in the bin card.
- (A) Pilferage
 - (B) Normal
 - (C) Abnormal
 - (D) Reasonable
66. When prices fluctuate widely, which of the following method will even out the effect of fluctuations ?
- (A) Weighted average
 - (B) FIFO
 - (C) LIFO
 - (D) Simple average
67. In which of the following methods, material issues are priced at pre-determined rate ?
- (A) Replacement Price method
 - (B) Specific Price method
 - (C) Inflated price method
 - (D) Standard price method

68. Which of the following does *not* normally appear on a material requisition form ?
- (A) Job number
 - (B) Unit cost
 - (C) Supplier's name
 - (D) Quantity requisitioned
69. is defined as the rate of exchange of labour force in an establishment during a particular period.
- (A) Sales turnover
 - (B) Labour capacity
 - (C) Material turnover
 - (D) Labour turnover
70. Overtime wages arising out of abnormal conditions. eg. flood, strike etc. should not be charged to
- (A) Cost of production
 - (B) Trading Account
 - (C) Profit & Loss Account
 - (D) None of the above
71. When standard output is 10 units per hour and actual output is 14 units per hour, the efficiency level will be :
- (A) 60%
 - (B) 120%
 - (c) 140%
 - (D) None of the above
72. Given that Standard Time for a job is 10 hours, actual time taken is 6 hours and the rate of wages is ₹3 per hour. The total wages under Halsey scheme will be:
- (A) ₹28
 - (B) ₹20
 - (C) ₹24
 - (D) ₹10
73. Maximum possible production capacity of a plant when operating time is fully utilised is its:
- (A) Practical Capacity
 - (B) Theoretical Capacity
 - (C) Normal Capacity
 - (D) Capacity based on sale expectancy

74. Research cost undertaken at the request of the consumer should be charged to:
- (A) Costing Profit & Loss A/c
 - (B) The Customer
 - (C) Selling Overheads
 - (D) Factory Cost
75. When direct materials are issued to production, the accounting entry is to debit control a/c and credit stores ledgers control a/c.
- (A) Work-in-progress
 - (B) Finished goods
 - (C) Trading
 - (D) Profit & Loss A/c
76. Which of the following items is *not* included in cost accounts ?
- (A) Debenture interest
 - (B) Interest received on bank deposits
 - (C) Dividend paid on share capital
 - (D) All of the above
77. When costing loss is ₹6,500, administrative overhead under absorbed being ₹500, the loss as per financial accounts should be :
- (A) ₹7,000
 - (B) ₹6,500
 - (C) ₹6,000
 - (D) ₹8,000
78. In big contracts the completion of work is certified by :
- (A) Contractor
 - (B) Surveyor
 - (C) CEO
 - (D) Manager
79. Batch production is suitable for :
- (A) Mass production in batches
 - (B) Production of homogeneous articles in batches
 - (C) Production of articles in mass scale
 - (D) Mass production in jobs

80. The stage of production where separate products are identified is called
- (A) Split off point
 - (B) Border point
 - (C) Edge point
 - (D) Normal point
81. Costs incurred upto the point where individual products can be identified are called
- (A) Mixed
 - (B) Joint
 - (C) Separate
 - (D) None of the above
82. The method of costing is suitable in chemical industries is :
- (A) Job Costing
 - (B) Contract Costing
 - (C) Batch Costing
 - (D) Process Costing
83. Individual products, each of a significant sales value, produced simultaneously from the identical raw materials are called :
- (A) Joint Product
 - (B) Common Product
 - (C) By-Product
 - (D) Main Product
84. Credit sales ₹3,00,000, Opening balance of accounts receivable ₹50,000 and Closing balance of accounts receivable ₹70,000 (assuming 360 days in a year). Debtors turnover ratio will be :
- (A) 5
 - (B) 6
 - (C) 4
 - (D) 7
85. Profit on sale of machinery should be from net profit to get funds from operations.
- (A) Deducted
 - (B) Deleted
 - (C) Avoided
 - (D) None of the above

86. Short-term solvency is indicated by :

- (A) Debtors turnover ratio
- (B) Liquid ratio
- (C) Price earning ratio
- (D) Stock turnover ratio

87. Which of the following is *not*, true ?

- (A) Profit Volume Ratio = $\frac{\text{Profit}}{\text{Margin of Safety}} \times 100$
- (B) Break-even Point = $\frac{\text{Fixed Cost}}{\text{P/V ratio}}$
- (C) Break-even Point = $\frac{\text{Fixed Cost}}{\text{P/V ratio}} \times 100$
- (D) Profit Volume Ratio = $\frac{\text{Fixed Cost}}{\text{B.E.P. (in ₹)}}$

88. By 'Cash Equivalents' we mean :

- (A) Bank Balance
- (B) Short-term highly Liquid Securities
- (C) Investments
- (D) Investments in debenture

89. Management Accounting aims at :

- (A) Presentation of accounting information
- (B) Assist in long-term planning
- (C) Assist in day to day activities
- (D) All of the above

90. **Assertion (A) :**

In management accounting firm decisions on pricing policy can be taken.

Reason (R) :

As marginal cost per unit is constant from period to period within a short span of time.

Codes :

- (A) A is true, but R is false
- (B) A is false, but R is true
- (C) Both A & R are true and R is the correct explanation of A
- (D) Both A & R are true but R is not the correct explanation of A

91. Net Profit + Non-Cash expenses =
- (A) Gross Profit
 - (B) Profit after tax
 - (C) Fund from operation
 - (D) Distributable profit
92. **Assertion (A) :**
- Profit volume ratio is considered to be the best indicator of the profitability on the business.
- Reason (R) :**
- If profit volume ratio improved it will result in better profits.
- Codes :**
- (A) A is false, but R is true
 - (B) A is true, but R is false
 - (C) Both A & R are true but R is not the correct explanation of A
 - (D) Both A & R are true and R is the correct explanation of A
93. **Statement I :**
- Margin of safety represents the difference between the sales at break-even point and the total sales.
- Statement II :**
- Margin safety can be expressed as a percentage of total sales or in value or in terms of quantity.
- Codes :**
- (A) Statement I is correct but statement II is incorrect
 - (B) Statement I is incorrect but statement II is correct
 - (C) Both statements are correct
 - (D) Both statements are incorrect
94. Match the following :
- | List I | List II |
|----------------------------------------------------------|------------------|
| (a) Classification of costs into fixed and variable cost | (1) Contribution |
| (b) Difference between sales and variable cost | (2) P/V ratio |

- (c) Both fixed and variable cost are charged to product (3) Marginal Costing
 (d) Relative profitability (4) Absorption

Codes :

- (a) (b) (c) (d)
 (A) (4) (3) (2) (1)
 (B) (3) (1) (4) (2)
 (C) (3) (4) (1) (2)
 (D) (4) (3) (1) (2)

95. Match the following :

List I

- (a) Cash flow statements (1)
 (b) Inflow of cash (2)
 (c) Investment (maturity period 3 months) (3)
 (4) Payment of dividend (4)

List II

- Inflow of fund
 Short-term financial planning
 Financing activity
 Cash equivalent

Codes :

- (a) (b) (c) (d)
 (A) (2) (4) (1) (3)
 (B) (2) (1) (4) (3)
 (C) (4) (3) (1) (2)
 (D) (3) (4) (1) (2)

Match the following :

96.

List I

- (a) Prepaid expenses (1)
 (b) Sales ratio (2)
 (c) Return on investment (3)
 (d) 100 - Proprietary ratio (4)

List II

- Solvency ratio
 Net profit margin x investment ratio
 Turnover ratio
 Current assets

Codes :

- (a) (b) (c) (d)
 (A) (4) (3) (2) (1)
 (B) (4) (3) (1) (2)
 (C) (2) (1) (4) (3)
 (D) (2) (4) (1) (3)

97. Match the following ;

List I

- (a) Increase in fund
- (b) Goods purchased on credit
- (c) Commission outstanding
- (d) Net loss

List II

- (1) Application of funds
- (2) Drain in working capital
- (3) Source of fund
- (4) No flow of funds

Codes :

- | | | | | |
|-----|-----|-----|-----|-----|
| | (a) | (b) | (c) | (d) |
| (A) | (4) | (3) | (2) | (1) |
| (B) | (4) | (3) | (1) | (2) |
| (C) | (3) | (4) | (2) | (1) |
| (D) | (3) | (4) | (1) | (2) |

98. Consider the following statements :

- (1) Marginal costing and absorption costing are the same.
- (2) For decision-making, absorption costing is more suitable than marginal costing.
- (3) Cost-volume-profit relationship also denote break-even Point.
- (4) Marginal costing is based on the distribution between fixed and variable costs.

Which of the statements given above are correct ?

- (A) 4 and 2
- (B) 2 and 3
- (C) 3 and 4
- (D) 1 and 2

99. Which of the following are advantages of marginal costing ?

- (1) Pricing decision
- (2) True profit
- (3) Difficulty to classify
- (4) Ignores time value
- (5) Break-even analysis
- (6) Contribution is not final
- (7) Control over expenditure

- (A) 1, 3, 5 and 7
- (B) 1, 2, 5 and 7

(C) 3, 4, 6 and 7

(D) 1, 2, 6 and 7

100. Arrange the following categories of cash inflows and cash outflows in a correct order:

(1) Cash from investing activities

(2) Cash from financing activities

(3) Cash from operating activities

Codes :

(A) 2, 1 and 3

(B) 1,3 and 2

(C) 3, 2 and 1

(D) 3, 1 and 2

ANSWER KEY
COST AND MANAGEMENT ACCOUNTING - SELECT SERIES

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

ECONOMIC AND COMMERCIAL LAWS

Time allowed : 3 hours

Maximum marks : 100

NOTE : Answer ALL Questions.

PART A

Question 1

- (a) Explain the procedure relating to establishment of Appellate Tribunal under Foreign Exchange Management Act, 1999.
- (b) Discuss the mission and the ways through which WIPO promotes the development and use of international intellectual property system.
- (c) State the obligation of banks on KYC policy as per guidelines issued by Reserve Bank of India.
- (d) What is meant by contracts "uberrimae fidei" ? Which contracts are in general may be treated as contracts "uberrimae fidei" ?
- (e) Describe the privileges of Export and Trading House Status Holders in pursuance to the foreign trade policy. (5 marks each)

Answer 1(a)

As per Section 18 of the Foreign Exchange Management Act, 1999, the Central Government is empowered to establish an Appellate Tribunal, by a notification in the Official Gazette, to hear appeals against the orders of Adjudication Authorities and Special Director (Appeals).

Section 20 of the Act empowers the Central Government to appoint a Chairperson and as many members as it may deem fit to the Appellate Tribunal. The jurisdiction of the Appellate Tribunal may be exercised by benches. A bench may be constituted by the Chairperson with one or more member as the Chairperson deem fit. The Chairperson can also transfer member of one bench to another bench. The Appellate Tribunal shall sit ordinarily at New Delhi for hearing. The Central Government however may, in consultation with the Chairperson, notify the sitting of the Tribunal elsewhere as it may deem fit.

A person who is or has been or is qualified to be a judge of a High Court shall be eligible for the appointment as chairperson of Appellate Tribunal. A person who is or has been or is eligible to be a district judge shall be eligible for appointment as a member of Appellate Tribunal.

Answer 1(b)

The World Intellectual Property Organization (WIPO) mission is to promote innovation

and creativity for the economic, social and cultural development of all countries, through a balanced and effective international intellectual property system.

The World Intellectual Property Organization promotes the development and use of the international Intellectual Property system through:

- Services - run systems which make it easier to obtain protection internationally for patents, trademarks, designs and appellations of origin; and to resolve IP disputes.
- Law - develop the international legal IP framework in line with society's evolving needs.
- Infrastructure - build collaborative networks and technical platforms to share knowledge and simplify IP transactions, including free databases and tools for exchanging information.
- Development - build capacity in the use of IP to support economic development.

Answer 1(c)

Obligation of Banks on KYC Policy issued by Reserve Bank of India are as follows:

- Banks should keep in mind that the information collected from the customer for the purpose of opening of account is to be treated as confidential and details thereof are not to be divulged for cross selling or any other like purposes. Banks should, therefore, ensure that information sought from the customer is relevant to the perceived risk, is not intrusive, and is in conformity with the guidelines issued in this regard. Any other information from the customer should be sought separately with his/her consent and after opening the account.
- Banks should ensure that any remittance of funds by way of demand draft, mail/telegraphic transfer or any other mode and issue of travellers' cheques for value of Rupees fifty thousand and above is effected by debit to the customer's account or against cheques and not against cash payment.
- Banks should ensure that the provisions of Foreign Contribution (Regulation) Act as amended from time to time, wherever applicable are strictly adhered to.

Answer 1(d)

Contracts *uberrimae fidei* means contracts requiring utmost good faith.

The followings are the contracts which are generally may be treated as contracts "*uberrimae fidei*":-

- (a) *Contract of insurance of all kinds* : The assured must disclose to the insurer all material facts and whatever he states must be correct and truthful.
- (b) *Company prospectus* : When a company invites the public to subscribe for its shares, it is under statutory obligation to disclose truthfully the various matters set out in the Companies Act. Any person responsible for non-disclosure of any of these matters is liable to damages. Also, the contract to buy shares is voidable where there is a material false statement or non-disclosure in the prospectus.

- (c) *Contract for the sale of land* : The vendor is under a duty to the purchaser to show good title to the land he has contracted to sell.
- (d) *Contracts of family arrangements* : When the members of a family make agreements or arrangements for the settlement of family property, each member of the family must make full disclosure of every material fact within his knowledge.

Answer 1(e)

Privileges of Export and Trading House Status Holder are as under:

- (a) Authorisation and Customs Clearances for both imports and exports may be granted on self-declaration basis;
- (b) Input-Output norms may be fixed on priority within 60 days by the Norms Committee;
- (c) Exemption from furnishing of Bank Guarantee for Schemes under FTP, unless specified otherwise anywhere in FTP or Hand Book of Procedure (HBP);
- (d) Exemption from compulsory negotiation of documents through banks. Remittance/receipts, however, would be received through banking channels;
- (e) Two star and above Export houses shall be permitted to establish Export Warehouses as per Department of Revenue guidelines.
- (f) Three Star and above Export House shall be entitled to get benefit of Accredited Clients Programme (ACP) as per the guidelines of CBEC.
- (g) The status holders would be entitled to preferential treatment and priority in handling of their consignments by the concerned agencies.
- (h) Manufacturers who are also status holders (Three Star/Four Star/Five Star) will be enabled to self-certify their manufactured goods. Subsequently, the scheme may be extended to remaining Status Holders.
- (i) Manufacturer exporters who are also Status Holders shall be eligible to self-certify their goods as originating from India as per of Hand Book of Procedures.
- (j) Status holders shall be entitled to export freely exportable items on free of cost basis for export promotion subject to an annual limit of Rs 10 lakh or 2% of average annual export realization during preceding three licencing years whichever is higher.

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

Question 2

- (a) *Samir, on a holiday with his family, hired a taxi service. The taxi was in a poor condition and the driver had not adequate rest and drove rashly. Eventually, it went burst in the middle of the way. As a result, Samir and his family could not reach the airport in time to catch their flight. Decide, whether, Samir may be treated as a consumer under Consumer Protection Act, 1986 ?*

- (b) *Discuss the functions of Special Economic Zone Authority under Special Economic Zones Act, 2005.*
- (c) *Differentiate between vested and contingent interest under Transfer of Property Act, 1882.*
- (d) *A invites B to stay with him during winter vacation at his residence. B accepts the invitation and informs A accordingly. When B reaches A's house, he finds it locked and he has to stay in a hotel. Can B claim damages from A ?*
- (e) *Explain the term "Abuse of Dominance" under Competition Act, 2002.*
(3 marks each)

OR (Alternate question to Q. No. 2)

Question 2A

- (i) *Are securities dealt in depository liable to stamp duty under the provisions of Indian Stamp Act, 1899 ?*
- (ii) *How the attachment of property is executed under Prevention of Money Laundering Act, 2002 ?*
- (iii) *Does the Alternate Dispute Resolution (ADR) processes provide procedural flexibility of a conventional trial ? Explain.* (5 marks each)

Answer 2(a)

According to Section 2(1)(d) of the Consumer Protection Act, 1986, consumer means any person who hires or avails of any services for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any beneficiary of such services other than the person who hires or avails of the services for consideration paid or promised, or partly paid and partly promised, or under any system of deferred payment, when such services are availed of with the approval of the first mentioned person but does not include a person who avails of such services for any commercial purpose.

In the given case since Samir has hired taxi, it is absolute responsibility of the service provider to maintain the taxi as well as to provide the driver capable of driving with care and responsibility.

Hence Samir, is a consumer as per Section 2(1) (d) of the Consumer Protection Act, 1986 and can take relief under the Consumer Protection Act, 1986.

Answer 2(b)

Section 34 of the Special Economic Zones Act, 2005, casts upon the Special Economic Zones Authority a duty to undertake such measures as it thinks fit for the development, operation and management of the respective Special Economic Zone. Further, the functions of the Special Economic Zones Authority are as under:

- (a) The development of infrastructure in the Special Economic Zone;
- (b) Promoting exports from the Special Economic Zone;
- (c) Reviewing the functioning and performance of the Special Economic Zone;

- (d) Levy user or service charges or fees or rent for the use of properties belonging to the Authority;
- (e) Performing such other functions as may be prescribed. (3 marks)

Answer 2(c)

The following are the principal points of distinction between a vested and a contingent interest:

1. When an interest is vested the transfer is complete. It creates an immediate proprietary interest in the property though the enjoyment may be postponed to a future date. A contingent interest on the other hand is dependent upon the fulfilment of some conditions which may or may not happen. In other words, in case of vested interest, the owner's title is already perfect; in case of a contingent interest, the title is as yet imperfect but may become perfect on the fulfilment of a stipulated condition.
2. A vested interest takes effect from the date of transfer. A contingent interest in order to become vested is conditioned by a contingency which may not occur.
3. A vested interest cannot be defeated by the death of the transferee before he obtains possession. A contingent interest may fail in case of the death of transferee before the fulfilment of condition.
4. Since vested interest is not circumscribed by any limitation which derogates from the completeness of the grant, it logically follows that a vested interest is transferable as well as heritable. If, therefore, a transferee of the vested interest dies before actual enjoyment, it will devolve on his legal heirs. A contingent interest, on the other hand, cannot be inherited though it may be transferred coupled with limitation regarding fulfilment of a condition.

Answer 2(d)

To constitute a contract, the parties must intend to create legal relationship i.e. it must be enforceable by law along with other essential elements of contract.

Inviting on dinner is an agreement relating to social matters and does not create a legal obligation on their part to abide by it.

In the present case it is a social and domestic arrangement, there is no intention to create legal relationship.

B cannot claim any damage from A as it is an agreement relating to social matters and does not create a legal obligation on A to fulfil it.

Answer 2(e)

Dominance refers to a position of strength which enables an enterprise to operate independently of competitive forces or to affect its competitors or consumers or the market in its favour. Abuse of dominant position impedes fair competition between firms, exploits consumers and makes it difficult for the other players to compete with the dominant undertaking on merit.

Abuse of dominant position includes:

- imposing unfair conditions or price,
- predatory pricing,
- limiting production/market or technical development,
- creating barriers to entry,
- applying dissimilar conditions to similar transactions,
- denying market access, and
- using dominant position in one market to gain advantages in another market.

Answer 2A(i)

As per Section 8A of the Indian Stamp Act, 1899, securities dealt in depository shall not be liable to stamp duty under the Act or any other law for the time being in force, where,

- (a) an issuer, by the issue of securities to one or more depositories shall, in respect of such issue, be chargeable with duty on the total amount of security issued by it and such securities need not be stamped;
- (b) where an issuer issues certificate of security under sub-section (3) of Section 14 of the Depositories Act, 1996, on such certificate duty shall be payable as is payable on the issue of duplicate certificate under this Act;
- (c) the transfer of—
 - (i) registered ownership of securities from a person to a depository or from a depository to a beneficial owner;
 - (ii) beneficial ownership of securities, dealt with by a depository;
 - (iii) beneficial ownership of units, such units being units of a Mutual Fund including units of the Unit Trust of India established under sub-section (1) of Section 3 of the Unit Trust of India Act, 1963, dealt with by a depository, shall not be liable to duty under this Act or any other law for the time being in force.

Answer 2A(ii)

As per Section 60(1) of the Prevention of Money-laundering Act, 2002, Where the Director has made an order for attachment of any property under section 5 or for freezing under sub-section (1A) of section 17 or where an Adjudicating Authority has made an order relating to a property under section 8 or where a Special Court has made an order of confiscation relating to a property under sub-section (5) or sub section (6) of section 8, and such property is suspected to be in a contracting State, the Special Court, on an application by the Director or the Administrator appointed under sub-section (1) of section 10, as the case may be, may issue a letter of request to a court or an authority in the contracting State for execution of such order.

Section 60(2) prescribe that when a letter of request is received by the Central Government from a court or an authority in a contracting State requesting attachment,

seizure, freezing or confiscation of the property in India, derived or obtained, directly or indirectly, by any person from the commission of an offence under a corresponding law committed in that contracting State, the Central Government may forward such letter of request to the Director, as it thinks fit, for execution in accordance with the provisions of this Act.

Answer 2A(iii)

There is a growing awareness that courts will not be in a position to bear the entire burden of justice system. A very large number of disputes lend themselves to resolution by alternative modes such as arbitration, mediation, conciliation, negotiation, etc. The Alternative Dispute Resolution (ADR) processes provide procedural flexibility save valuable time and money and avoid the stress of a conventional trial.

There is, therefore, an urgent need to establish and promote ADR services for resolution of both domestic and international disputes in India.

The ADR is flexible and not governed by the rigours of rules of procedures. The ADR can be used with or without a lawyer. ADR helps in the reduction of the work load of the Courts and thereby helps them to focus attention on other cases. The ADR procedure permits parties to choose neutrals who are specialists in the subject matter of the dispute.

Question 3

- (a) *Anil bequeaths his all properties to B desiring him to divide the bulk of the property among Sunil's Children. State, whether the trust has been created with sufficient certainty? State also the certainties which are required to create a valid trust under Indian Trusts Act, 1882. (5 marks)*
- (b) *State the composition and Jurisdiction of National Commission under Consumer Protection Act, 1986 (5 marks)*
- (c) *Aman hired a room in a hotel and paid a week's rent in advance. After registering, he went up to occupy the room. Aman found a notice on the wall that "The proprietor will not be responsible for articles lost or stolen, unless handed over to the manager of the hotel for safe custody." Owing to the negligence of the hotel staff, a thief gained access to the room and stole some goods of Aman. State whether the proprietor of the hotel is liable for the loss caused to Aman? State also which type of contract it is? (5 marks)*

Answer 3(a)

Section 6 of Indian Trusts Act, 1882 lays down provisions for creating a trust. It provides that a trust is created when the author of the trust indicates with reasonable certainty by any words or acts: (a) an intention on his part to create thereby a trust; (b) the purpose of the trust; (c) the beneficiary, and (d) the trust property.

In the given case creating a trust by Anil and appointing B as trustee for distributing bulk properties among Sunil's children is not creating certainties about which property should be given to whom exactly.

Keeping all these elements and looking to the facts of this case, no trust has been created because the trust property is not indicated with sufficient certainty.

Certainties of a Trust

For creating a trust the author of the trust should indicate with reasonable certainty the following:

- (1) *Certainty in words* : The words used to create a trust must be clear and certain so as to explain a clear intention to create a trust.
- (2) *Certainty in the object of the trust* : The beneficiary, for whose benefit the trust is created, must be shown clearly.
- (3) *Certainty in the subject-matter of the trust* : The subject matter of the trust must be clear, i.e., the property, in respect of which a trust is created, must be shown clearly. Purpose of the trust should be certain.

Answer 3(b)

Composition of National Commission

Section 20(1) of the Consumer Protection Act, 1986 provides that the National Commission shall consist of—

- (a) a person who is or has been a judge of the Supreme Court, to be appointed by the Central Government (in consultation with the Chief Justice of India), who shall be its President;
- (b) not less than four and not more than such number of members as may be prescribed one of whom shall be a woman, who shall have the following qualifications, namely:-
 - (i) be not less than thirty-five years of age;
 - (ii) possess a bachelor's degree from a recognized university; and
 - (iii) be persons of ability, integrity and standing and have adequate knowledge and experience of at least ten years in dealing with problems relating to economics, law, commerce, accountancy, industry, public affairs or administration.

Jurisdiction of National Commission

Section 21 of the Consumer Protection Act, 1986 provides that the National Commission shall have jurisdiction:

- (a) to entertain complaints where the value of the goods or services and the compensation, if any, claimed exceeds rupees one crore;
- (b) to entertain appeals against the orders of any State Commission.; and
- (c) to call for the records and pass appropriate orders in any consumer dispute which is pending before, or has been decided by any State Commission where it appears to the National Commission that such State Commission has exercised a jurisdiction not vested in it by law, or has failed to exercise a jurisdiction so vested, or has acted in the exercise of its jurisdiction illegally or with material irregularity.

Answer 3(c)

In this case the proprietor of the hotel is liable for the loss caused to Aman. There are certain conditions attached to such contract. Among them one condition is that notice of the terms must be contemporaneous with the contract. It should be given before or at the time, the contract is entered into. A subsequent notification will not bind the other party, unless he has asserted thereto. It might indeed amount to a modification of the original contract. Hence, in this case the notice, being not contemporaneous, did not form part of the contract of hire.

The problem asked in the question is based upon the Standard form Contract.

A standard form contract prepared by one party to it, otherwise than by the process of negotiation, drafted by one party, it enables the other party to sign on dotted lines. The terms are prepared before hand by the former and the latter party is made to or deemed to agree to the terms, where under, the latter doesn't have much to say.

The term are put in the standardised form such contracts have also been described as 'Contract of Adhesion', in the sense, the individual/consumer has no choice but to accept, he does not negotiate, but merely adheres.

Question 4

- (a) *State the composition, duties, powers and functions of Competition Commission of India under Competition Act, 2002.* (8 marks)
- (b) *Discuss the provisions regarding the appointment of arbitrators under the Arbitration and Conciliation Act, 1996.* (7 marks)

Answer 4(a)

The composition of the Competition Commission of India (CCI) as spelled out under Section 8 of the Competition Act, 2002 consists of a Chairperson and not less than two and not more than six other Members. The Chairperson and the Members are to be appointed by the Central Government. Regarding the qualifications of the Chairman and other Members. Section 8(2) provides that they shall be person of ability, integrity and standing and who has special knowledge of and such professional experience of not less than fifteen years in international trade, economics, business, commerce, law, finance, accountancy, management, industry, public affairs or competition matters including competition law and policy which in the opinion of the Central Government, may be useful to the commission.

Chapter IV of the Competition Act, 2002 containing Section 18 to 39 deals with Duties, Powers and Functions of the Competition Commission of India (CCI).

As per Section 18 of the Competition Act, 2002 duties of the Competition Commission of India are:-

- (a) to eliminate practices having adverse effect on competition;
- (b) to promote and sustain competition;
- (c) to protect interests of consumers and
- (d) to ensure freedom of trade carried on by other participants, in markets in India.

Section 18 empowers the Commission to enter into any memorandum or arrangement, with the prior approval of the Central Government, for the purpose of discharging the duties and functions under the Act with any agency of any foreign country. This will enable the CCI to have extra territorial reach and shall facilitate exchange of information and enforcement of its order.

Section 19 and Section 20 of the Act empower the Commission may inquire into any alleged contravention of the provisions contained in section 3(Anti-competitive Agreement) or section 4(Abuse of Dominant position) and inquiry into combination.

The Competition Commission of India empowers to issue Orders after inquiry into agreements or abuse of dominant position and combination and also impose penalty.

Answer 4(b)

Section 11 of the Arbitration and Conciliation Act, 1996 deals with appointment of arbitrators. According to section 11(1) a person of any nationality may be an arbitrator, unless otherwise agreed by the parties. Section 11(2) states that subject to Section 11(6), the parties are free to agree on a procedure for appointing the arbitrator or arbitrators.

Section 11 (3) states that failing any agreement referred to in sub-section (2), in an arbitration with three arbitrators, each party shall appoint one arbitrator, and the two appointed arbitrators, shall appoint the third arbitrator who shall act as the presiding arbitrator.

Under Section 11 (4) if the appointment procedure in Section 11 (3) applies and-

- a. a party fails to appoint an arbitrator within thirty days from the receipt of a request to do so from the other party; or
- b. the two appointed arbitrators fail to agree on the third arbitrator within thirty days from the date of their appointment, the appointment shall be made upon request of a party, the Supreme Court or, as the case may be, the High Court or any person or institution designated by such Court.

Section 11 (5) says that failing any agreement referred to in Section 11 (2), in an arbitration with a sole arbitrator if the parties fail to agree on the arbitrator within thirty days from receipt of a request by one party from the other party to so agree the appointment shall be made, upon request of a party, by the Supreme Court or, as the case may be, the High Court or any person or institution designated by such Court.

Section 11(6) provides that where, under an appointment procedure agreed upon by the parties,-

- a. a party fails to act as required under that procedure; or
- b. the parties, or the two appointed arbitrators, fail to reach an agreement expected of them under that procedure; or
- c. a person, including an institution, fails to perform any function entrusted him or it under that procedure, a party may request the Supreme Court or, as the case may be, the High Court or any person or institution designated by such Court take the necessary measure, unless the agreement on the appointment procedure provides other means for securing the appointment.

Section 11(6A) states that the Supreme Court or, as the case may be, the High Court, while considering any application under Section 11 (4) or Section 11 (5) or Section 11 (6), shall, notwithstanding any judgment, decree or order of any court, confine to the examination of the existence of an arbitration agreement.

Under Section 11(6B) the designation of any person or institution by the Supreme Court or, as the case may be, the High Court, for the purposes of this section shall not be regarded as a delegation of judicial power by the Supreme Court or the High Court.

Section 11 (7) provides that a decision on a matter entrusted by Section 11 (4) or Section 11 (5) or Section 11 (6) to the Supreme Court or, as the case may be, the High Court or the person or institution designated by such Court is final and no appeal including Letters Patent Appeal shall lie against such decision.

Section 11 (8) says that the Supreme Court or, as the case may be, the High Court or the person or institution designated by such Court, before appointing an arbitrator, shall seek a disclosure in writing from the prospective arbitrator in terms of section 12(1), and have due regard to-

- (a) any qualifications required for the arbitrator by the agreement of the parties; and
- (b) the contents of the disclosure and other considerations as are likely to secure the appointment of an independent and impartial arbitrator.

Under Section 11(9) in the case of appointment of sole or third arbitrator in an international commercial arbitration, the Supreme Court or the person or institution designated by that Court may appoint an arbitrator of a nationality other than the nationalities of the parties where the parties belong to different nationalities.

Section 11(10) provides that the Supreme Court or, as the case may be, the High Court, may make such scheme as the said Court may deem appropriate for dealing with matters entrusted by Section 11(4) or Section 11(5) or Section 11 (6), to it.

Section 11(11) states that where more than one request has been made under Section 11(4) or Section 11(5) or Section 11(6) to different High Courts or their designates, the High Court or its designate to whom the request has been first made under the relevant sub-section shall alone be competent to decide on the request.

Under Sub-section 12 (a) where the matters referred to in Section 11 (4), (5), (6), (7), (8) and (10) arise in an international commercial arbitration, the reference to the Supreme Court or, as the case may be, the High Court in those sub-sections shall be construed as a reference to the Supreme Court; and Sub-section 12 (b) provides that where the matters referred to in Sub-section 11 (4), (5), (6), (7), (8) and (10) arise in any other arbitration, the reference to the Supreme Court or, as the case may be, the High Court in those sub-sections shall be construed as a reference to the "High Court" within whose local limits the principal Civil Court referred to in section 2(1)(e) of the Act is situate, and where the High Court itself is the Court referred to in that clause, to that High Court.

Section 11 (13) states that an application made under this section for appointment of an arbitrator or arbitrators shall be disposed of by the Supreme Court or the High Court or the person or institution designated by such Court, as the case may be, as expeditiously as possible and an endeavor shall be made to dispose of the matter within a period of sixty days from the date of service of notice on the opposite party.

Section 11 (14) says that for the purpose of determination of the fees of the arbitral tribunal and the manner of its payment to the arbitral tribunal, the High Court may frame such rules as may be necessary, after taking into consideration the rates specified in the Fourth Schedule.

PART B

Question 5

- (a) *What is meant by 'Substantial Expansion' ? When the nature of expansion would not amount to substantial expansion under Industries (Development and Regulation) Act, 1951 ?* (3 marks)
- (b) *Under what circumstances a Sub-Registrar can refuse to register a document under the Registration Act, 1908 ?* (3 mark)
- (c) *Discuss the procedure for award of relief under the Public Liability Insurance Act, 1991.* (3 marks)
- (d) *What is "Environmental Audit" ? Explain* (3 marks)
- (e) *Describe the powers of trustees under the Indian Trusts Act, 1882.* (3 marks)

Answer 5(a)

“Substantial Expansion” means the expansion of an existing industrial undertaking which substantially increases the productive capacity of the undertaking or which is of such nature as to amount virtually to a new industrial undertaking.

In the following cases the nature of Expansion would not amount to substantial expansion under Industries (Development and Regulation) Act, 1951-

- (1) Where such expansion is normal to the undertaking having regard to its nature and the circumstances relating to such expansion, it will not be substantial expansion.
- (2) Increase in production by twenty five per cent over the licensed capacity being in the nature of expansion would not amount to substantial expansion if:
 - no additional plant and machinery has been installed except minor balancing equipment indigenously procured;
 - no additional expenditure had been incurred or foreign exchange was involved; and
 - the extra production does not give rise to any additional demand for scarce raw materials.

Wherever a question arises as to whether or not there has been a substantial expansion of an industrial undertaking, the decision of the Central Government thereon shall be final.

Answer 5(b)

Circumstances in which Sub-Registrar may refuse to register a document under the Registration Act, 1908 are:-

- (1) Every Sub-Registrar refusing to register a document, except on the ground that the property to which it relates is not situate within his sub-district, shall make

an order of refusal and record his reasons for such order in his Book No. 2 and endorse the words "Registration refused" on the document; and, on application made by any person executing or claiming under the document, shall without payment and unnecessary delay, give him a copy of the reasons so recorded.

- (2) No registering officer shall accept for registration a document so endorsed unless and until, under the provisions hereinafter contained, the document is directed to be registered.

Answer 5(c)

Section 7 of the Public Liability Insurance Act, 1991 requires the collector, on receipt of application for claim for relief, to hold an inquiry into the claim or each of the claims, after giving notice of application to owner and after giving the parties an opportunity of being heard and make an award determining the amount of relief payable to person or persons. Sub-section (3) requires the insurers to deposit, within 30 days from the date of announcement of the award, the amount in such manner as specified by the collector. The collector than arrange to pay from the relief fund to the person or persons such amount in such manner as may be specified in the scheme.

Answer 5(d)

Environmental Audit is an independent assessment of an organization's compliance with Environmental laws and Rule and Regulations made thereunder.

Rule 14 of the Environment Protection Rules, 1986 provides for the submission of environmental audit report. Accordingly, every person carrying on an industry, operation or process requiring consent under Section 25 of the Water (Prevention and Control of Pollution) Act or Section 23 of the Air (Prevention and Control of Pollution) Act or both or authorisation under the Hazardous Wastes (Management and Handling) Rules, 1989 is required to submit an environmental audit report in Form V (inserted in the Rules) for the financial year ending on 31st March every year on or before the 15th of May, beginning 1993 to the concerned State Pollution Control Board.

Answer 5(e)

The Powers of trustees under the Indian Trusts Act, 1882 are:-

1. He can sell the trust property where instrument of the trust so empowers him.
2. A trustee has a power to vary investments.
3. A trustee has a power to apply the trust property for the maintenance of property as provided in the instrument of trust.
4. A trustee can compromise claims unless a contrary intention appears from the instrument of the trust.
5. A trustee can give receipt for the money received on account of the trust.
6. In case of death of one of the trustees, the other trustees have a right to act, unless contrary intention appears from the instrument of the trust.

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

- (a) *Discuss the criteria of classification of the enterprises engaged in the manufacture of goods or in rendering services in micro, small and medium enterprises.*
(5 marks)
- (b) *Explain the heads under which compensation or relief for damages may be claimed under the National Green Tribunal Act, 2010.*
(5 marks)
- (c) *Comment on the presumption of culpable mental state. Who can avoid such presumption of culpable mental state as stated under the Essential Commodities Act, 1955 ?*
(5 marks)

OR (Alternate question to Q No. 6)**Question 6A**

- (i) *State the functions of the Central Pollution Board constituted under AIR (Prevention and Control of Pollution) Act, 1981.*
(5 marks)
- (ii) *What steps should be taken to dissolve a society constituted under the provision of Societies Registration Act, 1860 ?*
(5 marks)
- (iii) *Discuss the powers of Legal Metrology Officer regarding inspection and seizure under Legal Metrology Act, 2009.*
(5 marks)

Answer 6(a)

Section 7 of the Micro, Small & Medium Enterprises Development Act, 2006 empowers the Central Government to classify any class or classes of enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership firm, company or undertaking, by whatever name called,—

- (a) *In the case of the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries Development & Regulation Act, 1951 as—*
- (i) a micro enterprise, where the investment in plant and machinery does not exceed twenty-five lakh rupees;
 - (ii) a small enterprise, where the investment in plant and machinery is more than twenty-five lakh rupees but does not exceed five crore rupees; or
 - (iii) a medium enterprise, where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;
- (b) *In the case of the enterprises engaged in providing or rendering of services, as—*
- (i) a micro enterprise, where the investment in equipment does not exceed ten lakh rupees;
 - (ii) a small enterprise, where the investment in equipment is more than ten lakh rupees but does not exceed two crore rupees; or

- (iii) a medium enterprise, where the investment in equipment is more than two crore rupees but does not exceed five crore rupees.

Answer 6(b)

The Schedule II of the National Green Tribunal Act, 2010 lists out the following heads under which compensation for damages may be claimed:

- (a) Death;
- (b) Permanent, temporary, total or partial disability or other injury or sickness;
- (c) Loss of wages due to total or partial disability or permanent or temporary disability;
- (d) Medical expenses incurred for treatment of injuries or sickness;
- (e) Damage to private property;
- (f) Expenses incurred by the Government or any local authority in providing relief, aid and rehabilitation to the affected persons;
- (g) Expenses incurred by Government for any administrative or legal action or to cope with any harm or damage, including compensation for environmental degradation and restoration of the quality of environment;
- (h) Loss to Government or local authority arising out of, or connected with, the activity causing any damage;
- (i) Claims on account of any harm, damage or destruction to the fauna including milch and draught animals and aquatic fauna;
- (j) Claims on account of any harm, damage or destruction to flora including aquatic flora, crops, vegetables, trees and orchards;
- (k) Claim including cost of restoration on account of any harm or damage to environment including pollution of soil, air, water, land and eco-system;
- (l) Loss and destruction of any property other than private property;
- (m) Loss of business or employment or both;
- (n) Any other claim arising out of or connected with, any activity of handling of hazardous substance.

Answer 6(c)

Section 10-C of the Essential Commodities Act, 1955 provides for a presumption of culpable mental state, which includes intention, motive, knowledge of a fact and the belief in a fact. It is now provided that in any prosecution for an offence under the Act which requires a culpable mental state on the part of the accused, the Court shall presume the existence of mental state.

Such presumption may be avoided by the accused. It is open to the accused to prove that he had no such mental state with respect of the act committed by him.

Answer 6A(i)

According to section 16 of the Air (Prevention and Control of Pollution) Act, 1981, the main functions of the Central Board are to improve the quality of the air and to

prevent, control or abate air pollution in the country. In particular and without prejudice to the generality of the above functions, the Central Board may:

- (a) advise the Central Government on any matter concerning the improvement of the quality of air and prevention, control or abatement of air pollution;
- (b) plan and cause to be executed a nation-wide programme for the prevention, control or abatement of air pollution;
- (c) co-ordinate the activities of the State Boards and resolve disputes among them;
- (d) provide technical assistance and guidance to the State Boards, carry out and sponsor investigations and research relating to problems of air pollution and prevention, control or abatement of air pollution.
- (dd) perform such of the function of any State Board as may be specified in an order made under Subsection (2) of Section 18.
- (e) plan and organize the training of persons engaged or to be engaged in programmes for the prevention, control and abatement of air pollution on such terms and conditions as the Central Board may specify;
- (f) organise through mass media, a comprehensive programme regarding the prevention, control or abatement of air pollution;
- (g) collect, compile and publish technical and statistical data relating to air pollution and the measures devised for its effective prevention, control and abatement and prepare manuals, codes or guides relating to prevention, control or abatement of air pollution;
- (h) lay down standards for the quality of air;
- (i) collect and disseminate information in respect of matters relating to air pollution;
- (j) perform such other functions as may be prescribed.
- (k) establish or recognise a laboratory or laboratories to enable the Central Board to perform its functions efficiently.

Answer 6A(ii)

The following steps are to be taken to dissolve a society:–

1. Decision of the governing body;
2. Convene a special general meeting of the members by giving a requisite notice for consideration and passing resolution by 3/5th majority of the members present thereat;
3. Decision as to dissolve it forthwith or at a later time agreed upon by them.
4. Decision for the actions to be taken for disposal of properties and settlement of claims and liabilities as per the rules and regulations of the society; and

5. Delegate authority to the person(s) of the governing body to comply with the decisions accordingly.

Where any Government is a member of the society or has contributed the funds to the society or is otherwise interested therein, the society shall have to obtain prior consent of such Government for the purpose.

Where any dispute arises on dissolution of a society relating to adjustment of its affairs, it should be referred to the principle Court of the original civil jurisdiction of the District where the chief building of the society is situated. The District Civil Court has the jurisdiction to decide the dispute of a society.

Answer 6A(iii)

Every legal metrology officer so appointed shall exercise such powers and discharge such functions in respect of such local limits as the State Government may, by notification, specify. Section 15 of the Legal Metrology Act, 2009 confer the powers of inspection on the Director, Controller or any legal metrology officer may, if he has any reason to believe, whether from any information given to him by any person and taken down in writing or from personal knowledge or otherwise, that any weight or measure or other goods in relation to which any trade and commerce has taken place or is intended to take place and in respect of which an offence punishable under this Act appears to have been, or is likely to be, committed are either kept or concealed in any premises or are in the course of transportation-

- Enter at any reasonable time into any such premises and search for and inspect any weight, measure or other goods in relation to which trade and commerce has taken place, or is intended to take place and any record, register or other document relating thereto.
- Seizer of any weight, measure or other goods and any record, register or other document or article which he has reason to believe may furnish evidence indicating that an offence punishable under the Act has been, or is likely to be, committed in the course of or in relation to, any trade and commerce.

Where any goods seized are subject to speedy or natural decay, the Director, Controller or legal metrology officer may dispose of such goods in such manner as may be prescribed.

TAX LAWS AND PRACTICE - SELECT SERIES

Time allowed : 3 hours

Maximum marks : 100

Total number of Questions : 100

Note : *All references to sections mentioned in Part-A of the question paper relate to the Income-Tax Act, 1961 and relevant Assessment Year 2017 - 18 unless stated otherwise.*

PART A

1. Mr. Ram received cash gift of Rs. 51,000 from his friends on the occasion of his 50th birthday. None of the friends are relative. The amount liable to tax in the hands of Mr. Ram would be :
 - (A) Nil
 - (B) Rs. 1,000
 - (C) Rs. 51,000
 - (D) Rs. 46,000 after deducting causal income of Rs. 5,000

2. Agni (P) Ltd issued equity shares of Rs. 10 each at Rs. 40 per share. The fair market value of the share on the date of issue was ascertained as Rs. 25 per share. The company issued 1,00,000 equity shares. The amount liable to tax in the hands of the company would be :
 - (A) Rs. 15,00,000
 - (B) Rs. 30,00,000
 - (C) Nil
 - (D) Rs. 40,00,000

3. Mr. Robert aged 52 years received monthly pension of Rs. 30,000 during the financial year 2016-17. His agricultural income in India is Rs. 50,000. His net income-tax liability is :
 - (A) Rs. 14,420
 - (B) Rs. 9,270
 - (C) Rs. 4,120
 - (D) Rs. 11,330

4. Mr. Rajiv, born and brought up in India left for employment in Belgium on 15-10-2016. He has never gone out of India, previously. What is his residential status for the assessment year 2017-18 ?
 - (A) Non-resident

- (B) Not ordinarily resident
- (C) Resident
- (D) Indian citizen
5. Mr. Ramji (age 55) is Karta of HUF doing textile business at Nagur. Mr. Ramji is residing in Dubai for the past 10 years and visited India for 20 days every year for filing the income tax return of HUF. His two major sons take care of the day to day affairs of the business in India. The residential status of HUF for the assessment year 2017-18 is :
- (A) Non-resident
- (B) Resident
- (C) Not ordinarily resident
- (D) None of the above
6. When a capital asset located in India is sold by a non-resident to another non-resident at a place outside India, the capital gain is taxable :
- (A) at the place of transferor
- (B) at the place of transferee
- (C) at the place of location of asset
- (D) at the place of both transferor and transferee
7. Thomas Inc. of Australia borrowed money from various companies in Australia for doing business in India by name ANS Co. Ltd., Mumbai. Thomas Inc. paid interest of Rs.500 lakhs (converted) to various lenders. The amount of interest paid :
- (A) has accrued in India
- (B) is exempt from tax
- (C) does not accrue in India
- (D) is taxable in Australia
8. Mr. Vinayak derived income from sale of tea manufactured and grown in Coorg, Karnataka. His income for the previous year 2016-17 from the said activity is Rs. 20 lakhs. The amount exempt from tax by way of agricultural income is :
- (A) Rs. 8 lakhs (40%)
- (B) Rs. 5 lakhs (25%)
- (C) Rs. 12 lakhs (60%)
- (D) Rs. 7 lakhs (35%)

9. Mr. Vijay is partner in Tools & Co., a partnership firm in Mumbai. He received Rs. 30,000 as share income from the firm for the year ended 31-3-2017. He also received interest at 12% per annum on the capital invested in the firm and the amount being Rs. 24,000. His income from the firm includible in individual assessment is :
- (A) Rs. 54,000
 - (B) Rs. 24,000
 - (C) Rs. 30,000
 - (D) Nil
10. Mr. Ashwin retired on 31-10-2016 after rendering 35 years of service in PLN & Co. Ltd. He received gratuity of Rs. 18 lakhs. He is governed by Payment of Gratuity Act, 1972. The monetary limit eligible for exemption is :
- (A) Rs. 10 lakhs
 - (B) Rs. 18 lakhs
 - (C) Rs. 3,50,000
 - (D) Nil
11. Mr. A is employed in ABS Transports as cabin driver. He is paid Rs. 15,000 every month in the whole of previous year 2016- 17 as allowance for meeting his personal expenditure in the course of running the goods vehicle. Mr. A does not receive any other amount by way of daily allowance. The amount of allowance eligible for exemption is :
- (A) Rs. 1,80,000
 - (B) Rs. 1,20,000
 - (C) Rs. 1,26,000
 - (D) Nil
12. Mr. Sankar received Rs. 50,000 as educational scholarship from Nehru Memorial Trust (a charitable trust). The scholarship is to assist Mr. Sankar for pursuing M.A. (History) at Jawaharlal Nehru University, New Delhi. The amount of scholarship liable to tax is :
- (A) Rs. 50,000
 - (B) Rs. 10,000
 - (C) Rs. 25,000
 - (D) Nil

13. Mr. Ramesh engaged in the business of growing and manufacturing tea in India received Rs. 2 lakhs from Tea Board towards replacement of tea bushes destroyed by forest fire. The amount received from Tea Board by Mr. Ramesh is :
- (A) Liable to tax
 - (B) Exempt from tax
 - (C) 50% is exempt from tax
 - (D) 25% is exempt from tax
14. Mr. Chandan (age 70) received Rs. 30,000 every month during the financial year 2016-17 on reverse mortgage of his property with State Bank of India. The amount of receipt liable to tax in the hands of Mr. Chandan is :
- (A) Rs. 3,60,000
 - (B) Rs. 2,52,000
 - (C) Rs. 40,000
 - (D) Nil
15. Ray Charitable Trust (registered under section 12AA) has total income of Rs. 20 lakhs. It applied Rs. 10 lakhs towards its objects. How much is chargeable to tax in case the trust does not opt for accumulation of income under section 11(2) of the Act ?
- (A) Rs. 10 lakhs
 - (B) Rs. 7 lakhs
 - (C) Rs. 5 lakhs
 - (D) Rs. 3 lakhs
16. Mr. Arjun employed in KL (P) Ltd. at Mumbai was provided rent-free accommodation by the employer who owned such accommodation. The salary income of Mr. Arjun for the purpose of computing the perquisite value is Rs. 8 lakhs. The perquisite value of rent-free accommodation in the hands of Mr. Arjun is :
- (A) 10% of salary i.e. Rs, 80,000
 - (B) 7.5% of salary i.e. Rs, 60,000
 - (C) Nil
 - (D) 15% of salary i.e. Rs, 1,20,000
17. Mr. Gupta is given a motor car with chauffeur by the employer which is used for both official and personal purpose. The entire running expenses of the car

- amounting to Rs. 64,800 was met by the employer in the previous year 2016-17. The cubic capacity of the engine of the motor car exceeds 1.6 litres. The perquisite value of motor car taxable in the hands of Mr. Gupta is :
- (A) Rs. 19,200
 - (B) Rs. 39,600
 - (C) Rs. 28,800
 - (D) Rs. 64,800
18. Ashwin Co. Ltd contributed 15% of the salary of the employee Virat towards recognized provident fund. The amount liable to tax as perquisite in the hands of Virat would be of contribution.
- (A) 5%
 - (B) 3%
 - (C) Nil
 - (D) any sum exceeding Rs. 1,50,000
19. During the previous year, the employee was reimbursed Rs. 24,000 as medical expenses incurred by him which includes Rs. 7,000 spent in Government hospital. The taxable perquisite in this case shall be :
- (A) Rs. 9,000
 - (B) Nil
 - (C) Rs. 2,000
 - (D) Rs. 24,000
20. The employee is provided with furniture costing Rs. 1,50,000 along with house w.e.f. 1-7-2016. The value of the furniture to be included in the valuation of unfurnished house shall be :
- (A) Rs. 11,250
 - (B) Rs. 15,000
 - (C) Rs. 22,500
 - (D) Rs. 16,875
21. Interest credited to statutory provident fund shall be :
- (A) Fully exempt
 - (B) Exempt upto 8.5% p.a.
 - (C) Fully taxable
 - (D) Exempt upto 9.5%

22. Mr. Ahmed acquired a property in April, 2016 for self-residential use. The loan interest payable to State Bank of India for the financial year 2016-17 amounts to Rs. 2,10,000. The amount eligible for deduction under section 24 is :
- (A) Rs. 30,000
 - (B) Rs. 2,00,000
 - (C) Rs. 2,10,000
 - (D) Rs. 1,50,000
23. Mr. Shahu has loss from house property of Rs. 1,10,000 (computed) for the assessment year 2017-18. He can carry forward such loss for subsequent assessment years.
- (A) 4
 - (B) Nil
 - (C) 8
 - (D) Indefinite
24. R has taken a house on rent and sublets the same to G. Income from such house property shall be taxable under the head :
- (A) income from house property
 - (B) income from other sources
 - (C) income from house property or income from other sources as decided by R
 - (D) none of the above
25. A borrowed Rs. 5,00,000 @ 12% p.a. on 1-4-2012 for construction of house property which was completed on 15-3-2016. The amount is still unpaid. The deduction of interest for previous year 2016-17 shall be :
- (A) Rs. 60,000
 - (B) Rs. 96,000
 - (C) Rs. 1,80,000
 - (D) Rs. 2,40,000
26. Dr. Sen has surgical equipments whose WDV as on 1-4-2016 was Rs. 4,10,000. He acquired some more equipments in December 2016 for Rs. 3,50,000. He sold equipment in March 2017 for Rs. 2,00,000 whose original cost was Rs. 1,70,000. The written down value of the block for the purpose of computing depreciation for the assessment year 2017-18 is :
- (A) Rs. 5,90,000
 - (B) Rs. 5,60,000
 - (C) Rs. 7,30,000
 - (D) Rs. 4,30,000

27. Rosy Ltd. engaged in manufacture of biomedicines in August, 2016 converted one equipment which was used for scientific research purposes previously, for regular business use. The original cost of the plant is Rs. 15 lakhs which was acquired in April, 2015. The company had claimed deduction at 200% under section 35(2AB) in the assessment year 2016-17. The plant used for scientific research would be included in the block of assets now at a value of :
- (A) Nil
 - (B) Rs. 15,00,000
 - (C) Rs. 30,00,000
 - (D) Rs. 12,75,000
28. Which of the following is a 'specified business' eligible for deduction under section 35AD ?
- (A) Operating warehousing facility for storage of agriculture produce
 - (B) Operating leather manufacturing unit
 - (C) Operating unit for manufacture of tooth paste
 - (D) Units operating in Jammu & Kashmir
29. Malick & Co. engaged in trading activity could not recover Rs. 5 lakhs from a customer. It claimed the entire amount as bad debt by writing off in the books of account. The aggregate sale made during the year to the party amounts to Rs. 30 lakhs. The amount eligible for deduction by way of bad debt is :
- (A) Nil
 - (B) Rs. 3 lakhs
 - (C) Rs. 5 lakhs
 - (D) Rs. 60,000
30. Andhra Traders a partnership firm paid Rs. 80,000 as contract charges to AKP & Co. (firm). No tax was deducted at source for the above said payment. The amount liable for disallowance under section 40a(ia) for the assessment year 2017-18 is :
- (A) Nil
 - (B) Rs. 80,000
 - (C) Rs. 40,000
 - (D) Rs. 24,000

31. Surabi Textiles (firm) incurred business loss of Rs. 4,40,000 for the assessment year 2017-18 before allowance of working partner salary. The firm paid working partner salary of Rs. 1,20,000 each to three partners. The business income of the firm for the assessment year 2017-18 after deduction of working partner salary is :
- (A) Loss Rs. 5,90,000
 - (B) Loss Rs. 4,40,000
 - (C) Loss Rs. 80,000
 - (D) Loss Rs. 8,00,000
32. Ravi & Co. paid Rs. 40,000 by cash to Mr. Balu a supplier on 5-9-2016. The cash payment was made on the day on which the bank was on strike. The amount of expenditure liable for disallowance under section 40A(3) is :
- (A) Rs. 40,000
 - (B) Rs. 12,000
 - (C) Rs. 20,000
 - (D) Nil
33. Where the payment of an expenditure claimed as deduction by any assessee carrying on business or profession other than who is in transport business exceeds Rs. 20,000, it should be paid by :
- (A) Crossed cheque/draft
 - (B) Account payee cheque/account payee draft
 - (C) Account payee cheque
 - (D) Any mode other than cash
34. Raju succeeded to the business of his father Ramu consequent to demise of Ramu on 1-2-2017. Raju recovered Rs. 30,000 due from a customer which was written off by late Ramu as bad debt and allowed in the assessment year 2013-14. The amount recovered is :
- (A) Exempt from tax
 - (B) Fully taxable as business income
 - (C) Rs. 15,000 being 50% taxable as business income
 - (D) To be set off against current year bad debts
35. Mr. Siraj engaged in retail trade reports a turnover of Rs. 43 lakhs for the previous year 2016-17. He deposited Rs. 30,000 in his PPF account held with

- SBI. His total income for the assessment year 2017-18 by applying section 44AD provision is:
- (A) Rs. 1,85,000
 - (B) Rs. 3,44,000
 - (C) Rs. 3,14,000
 - (D) Rs. 4,00,000
36. Mrs. Lakshmi purchased shares of ABB Ltd. for Rs. 5 lakhs on 3rd April, 2015. The shares were sold on 5th June, 2016 for Rs. 7 lakhs. She paid STT of Rs. 700 and brokerage of Rs. 500. The amount chargeable to tax is :
- (A) Rs. 2,00,000
 - (B) Nil
 - (C) Rs. 1,99,500
 - (D) Rs. 1,98,700
37. Ms. Netra acquired 1000 equity shares of MMC Ltd. for Rs. 4 lakhs in April, 1996. She received bonus shares on 1 : 1 basis in April, 2016 from the company. She sold all the shares in January, 2017 through a recognized stock exchange for Rs. 8 lakhs. The capital gain chargeable to tax in the hands of Ms. Netra for the assessment year 2017-18 is :
- (A) Rs. 4 lakhs
 - (B) Nil since the entire gain is exempt from tax
 - (C) Rs. 2 lakhs
 - (D) Rs. 80,000
38. Mr. Madan sold a vacant land for Rs. 120 lakhs on 10-10-2016. The indexed cost of acquisition amounts to Rs. 18 lakhs. He deposited Rs. 50 lakhs in REC bonds in January 2017 and another Rs. 50 lakhs in March, 2017. The amount of capital gain liable to tax after deduction under section 54EC is :
- (A) Rs. 2 lakhs
 - (B) Rs. 52 lakhs
 - (C) Rs. 102 lakhs
 - (D) Rs. 18 lakhs
39. Ms. Mala received family pension of Rs. 15,000 per month during the previous year 2016-17. Also, she was employed in a private firm where she got a monthly consolidated salary of Rs. 20,000 per month. Her total income chargeable to tax is :
- (A) Rs. 4,20,000
 - (B) Rs. 2,40,000
 - (C) Rs. 3,60,000
 - (D) Rs. 4,05,000

40. Libra P. Ltd. engaged in trading activity had accumulated profits of Rs. 15,00,000 as on 1-4-2016, Mr. Gautam having 30% of the equity shares and voting rights in the company received Rs. 5 lakhs as loan on 1-6-2016 from the company. The loan was repaid by him on 30-11-2016. The amount liable to tax in the hands of Mr. Gautam as deemed dividend is :
- (A) Rs. 4,50,000
 - (B) Rs. 15,00,000
 - (C) Rs. 5,00,000
 - (D) Rs. 1,50,000
41. Rakesh acquired a motor car for Rs. 3,00,000 from his friend (non-relative) when the fair market value of the motor car was Rs. 5,00,000. The amount liable to tax in the hands of Rakesh from the transaction is :
- (A) Rs. 3,00,000
 - (B) Rs. 2,00,000
 - (C) Rs. 1,50,000
 - (D) Nil
42. Where a firm or closely held company received from any person any property being shares of closely held company without consideration :
- (A) the whole of the fair market value of the shares shall be taxable
 - (B) the whole of the FMV shall be taxable if it exceeds Rs. 50,000
 - (C) the whole of FMV shall be exempt
 - (D) the whole of the cost of such shares shall be exempt
43. Mr. Shiva gifted a let-out building which fetches rental income of Rs. 10,500 per month to his son's wife on 1-11-2016. The municipal tax of Rs. 6,000 on the property was paid on 10-1-2017. The total income from all other sources (computed) amounts to Rs. 2,60,000 except income from above said property. His total income chargeable to tax is :
- (A) Rs. 3,11,450
 - (B) Rs. 3,44,000
 - (C) Rs. 3,80,000
 - (D) Rs. 3,33,500
44. Mr. Hussey for the previous year has (i) business loss of Rs. 1,30,000; (ii) income from salary Rs. 2,40,000; and (iii) speculation gain of Rs. 1,10,000. His total income for income tax assessment is :
- (A) Rs. 3,50,000
 - (B) Rs. 2,20,000
 - (C) Rs. 2,40,000
 - (D) Rs. 1,10,000

45. Mathur Storage (P) Ltd. engaged in chain cold storage has brought forward business loss of Rs. 12 lakhs relating to assessment year 2016-17. During the pervious year 2016-17, its income from the said business is Rs. 9 lakhs. It also has profit from trade in food grains of Rs. 6 lakhs. The total income of the company for the assessment year 2017-18 is :
- (A) Rs. 15 lakhs
 - (B) Rs. 6 lakhs
 - (C) Rs. 9 lakhs
 - (D) Rs. 3 lakhs
46. Raghunath repaid during previous year 2016-17 education loan of Rs. 60,000 and interest on education loan of Rs. 18,000 taken from Punjab National Bank for his son to pursue MS in Germany. The loan was taken in the financial year 2008-09 and the payment commenced from financial year 2009-10. The amount eligible for deduction under section 80 E for the assessment year 2017-18 is:
- (A) Rs. 60,000
 - (B) Rs. 78,000
 - (C) Rs. 18,000
 - (D) Nil
47. Shravan engaged in business paid monthly rent of Rs. 5,000 by cheque for his residence during the previous year 2016-17. His adjusted total income is Rs. 3,40,000. The amount eligible for deduction under section 80GG is :
- (A) Rs. 34,000
 - (B) Rs. 26,000
 - (C) Rs. 24,000
 - (D) Rs. 85,000
48. Deduction under section 80G on account of donation is allowed to :
- (A) a business assessee only
 - (B) any assessee
 - (C) individual or HUF only
 - (D) any resident assessee
49. The provisions of alternate minimum tax under section 115JC are applicable for limited liability partnership when the adjusted total income exceeds :
- (A) Rs. 10 lakhs
 - (B) Rs. 20 lakhs
 - (C) Rs. 100 lakhs
 - (D) Rs. 5 lakhs

50. Maruti & Co. is an AOP consisting of 4 members with equal share. None of the member has income exceeding the taxable limit. The total income of the AOP is Rs. 5 lakhs. The income-tax liability of the AOP would be :
- (A) Rs. 1,54,500
 - (B) Rs. 77,250
 - (C) Rs. 25,750
 - (D) Rs. 20,600
51. Radha Ltd. received dividend of Rs.100 lakhs from King P. Ltd. of Singapore in December 2016. The company declared interim dividend of Rs. 200 lakhs in January 2017. The dividend distribution tax payable by Radha Ltd. would be
- (A) on Rs. 200 lakhs
 - (B) on Rs. 100 lakhs
 - (C) Nil since dividend declared is more than dividend received
 - (D) None of the above
52. Mr. Nitin after serving Lion Ltd. for 4 years resigned his job to commence a business of his own. His provident fund account consisted of his own contribution Rs. 50,000; employer's contribution Rs. 50,000 and interest of Rs. 20,000 being attributable equally to the said contributions. How much would be the amount deductible at source under section 192A ?
- (A) Rs. 12,000 being 10% of total withdrawal
 - (B) Rs. 10,000 being 10% of total contributions
 - (C) Rs. 6,000 being 10% of employer's contribution and interest thereon
 - (D) Rs. 2,000 being 10% of interest on the contributions
53. Mr. Ravi solved a crossword puzzle and received Rs. 84,000 after deduction of tax at source. His income from crossword puzzle chargeable to tax would be :
- (A) Rs. 84,000
 - (B) Nil
 - (C) Rs. 72,000
 - (D) Rs. 1,20,000

54. For computing the Book Profit under section 115 JB, which of the following is not added back to the profits ?
- (A) Income-Tax
 - (B) Provision for Tax
 - (C) Dividend Distribution Tax U/S 115-0
 - (D) Securities Transaction Tax
55. Zeet & Co. is a partnership firm whose turnover for the previous year 2016-17 was Rs. 220 lakhs. The 'due date' for filing the return of income of the firm is :
- (A) 31st July, 2017
 - (B) 30th September, 2017
 - (C) 30th November, 2017
 - (D) 31st March, 2018
56. Chatterjee filed his return of income for the assessment year 2017-18 on 10-6-2017. He is eligible to revise his return :
- (A) Upto the end of the assessment year
 - (B) Before the end of 1 year from the end of the assessment year 2017-18
 - (C) Before completion of assessment u/s 153
 - (D) Before issue of notice u/s 148
57. A fixed deposit of Rs. 90,000 made by Mr. P on 5-11-2011 was detected on 7-9-2016. The time limit for issue of notice u/s 148 is :
- (A) 31-3-2017
 - (B) 31-3-2019
 - (C) 31-3-2021
 - (D) 31-3-2023
58. An apparent error in the assessment order passed u/s 143(3) dated 15-11-2016 was noticed by the assessee in February, 2017. The time limit for seeking rectification of mistake is available up to :
- (A) 31-3-2021
 - (B) 31-3-2020
 - (C) 31-3-2017
 - (D) 31-3-2018

59. Mr. Balwant received assessment order passed under section 143(3) on 10-1-2017. He wants to prefer an appeal before CIT (Appeals) against the assessment order. The time limit for preferring appeal is days from the date of receipt of assessment order.
- (A) 15
 - (B) 30
 - (C) 35
 - (D) 60
60. An assessment order under section 143(3) dated 15-9-2016 was served on the assessee on 25-9-2016. The Commissioner wants to make a revision of the order passed under section 143(3) by invoking section 263. The time limit for passing revision order under section 263 is :
- (A) 31st March, 2017
 - (B) 31st March, 2018
 - (C) 31st March, 2019
 - (D) 26th Sep., 2020
61. Mr. Rajan did not appear before the Assessing Officer in response to a notice issued under section 143(2). He repeatedly absented from appearing before the Assessing Officer. How much could be the quantum of penalty the Assessing Officer could levy on Mr. Rajan for the failure ?
- (A) Rs. 2,000
 - (B) Rs. 5,000
 - (C) Rs. 10,000
 - (D) Rs. 20,000
62. A Co. Ltd. has business loss and unabsorbed depreciation of Rs. 10 crores. B Co. Ltd. is profit making company. B Co. Ltd. wanted to acquire A Co. Ltd. with the benefit of set off of brought forward loss and unabsorbed depreciation. The legally permissible method is :
- (A) Reverse merger
 - (B) Outright purchase
 - (C) Slump sale of A Co. Ltd.
 - (D) Converting A Co. Ltd. into subsidiary of B. Co. Ltd.
63. Tax heaven does not have the following feature :
- (A) There is no income-tax
 - (B) There is lack of transparency
 - (C) It is an island owned by certain individual
 - (D) There is no exchange of information

64. Mr. Anuj (Age 65) resident of India has total income in India of Rs. 6 lakhs. His income from a foreign country with which there is no DTAA between India and that country, was Rs. 2 lakhs (converted). He paid incometax at 20% on the foreign income in that country. His net tax liability for the assessment year 2017-18 after relief under section 91 is :
- (A) Rs. 61,800
 - (B) Rs. 41,200
 - (C) Rs. 20,600
 - (D) Rs. 82,400
65. Which of the following is not a requirement for amalgamation of two companies?
- (A) All the assets are transferred from amalgamating company to amalgamated company
 - (B) More than 50% of the directors of the amalgamating company become directors of the amalgamated company
 - (C) All liabilities including contingent liabilities are transferred from amalgamating company to amalgamated company
 - (D) Shareholders having 3/4th in value of shares of the amalgamating company become shareholders of the amalgamated company
66. Which of the following powers is not vested with the Transfer Pricing Officer?
- (A) Power of search and seizure under section 132
 - (B) Power of survey under section 133A
 - (C) Power of levy penalty under section 271G
 - (D) Power to call for information under section 133(6)
67. The monetary limit for international transaction for getting exemption from documentations prescribed in Section 92D is :
- (A) Rs. 500 lakhs
 - (B) Rs. 300 lakhs
 - (C) Rs. 2000 lakhs
 - (D) Rs. 100 lakhs
68. Penalty for failure to furnish report under Section 92E is :
- (A) Rs. 25,000
 - (B) 2% of the value of international transactions
 - (C) Rs. 1,00,000
 - (D) Rs. 1,50,000

69. Which of the following persons is not eligible to seek advance ruling ?
- (A) Non resident
 - (B) Resident having transaction with nonresident
 - (C) A resident in respect of impermissible avoidance agreement
 - (D) Resident having transaction with not ordinarily resident
70. General Anti Avoidance Rules (GAAR) is applicable from the assessment year:
- (A) 2015-16
 - (B) 2017-18
 - (C) 2020-21
 - (D) 2016-17

PART B

71. Which of the following is not a feature of service ?
- (A) Presence of consideration
 - (B) Declared service
 - (C) Transfer of goods
 - (D) Currency changing activity
72. Which of the following is not a declared service ?
- (A) Execution of works contract
 - (B) Construction of a complex
 - (C) Use of any intellectual property right
 - (D) Service rendered in Jammu & Kashmir
73. Which of the following is not in the negative list of services ?
- (A) Service of foreman conducting chit
 - (B) Services by the Reserve Bank of India
 - (C) Supply of farm labour
 - (D) Leasing of agro machinery
74. Recognized sports body in the negative list of services does not include the following :
- (A) Indian Olympic Association
 - (B) Sports Authority of India
 - (C) Board of Control for Cricket in India
 - (D) International Olympic Association

75. The monetary limit of declared tariff for a hotel to fall in the negative list of services is :
- (A) Rs. 500 per day
 - (B) Rs. 1000 per day
 - (C) Rs. 3000 per day
 - (D) Rs. 5000 per day
76. ABC Transport gave its buses on hire. It is exempt from service tax where it is given on hire to :
- (A) State Transport Undertaking
 - (B) Charitable Trust
 - (C) Limited company for bringing staff
 - (D) To carry construction materials
77. A resident welfare association received Rs. 12,40,000 towards electricity and water bill to be paid for the consumption of its members. It is not a small service provider. Assuming the service tax rate as 14.5%, how much has to be paid towards service tax ?
- (A) Rs. 1,55,000
 - (B) Rs. 34,800
 - (C) Nil since it is pure agent
 - (D) Rs. 49,300
78. Which of the following intermediate production process is not covered in the negative list of service ?
- (A) Agricultural process
 - (B) Textile process
 - (C) Process of manufacturing alcoholic liquor for human consumption
 - (D) Printing process
79. Mr. Ashish an architect in Jammu rendered his service to Mr. Brijesh a resident of Kashmir for construction of a commercial complex in Delhi. Is the service liable for service tax ?
- (A) Not liable for service tax
 - (B) It is liable for service tax
 - (C) 50% of the service is chargeable to service tax
 - (D) None of the above

80. Vinod Contractors (Service Provider) agreed to provide service by way of works contract to Ahuja & Co. Ltd. (Service Receiver) for consideration of Rs. 60 lakhs. The service tax liability is to be paid by :
- (A) Fully by service provider
 - (B) Fully by service receiver
 - (C) Both equally
 - (D) None of the above
81. A service provided by Abdul & Co. became a taxable service consequent to its removal from the negative list of service. Within how many days from date of commencement of service tax levy, Abdul & Co. must apply for registration?
- (A) 7 days
 - (B) 15 days
 - (C) 30 days
 - (D) 60 days
82. When the date of completion of service is 10th November and the date of invoice is 20th November and 50% of the payment is received on 30th November and the balance on 10th December, the point of taxation is :
- (A) 10th November
 - (B) 20th November
 - (C) 30th November
 - (D) 10th December on full payment of the bill
83. When there is change in rate of service tax and the invoice is issued before the change in rate and payment is also received before the change but the service is provided after the date of change of rate, the point of taxation is:
- (A) Date of receipt of payment
 - (B) Date of invoice
 - (C) Date of rendering service
 - (D) Date of payment or invoice whichever is earlier
84. India Mobiles Ltd. is engaged in telecommunication service. It raised the invoice on the 10th of every month for the service rendered for the previous month. For the month of December, 2016 because of software failure the invoice for the month of November was raised in the month of January i.e. after 30 days. The point of taxation would be :
- (A) 30th November being the date of completion of service
 - (B) 30th December being the 30th day after completion of service
 - (C) Date of receipt of payment from the customers
 - (D) Date of raising invoice

85. A mega exemption notification which covered a service was removed and thus became taxable from 1-3-2016. One service provider rendered the service on 20-2-2016 and received the payment on 27-2-2016. The invoice however was raised on 18-03-2016. The value of service is Rs. 1,00,000 and the service tax rate is 14.5%. The service tax liability is :
- (A) Nil since service was rendered before it became taxable
 - (B) Nil since service was rendered and invoice was raised before it became taxable
 - (C) Taxable since invoice was raised after 14 days and the liability is Rs. 14,500
 - (D) Not taxable since the amount was received before the service became taxable
86. Bhalla & Co. is not a small service provider who is engaged in providing a taxable service in the State of Rajasthan. It raised invoice for Rs. 15 lakhs showing separately service tax at 14.5%. It omitted to show service tax separately in certain invoices aggregating to Rs. 10 lakhs. What is the service tax component on the bills in which service tax is not separately charged ?
- (A) Rs. 1,45,000
 - (B) Rs. 1,26,637
 - (C) Rs. 3,62,500
 - (D) Nil
87. Ghanshyamji engaged in providing taxable service from April 2015 wants to know the 'due date' for filing service tax return. The due date is :
- (A) 25th day of every succeeding month
 - (B) 6th day of every succeeding month
 - (C) 6th day of every quarter
 - (D) 25th day of the month following half year (i.e. 25th October and 25th April of every year for the preceding halfyear)
88. Srinivas Catering Services delayed filing of service tax return by 27 days. The penalty for the delayed filing would be :
- (A) Rs. 100 per day i.e. Rs, 2,700
 - (B) Rs. 500
 - (C) Rs. 1,000
 - (D) Rs. 10,000

89. Raghav Services Ltd. delayed the payment of service tax of Rs. 10 lakhs by 10 days. It has paid interest for the delayed payment. If it is liable for penalty, how much is payable by way of penalty ?
- (A) Rs. 100 per day
 - (B) Rs. 1000
 - (C) Rs. 3,226 @ 12% per annum for 10 days
 - (D) Rs. 6,452 @ 24% per annum for 10 days
90. Jai Hanuman Ltd. engaged in service of repair and maintenance of generators has service tax collections (output) of Rs. 2,00,000. During the period it paid excise duty on machineries acquired Rs. 50,000 and service tax (input) Rs. 20,000. The service tax liability payable is :
- (A) Rs. 2 lakhs
 - (B) Rs. 1,80,000
 - (C) Rs. 1,50,000
 - (D) Rs. 1,30,000
91. Dwivedi commenced business on 1-1-2016. He must obtain VAT registration:
- (A) within 30 days of commencement of business
 - (B) within 60 days after the turnover exceeds threshold limit
 - (C) within 30 days after the turnover exceeds the threshold limit
 - (D) within 60 days of commencement of business
92. Murali Medical Stores is a retail trader who opted for composition scheme of VAT payment. Its turnover was Rs. 40 lakhs and no VAT was collected. It purchased medicines for Rs. 30 lakhs and paid VAT (input) of Rs. 2,40,000. The VAT liability would be :
- (A) Nil since no collection was made
 - (B) 0.5% of Rs. 40 lakhs being Rs. 20,000
 - (C) Rs. 2,20,000 (VAT paid less composition tax) is input credit
 - (D) Input credit Rs. 20,000
93. By nature the Value Added Tax (VAT) is a :
- (A) Expenditure Tax
 - (B) Income Tax
 - (C) Consumption Tax
 - (D) Cascading Tax

94. Mr. Richard Mega Mall a dealer in electrical and electronic goods, gave gifts on the eve of new year sale. It gave 100 pieces of mixers which cost Rs. 1,000 each with VAT paid on purchases of Rs. 125 per piece. For the month of December its input tax credit (including gifts) on purchases amounts to Rs. 3 lakhs and output tax collected on sale amount to Rs. 4 lakhs. The net VAT liability of the dealer for the month is :
- (A) Rs. 1,00,000
 - (B) Rs. 1,12,500
 - (C) Rs. 87,500
 - (D) Rs. 3,00,000
95. Purohit Traders purchased raw materials from outside the State and paid CST of Rs. 40,000. Its output credit on VAT due to sales within state amounts to Rs. 2,40,000. Its input VAT credit on intra-state purchases amounts to Rs. 1,60,000. The net VAT liability is :
- (A) Rs. 40,000
 - (B) Rs. 80,000
 - (C) Rs. 1,60,000
 - (D) Rs. 2,40,000
96. SKT Exports purchased raw materials on which it paid VAT of Rs. 1,60,000. The entire goods were exported to a country in Africa. It has another unit where its output VAT credit is Rs. 3,45,000 and input credit of Rs. 1,80,000. The net VAT liability of the dealer is :
- (A) Rs. 1,65,000
 - (B) Rs. 5,000
 - (C) Rs. 1,85,000
 - (D) Rs. 3,45,000
97. The term 'sale' under the Central Sales Tax does not include :
- (A) sale of goods
 - (B) sale for price
 - (C) by a seller to a buyer
 - (D) sale without consideration
98. The term 'sale price' under the CST Act does not include :
- (A) Excise Duty
 - (B) Packing Charges
 - (C) Central Sales Tax
 - (D) Trade Discount

99. Laxman Traders paid Rs. 70,000 as VAT at 5% on raw materials purchased within the State. It manufactured finished goods and transferred 50% of the finished goods to its branch located outside the State. The balance goods were sold within the State with VAT collection of Rs. 50,000. The VAT liability after input credit would be :
- (A) Rs. 15,000
 - (B) Nil with input credit of Rs. 20,000
 - (C) Rs. 50,000
 - (D) Rs. 70,000
100. In which of the following States can a practicing company secretary conduct VAT audit ?
- (A) Tamil Nadu
 - (B) Karnataka
 - (C) Madhya Pradesh
 - (D) Telengana

ANSWER KEY
TAX LAWS AND PRACTICE - SELECT SERIES

PART A						PART B	
Qno	Ans	Qno	Ans	Qno	Ans	Qno	Ans
1	C	35	C	69	D		
2	A	36	B	70	*		
3	D	37	A				
4	C	38	B	71	C		
5	A	39	D	72	D		
6	C	40	C	73	A		
7	A	41	D	74	*		
8	C	42	B	75	*		
9	B	43	B	76	A		
10	A	44	C	77	C		
11	B	45	B	78	*		
12	D	46	C	79	B		
13	B	47	B	80	C		
14	D	48	B	81	C		
15	B	49	*	82	B		
16	D	50	C	83	D		
17	B	51	A	84	A		
18	B	52	A	85	C		
19	C	53	D	86	B		
20	A	54	D	87	D		
21	A	55	B	88	C		
22	B	56	B	89	*		
23	C	57	A	90	*		
24	B	58	A	91	C		
25	B	59	B	92	B		
26	B	60	C	93	C		
27	A	61	C	94	B		
28	A	62	A	95	B		
29	C	63	C	96	A		
30	D	64	A	97	D		
31	A	65	B	98	D		
32	D	66	A	99	*		
33	B	67	D	100	B		
34	A	68	C				

Note :

Q 49 None of the options are found to be correct. The correct answer is : No limit prescribed for applicability of Section 115JC for LLP.

Q 70 None of the options are found to be correct. The correct option in 2018-19.

Q 74 Question is found to be incorrect.

Q 75 Question is found to be incorrect.

Q 78 Question is found to be incorrect.

Q 89 None of the options are found to be correct. The correct answer is - the penalty for non-payment of service tax can be levied upto 10% of Service Tax.

Q 90 None of the options are found to be correct. The correction answer is Rs. 155000.

Q 99 None of the options are found to be correct. The correct answer is Nil with input Tax Credit Rs. 6000.

Note : The inconsistency or ambiguity in the Question(s), if any, is/are taken care of while evaluating the answer sheets.