INTERMEDIATE COURSE

(UNDER REVISED SCHEME OF EDUCATION AND TRAINING)

GROUP – I

REVISION TEST PAPERS

NOVEMBER, 2019

BOARD OF STUDIES

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

New Delhi

Edition	:	August, 2019
Website	:	www.icai.org
E-mail	:	bosnoida@icai.in
Department/Committee	:	Board of Studies
Price	:	
ISBN No.	:	
Published by	:	The Publication Department on behalf of The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi- 110 002, India. Typeset and designed at Board of Studies.
Printed by	:	

Contents

Page Nos.

REVISION TEST PAPER, NOVEMBER 2019 – OBJECTIVE & APPROACH

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

I Objective of Revision Test Paper

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

RTPs provide glimpses of not only the desirable ways in which examination questions are to be answered but also of the professional quality and standard of the answers expected of students in the examination. Further, aspirants can assess their level of preparation for the examination by answering various questions given in the RTP and can also update themselves with the latest developments in the various subjects relevant from the examination point of view.

The primary objectives of the RTP are:

- To help students get an insight of their preparedness for the forthcoming examination;
- To provide an opportunity for a student to find all the latest developments relevant for the forthcoming examination at one place;
- To supplement earlier studies;
- To enhance the confidence level of the students adequately; and
- To leverage the preparation of the students by giving guidance on how to approach the examinations.

RTPs contain the following:

(i) Planning and preparing for examination

(ii) Subject-wise guidance – An overview

(iii) Updates applicable for a particular exam in the relevant subjects

(iv) Topic-wise questions and detailed answers thereof in respect of each paper

(v) Relevant announcement applicable for the particular examination

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

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

Students are welcome to send their suggestions for fine tuning the RTP to the Director, Board of Studies, The Institute of Chartered Accountants of India, A-29, Sector-62, Noida 201 309 (Uttar Pradesh). RTP is also available on the Institute's website *www.icai.org* under the BOS knowledge portal in students section for downloading.

II. Planning and preparing for examination

Ideally, when the RTP reaches your hand, you must have finished reading the relevant Study Materials of all the subjects. Make sure that you have read the Study Materials thoroughly as they cover the syllabus comprehensively. Get a good grasp of the concepts/ provisions discussed therein. Solve each and every question/illustration given therein to understand the application of the concepts and provisions.

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

Examination tips

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

- Reach the examination hall well in time.
- As soon as you get the question paper, read it carefully and thoroughly. You are given separate 15 minutes for reading the question paper.
- Plan your time so that appropriate time is awarded for each question. Keep sometime for checking the answers as well.
- First impression is the last impression. The question which you can answer in the best manner should be attempted first.
- Always attempt to do all questions. Therefore, it is important that you must finish each question within allocated time.
- Read the question carefully more than once before starting the answer to understand very clearly as to what is required.

- Answer all parts of a question one after the other; do not answer different parts of the same question at different places.
- Write in a neat and legible hand-writing.
- Always be concise and write to the point and do not try to fill pages unnecessarily.
- There must be logical expression of the answer.
- In case a question is not clear, you may state your assumptions and then answer the question.
- Check your answers carefully and underline important points before leaving the examination hall.

III. Subject-wise Guidance – An Overview

PAPER – 1 : ACCOUNTING

The Revisionary Test Paper (RTP) of Accounting is divided into two parts viz Part I - Relevant announcement stating Applicability and Non-Applicability for November, 2019 examination and Part II –Questions and Answers.

It may be noted that the July, 2017 edition of the Study Material is relevant for November, 2019 Examination.

Part I of the Revisionary Test consists of the relevant Notifications and information applicable and not applicable for November, 2019 examination. The purpose of this information in the RTP is to apprise the students with the latest developments applicable for November, 2019 examination. The brief summary of the same has been given as under:

A. Applicable for November, 2019 examination:

I. Amendments in Schedule III (Division I) to the Companies Act, 2013

II. Amendments in Schedule V to the Companies Act, 2013

III. Notification dated 13th June, 2017 to exempt startup private companies from preparation of Cash Flow Statement as per Section 462 of the Companies Act 2013

IV. Amendment in AS 11 "The Effects of Changes in Foreign Exchange Rates"

V. Redemption of Debentures

B. Not applicable for November, 2019 examination:

Ind ASs issued by the Ministry of Corporate Affairs.

Part II of the Revisionary Test Paper consists of twenty questions together with their answers. First fifteen questions are based on different topics discussed in the study material. Last five questions of this RTP are based on Accounting Standards. For easy reference the topic / accounting standard name and number on which the question is based has been quoted at the top of each question. The details of topics, on which questions in the RTP are based, are as under:

Question No.	Topic
1 and 2	Financial Statements of Companies
3	Profit or Loss prior to Incorporation
4	Accounting for Bonus Issue
5	Right Issue
6	Redemption of Preference Shares
7	Redemption of Debentures
8	Investment Accounts
9	Insurance Claim for Loss of Stock
10	Hire purchase Transactions
11	Departmental Accounts
12	Branch Accounting
13	Accounts from Incomplete Records
14	Partnership accounts: Dissolution of Partnership
15	Framework for Preparation and Presentation of Financial statements
16-20	Accounting Standards

Answers to the questions have been given in detail along with the working notes for easy understanding and comprehending the steps in solving the problems. The answers to the questions have been presented in the manner which is expected from the students in the examination. The students are expected to solve the questions under examination conditions and then compare their solutions with the solutions given in the Revisionary Test Paper and further strategize their preparation for scoring more marks in the examination.

PAPER – 2: CORPORATE AND OTHER LAWS

In the paper of Corporate and Other Laws, for the 'Company Law' portion the objective is 'To develop an understanding of the provisions of company law and acquire the ability to address application-oriented issues' and for 'Other Laws' the objective is 'To develop an understanding of the provisions of select legislations and acquire the ability to address application-oriented issues, and to develop an understanding of the rules for interpretation of statutes'. The students need to prepare on basis of the objective entrusted in the syllabus for the subject. Students should also give importance to the terms/definitions for proper conceptualization of the answers. Students have to focus their study based on the major legal provisions, case laws, if any, and understand their practical implications. Also, Language is an important point of concern. This problem among many of the candidates can be overcome by way of practice writing and also undertaking self-examination by going through Revisionary Test Papers (RTP).

RTP gives an idea to the student attempting law paper to give the answer of any practical oriented questions by pinpointing the legal points or issues involved in any statement, problem or situation given in the question, explaining the relevant legal provisions clearly, co-relating the legal provisions to the given statement or problem or situation and cite the relevant case law in support of their reasoning for reflecting on the quality of the answer. For the theoretical question, the answer should be laid down by highlighting the main points with brief description and explain the same with the help of an example.

Generally, the RTP is divided into two parts -

Part I: Containing the relevant legislative amendments which are applicable for November, 2019 examinations.

It consists of the relevant Notifications and information applicable for November, 2019 examination. The purpose of this information in the RTP is to apprise the students with the latest developments applicable for November, 2019 examinations.

Part II: Topic wise questions with detailed answers

It constitutes of 20 Questions broadly categorised into two divisions – Division A (Multiple Choice Questions) and Division B (Detailed Questions) with their answers. The questions here are arranged in the same sequence as prescribed in the Study Module to smoothen the progress of easy revision. In Division B in sequence of questions is as follows:

QUESTION NO.	ABOUT THE QUESTION
1 - 8	Based on the Companies Act, 2013
9	Deals with the Indian Contract Act, 1872.
10	Deals with the Negotiable Instruments Act,1881
11	Based on the General Clauses Act, 1897
12	Interpretation of Statutes, Deeds and Documents

Guidance on the citation of the Case Laws and Section

Students may kindly note that in view of various Acts covered under the subject, you may find it difficult to remember various sections of the law and related case laws on the matter. Case laws and citing of the Sections reflects on the quality of your preparation for the examination and making yourself set to become a perfect professional. The answers that are reflected here have reference to sections and case laws wherever applicable. It may kindly be noted that these are given for knowledge and to mainly inculcate such a habit. However, at this level it may not affect on the scoring of the marks.

PAPER – 3: COST AND MANAGEMENT ACCOUNTING

The Revision Test Paper (RTP) of Cost and Management Accounting comprises of Fifteen questions for full coverage of the syllabus. Theoretical questions alongwith computational problems have also been incorporated so that you are able to give emphasis to the theoretical portion of the syllabus as well. Since this paper's inclination is more towards numerical-oriented questions which involve mathematical calculations, therefore, it is very important that you have thoroughly studied the theoretical aspects of the subject and are also clear about the concepts and logic behind the mathematical workings and formulae.

A summary of the questions both theoretical and computational has been given for your reference:

Qs No.	Topic	About the Problem
1.	Material	Calculation of Economic Order Quantity (EOQ), Cost per kg of Material.
2.	Labour	Calculation of Bonus.
3.	Overheads	Under/over absorption of Overheads and its treatment.
4.	Activity Based Costing (ABC) Method	Preparation of a statement showing cost allocation to each product from each activity.
5.	Cost Sheet	Preparation of cost sheet.
6.	Non-integrated Accounting	Preparation of various A/C and Trial Balance.
7.	Contract Costing	Preparation of contract Account and estimation of Profit.
8.	Batch Costing	Computation of Economic Batch Quantity.
9.	Job Costing	Calculation of Job price.
10.	Service Costing	Preparation of Annual cost statement.
11.	Process Costing	Preparation of equivalent production and Process Account.

12.	Standard Costing	Computation of Material Variances and Labour variances.
13.	Marginal Costing	Calculation of BEP, P/V ratio.
14.	Budget and Budgetary Control	Preparation of Expense budget.
15(i)	Cost Concepts	Difference between Cost Accounting and Cost Accounting.
15(ii)	Budget and Budgetary Control	Meaning of Budget Manual.
15(iii)	Process Costing	Meaning of Equivalent units used in process industries.

PAPER – 4: TAXATION

Section A: Income-tax Law (60 Marks)

The Income-tax law, as amended by the Finance Act, 2018, and significant notifications, circulars and other legislative amendments upto 30.4.2019 are relevant for November, 2019 Examination. The relevant assessment year for November, 2019 examination is A.Y. 2019-20.

The July 2018 edition of the Study Material, comprising of three modules (Modules 1-3), is applicable for November, 2019 Examination.

Further, a list of topic-wise exclusions from the syllabus has been specified by way of **"Study Guidelines"** in the above Study Material. The same is also given as part of "Applicability of Standards/Guidance Notes/Legislative Amendments etc. for November, 2019 – Intermediate (New) Examination" appended at the end of this Revision Test Paper.

You have to read the Study Material thoroughly to attain conceptual clarity. Tables, diagrams and flow charts have been extensively used to facilitate easy understanding of concepts. The amendments made by the Finance Act, 2018 and latest notifications and circulars have been given in *italics*/***bold italics***. Examples and Illustrations given in the Study Material would help you understand the application of concepts. Thereafter, work out the exercise questions at the end of each chapter to hone your problem solving skills. Compare your answers with the answers given to test your level of understanding.

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

Before you work out the questions in Part II of the RTP, do read the Statutory Update given in Part I. Students may refer to the April, 2019 issue of the Students' Journal "The Chartered Accountant Student" for a quick recap of the income tax provisions discussed in the Study Material.

Section B: Indirect Taxes (40 Marks)

For Section B: Indirect Taxes of Paper 4: Taxation, provisions of CGST Act, 2017 and IGST Act, 2017, as amended by the CGST (Amendment) Act, 2018 and IGST (Amendment) Act, 2018, including significant circulars and notifications issued and other legislative amendments made upto 30th April, 2019 are applicable for November, 2019 examination.

Further, a list of topic-wise exclusions from the syllabus has been specified by way of **"Study Guidelines for November, 2019 Examination"**. The same is given as part of "Applicability of Standards/Guidance Notes/Legislative Amendments etc. for November, 2019 Examination" appended at the end of this Revision Test Paper.

The September, 2018 edition of the Study Material is applicable for New Intermediate Course Paper 4: Taxation, Section B: Indirect Taxes. The Study Material has been divided into two modules for ease of handling by students.

Study Material is based on the provisions of the Central Goods and Services Tax Act, 2017 and Integrated Goods and Services Act, 2017 as amended upto 25.09.2018.

You have to read the Study Material thoroughly to attain conceptual clarity. Tables, diagrams and flow charts have been extensively used to facilitate easy understanding of concepts. Examples and Illustrations given in the Study Material would help you understand the application of concepts. Thereafter, work out the questions at the end of each chapter to hone your problem-solving skills. Compare your answers with the answers given to test your knowledge.

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

It may be noted that the Statutory Update comprising of the significant legislative developments by way of notifications/circulars issued from 26.09.2018 to 30.04.2019 has been web-hosted at the BoS Knowledge Portal on the ICAI's website www.icai.org.

PAPER – 1: ACCOUNTING

PART – I: ANNOUNCEMENTS STATING APPLICABILITY & NON-APPLICABILITY FOR NOVEMBER 2019 EXAMINATION

A. Applicable for November, 2019 examination

I. Amendments in Schedule III (Division I) to the Companies Act, 2013

In exercise of the powers conferred by sub-section (1) of section 467 of the Companies Act, 2013), the Central Government made the following amendments in Division I of the Schedule III with effect from the date of publication of this notification in the Official Gazette:

(A) under the heading "II Assets", under sub-heading "Non-current assets", for the words "Fixed assets", the words "Property, Plant and Equipment" shall be substituted;

(B) in the "Notes", under the heading "General Instructions for preparation of Balance Sheet", in paragraph 6,-

(I) under the heading "B. Reserves and Surplus", in item (i), in sub- item (c), the word "Reserve" shall be omitted;

(II) in clause W., for the words "fixed assets", the words "Property, Plant and Equipment" shall be substituted.

II. Amendments in Schedule V to the Companies Act, 2013

In exercise of the powers conferred by sub-sections (1) and (2) of section 467 of the Companies Act, 2013, the Central Government hereby makes the following amendments to amend Schedule V.

In PART II, under heading "REMUNERATION", in Section II - ,

(a) in the heading, the words "without Central Government approval" shall be omitted;

(b) in the first para, the words "without Central Government approval" shall be omitted;

(c) in item (A), in the proviso, for the words "Provided that the above limits shall be doubled" the words "Provided that the remuneration in excess of above limits may be paid" shall be substituted;

(d) in item (B), for the words "no approval of Central Government is required" the words "remuneration as per item (A) may be paid" shall be substituted;

(e) in Item (B), in second proviso, for clause (ii), the following shall be substituted, namely:-

"(ii) the company has not committed any default in payment of dues to any bank or public financial institution or non-convertible debenture holders or any other secured creditor, and in case of default, the prior approval of the bank or public financial institution concerned or the non-convertible debenture holders or other secured creditor, as the case may be, shall be obtained by the company before obtaining the approval in the general meeting.";

(f) in item (B), in second proviso, in clause (iii), the words "the limits laid down in" shall be omitted;

In PART II, under the heading "REMUNERATION", in Section III, –

(a) in the heading, the words "without Central Government approval" shall be omitted;

(b) in first para, the words "without the Central Government approval" shall be omitted;

(c) in clause (b), in the long line, for the words "remuneration up to two times the amount permissible under Section II" the words "any remuneration to its managerial persons", shall be substituted;

III. Notification dated 13th June, 2017 to exempt startup private companies from preparation of Cash Flow Statement as per Section 462 of the Companies Act 2013

As per the Amendment, under Chapter I, clause (40) of section 2, an exemption has been provided to a startup private company besides one person company, small company and dormant company. Accordingly, a startup private company is not required to include the cash flow statement in the financial statements.

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

IV. Amendment in AS 11 "The Effects of Changes in Foreign Exchange Rates"

In exercise of the powers conferred by clause (a) of sub-section (1) of section 642 of the Companies Act, 1956, the Central Government, in consultation with National Advisory Committee on Accounting Standards, hereby made the amendment in the Companies (Accounting Standards) Rules, 2006, in the "ANNEXURE", under the heading "ACCOUNTING STANDARDS" under "AS 11 on The Effects of Changes in Foreign Exchange Rates", for the paragraph 32, the following paragraph shall be substituted, namely :-

"32. An enterprise may dispose of its interest in a non-integral foreign operation through sale, liquidation, repayment of share capital, or abandonment of all, or part of, that operation. The payment of a dividend forms part of a disposal only when it constitutes a return of the investment. Remittance from a non-integral foreign operation by way of repatriation of accumulated profits does not form part of a disposal unless it constitutes return of the investment. In the case of a partial disposal, only the proportionate share of the related accumulated exchange differences is included in the gain or loss. A write-down of the carrying amount of a non-integral foreign operation does not constitute a partial disposal. Accordingly, no part of the deferred foreign exchange gain or loss is recognized at the time of a write-down".

V. Redemption of Debentures

Chapter 8 "Redemption of Debentures" of the Intermediate Paper 1: Accounting Study Material (Module II) has been revised and uploaded on the BoS Knowledge Portal of the Institute's website. It is advised to refer the updated chapter at the link: *https://resource.cdn.icai.org/55831bos45229cp8.pdf*.

B. Not applicable for November, 2019 examination

Non-Applicability of Ind AS for November, 2019 Examination

The Ministry of Corporate Affairs has notified Companies (Indian Accounting Standards) Rules, 2015 on 16th February, 2015, for compliance by certain class of companies. These Ind AS are not applicable for November, 2019 Examination.

PART – II: QUESTIONS AND ANSWERS

QUESTIONS

Financial Statements of Companies

1. (a) The following balance appeared in the books of Oliva Company Ltd. as on 31-03-2019.

Particulars		₹	Particulars		₹
Inventory 01-04-2018			Sales		17,10,000
-Raw Material	30,000		Interest		3,900
-Finished goods	46,500	76,500	Profit and Loss A/c		48,000
Purchases		12,15,000	Share Capital		3,15,000

Manufacturing Expenses		2,70,000	Secured Loans: Short–term Long-term	4,500 21,000	25,500
Salaries and wages		40,200	Fixed Deposits (unsecured): Short -term	1,500	
General Charges		16,500	Long - term	3,300	4,800
Interim Dividend paid (inclusive of Dividend Distribution Tax)		27,000	Trade payables		3,27,000
Building		1,01,000			
Plant and Machinery		70,400			
Furniture		10,200			
Motor Vehicles		40,800			
Stores and Spare Parts Consumed		45,000			
Investments: Current	4,500				
Non-Current	7,500	12,000			
Trade receivables		2,38,500			
Cash in Bank		2,71,100			
		24,34,200			24,34,200

From the above balance and the following information, prepare the company's Profit and Loss Account for the year ended 31st March, 2019 and Company's Balance Sheet as on that date:

1. Inventory on 31st March,2019 Raw material ₹ 25,800 & finished goods ₹ 60,000.
2. Outstanding Expenses: Manufacturing Expenses ₹ 67,500 & Salaries & Wages ₹ 4,500.
3. Interest accrued on Securities ₹ 300.
4. General Charges prepaid ₹ 2,490.
5. Provide depreciation: Building @ 2% p.a., Machinery @ 10% p.a., Furniture @ 10% p.a. & Motor Vehicles @ 20% p.a.
6. Current maturity of long term loan is ₹ 1,000.

7. The Taxation provision of 40% on net profit is considered.

(b) The following extract of Balance Sheet of X Ltd. (a non-investment company) was obtained:

Balance Sheet (Extract) as on 31st March, 2019

Liabilities	₹
Authorized capital:	
15,000, 14% preference shares of ₹ 100	15,00,000
1,50,000 Equity shares of ₹ 100 each	1,50,00,000
	1,65,00,000
Issued and subscribed capital:	
15,000, 14% preference shares of ₹ 100 each fully paid	15,00,000
1,20,000 Equity shares of ₹ 100 each, ₹ 80 paid-up	96,00,000
Capital reserves (₹ 1,50,000 is revaluation reserve)	1,95,000
Securities premium	50,000
15% Debentures	65,00,000
Investment in shares, debentures, etc.	75,00,000
Profit and Loss account (debit balance)	15,25,000

You are required to compute Effective Capital as per the provisions of Schedule V to the Companies Act, 2013.

Cash flow statement

2. From the following information, prepare a Cash Flow Statement for the year ended 31st March, 2019.

Balance Sheets

	Particulars	Note	31.03.2019 (₹)	31.03.2018 (₹)
I	EQUITY AND LIABILITES			
	(1) Shareholder's Funds			
	(a) Share Capital	1	3,50,000	3,00,000
	(b) Reserves and Surplus	2	82,000	38,000
	(2) Non-Current Liabilities			
	(3) Current Liabilities			
	(a) Trade Payables		65,000	44,000
	(b) Other Current Liabilities	3	37,000	27,000

	(c) Short term Provisions (provision for tax)		32,000	28,000
	Total		5,66,000	4,37,000
II	ASSETS			
	(1) Non-current Assets			
	(a) Tangible Assets	4	2,66,000	1,90,000
	(b) Intangible Assets (Goodwill)		47,000	60,000
	Non-Current Investments		35,000	10,000
	(2) Current Assets			
	(a) Inventories		78,000	85,000
	(b) Trade Receivables		1,08,000	75,000
	(c) Cash & Cash Equivalents		32,000	17,000
	Total		5,66,000	4,37,000

Note 1: Share Capital

Particulars	31.03.2019 (₹)	31.03.2018 (₹)
Equity Share Capital	2,50,000	1,50,000
8% Preference Share Capital	1,00,000	1,50,000
Total	3,50,000	3,00,000

Note 2: Reserves and Surplus

Particulars	31.03.2019 (₹)	31.03.2018 (₹)
General Reserve	30,000	20,000
Profit and Loss A/c	27,000	18,000
Capital Reserve	25,000	
Total	82,000	38,000

Note 3: Current Liabilities

Particulars	31.03.2019(₹)	31.03.2018 (₹)
Dividend declared	37,000	27,000

Note 4: Tangible Assets

Particulars	31.03.2019 (₹)	31.03.2018 (₹)
Land & Building	75,000	1,00,000
Machinery	1,91,000	90,000
Total	2,66,000	1,90,000

Additional Information:

(i) ₹ 18,000 depreciation for the year has been written off on plant and machinery and no depreciation has been charged on Land and Building.

(ii) A piece of land has been sold out for ₹ 50,000 and the balance has been revalued, profit on such sale and revaluation being transferred to capital reserve. There is no other entry in Capital Reserve Account.

(iii) A plant was sold for ₹ 12,000 WDV being ₹ 15,000 on the date of sale (after charging depreciation).

(iv) Dividend received amounted to ₹ 2,100 which included pre-acquisition dividend of ₹ 600.

(v) An interim dividend of ₹ 10,000 including Dividend Distribution Tax has been paid.

(vi) Non-current investments given in the balance sheet represents investment in shares of other companies.

(vii) Amount of provision for tax existing on 31.3.2018 was paid during the year 2018-19.

Profit/Loss prior to Incorporation

3. Roshani & Reshma working in partnership, registered a joint stock company under the name of Happy Ltd. on May 31st 2018 to take over their existing business. The summarized Profit & Loss A/c as given by Happy Ltd. for the year ending 31st March, 2019 is as under:

Happy Ltd.

Profit & Loss A/c for the year ending March 31, 2019

Particulars	Amount (₹)	Particulars	Amount (₹)
To Salary	1,44,000	By Gross Profit	4,50,000
To Interest on Debenture	36,000		
To Sales Commission	18,000		
To Bad Debts	49,000		
To Depreciation	19,250		
To Rent	38,400		
To Company Audit fees	12,000		
To Net Profit	1,33,350		
Total	4,50,000	Total	4,50,000

Prepare a Statement showing allocation of expenses & calculation of pre-incorporation & post- incorporation profits after considering the following information:

(i) GP ratio was constant throughout the year.

(ii) Depreciation includes ₹ 1,250 for assets acquired in post incorporation period.

(iii) Bad debts recovered amounting to ₹ 14,000 for a sale made in 2015-16 has been deducted from bad debts mentioned above.

(iv) Total sales were ₹ 18,00,000 of which ₹ 6,00,000 were for April to September.

(v) Happy Ltd. had to occupy additional space from 1st Oct. 2018 for which rent was ₹ 2,400 per month.

Accounting for Bonus Issue

4. Following is the extract of the Balance Sheet of Manoj Ltd. as at 31st March, 20X1

	₹
Authorised capital:	
30,000 12% Preference shares of ₹ 10 each	3,00,000
4,00,000 Equity shares of ₹ 10 each	40,00,000
	43,00,000
Issued and Subscribed capital:	
24,000 12% Preference shares of ₹ 10 each fully paid	2,40,000
2,70,000 Equity shares of ₹ 10 each, ₹ 8 paid up	21,60,000
Reserves and surplus:	
General Reserve	3,60,000
Capital Redemption Reserve	1,20,000
Securities premium (collected in cash)	75,000
Profit and Loss Account	6,00,000

On 1st April, 20X1, the Company has made final call @ ₹ 2 each on 2,70,000 equity shares. The call money was received by 20th April, 20X1. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every four shares held.

Show necessary journal entries in the books of the company and prepare the relevant extract of the balance sheet as on 30th April, 20X1 after bonus issue.

Right Issue

5. Omega company offers new shares of ₹ 100 each at 20% premium to existing shareholders on the basis of one for four shares. The cum-right market price of a share is ₹ 190.

You are required to calculate the Value of a right share.

Redemption of Preference Shares

6. The following are the extracts from the Balance Sheet of ABC Ltd. as on 31st December, 20X1:

   Share capital: 50,000 Equity shares of ₹10 each fully paid – ₹5,00,000; 2,000 10% Redeemable preference shares of ₹100 each fully paid – ₹ 2,00,000.

   Reserve & Surplus: Capital reserve – ₹2,00,000; General reserve –₹ 2,00,000; Profit and Loss Account – ₹75,000.

   On 1st January 20X2, the Board of Directors decided to redeem the preference shares at premium of 5% by utilization of reserves.

   You are required to prepare necessary Journal Entries including cash transactions in the books of the company.

Redemption of Debentures

7. Omega Limited (a manufacturing company) recently made a public issue in respect of which the following information is available:

   (a) No. of partly convertible debentures issued- 2,00,000; face value and issue price- ₹ 100 per debenture.

   (b) Convertible portion per debenture- 60%, date of conversion- on expiry of 6 months from the date of closing of issue i.e 31.10.20X1.

   (c) Date of closure of subscription lists- 1.5.20X1, date of allotment- 1.6.20X1, rate of interest on debenture- 15% payable from the date of allotment, value of equity share for the purpose of conversion- ₹ 60 (Face Value ₹ 10).

   (d) Underwriting Commission- 2%.

   (e) Number of debentures applied for - 1,50,000.

   (f) Interest payable on debentures half-yearly on 30th September and 31st March.

   Write relevant journal entries for all transactions arising out of the above during the year ended 31st March, 20X2 (including cash and bank entries).

Investment Accounts

8. A Pvt. Ltd. follows the calendar year for accounting purposes. The company purchased 5,000 (nos.) 13.5% Convertible Debentures of Face Value of ₹ 100 each of P Ltd. on 1st May 2018 @ ₹ 105 on cum interest basis. The interest on these instruments is payable on 31st March & 30th September respectively. On August 1st 2018 the company again purchased 2,500 of such debentures @ ₹ 102.50 each on cum interest basis. On 1st October, 2018 the company sold 2,000 Debentures @ ₹ 103 each. On 31st December, 2018 the company received 10,000 equity shares of ₹ 10 each in P Ltd. on conversion of 20% of its holdings. Interest for 3 months on converted debentures was also received on 31.12.2018. The market value of the debentures and equity shares as at the close of the

year were ₹ 106 and ₹ 9 respectively. Prepare the Debenture Investment Account & Equity Shares Investment Account in the books of A Pvt. Ltd. for the year 2018 on Average Cost Basis.

Insurance Claim for loss of stock or profit

9. On 2.6.2019 the stock of Mr. Black was destroyed by fire. However, following particulars were furnished from the records saved:

	₹
Stock at cost on 1.4.2018	1,35,000
Stock at 90% of cost on 31.3.2019	1,62,000
Purchases for the year ended 31.3.2019	6,45,000
Sales for the year ended 31.3.2019	9,00,000
Purchases from 1.4.2019 to 2.6.2019	2,25,000
Sales from 1.4.2019 to 2.6.2019	4,80,000

Sales up to 2.6.2019 includes ₹ 75,000 being the goods not dispatched to the customers. The sales (invoice) price is ₹ 75,000.

Purchases up to 2.6.2019 includes a machinery acquired for ₹ 15,000.

Purchases up to 2.6.2019 does not include goods worth ₹ 30,000 received from suppliers, as invoice not received up to the date of fire. These goods have remained in the godown at the time of fire. The insurance policy is for ₹ 1,20,000 and it is subject to average clause. Ascertain the amount of claim for loss of stock.

Hire Purchase Transactions

10. Amandeep bought 2 cars from 'Fair Value Motors Pvt. Ltd. on 1.4.2016 on the following terms (for both cars):

Down payment	6,00,000
1st Installment at the end of first year	4,20,000
2nd Installment at the end of 2nd year	4,90,000
3rd Installment at the end of 3rd year	5,50,000

Interest is charged at 10% p.a.

Amandeep provides depreciation @ 25% on the diminishing balances.

On 31.3.2019 Amandeep failed to pay the 3rd installment upon which 'Fair Value Motors Pvt. Ltd.' repossessed 1 car. Amandeep agreed to leave one car with Fair Value Motors Pvt. Ltd. and adjusted the value of the car against the amount due. The car taken over was valued on the basis of 40% depreciation annually on written down basis. The balance amount remaining in the vendor's account after the above adjustment was paid by Amandeep after 3 months with interest @ 20% p.a.

You are required to:

(i) Calculate the cash price of the cars and the interest paid with each installment.

(ii) Prepare Cars Account in the books of Amandeep assuming books are closed on March 31, every year.

Figures may be rounded off to the nearest rupee.

Departmental Accounts

11. A firm has two departments--Sawmill and Furniture. Furniture is made with wood supplied by the Sawmill department at its usual selling price. From the following figures prepare Departmental Trading and Profit and Loss Account for the year 2018:

	Sawmill ₹	Furniture ₹
Opening Stock on 1st January, 2018	1,50,000	25,000
Sales	12,00,000	2,00,000
Purchases	10,00,000	7,500
Supply to Furniture Department	1,50,000	--
Selling expenses	10,000	3,000
Wages	30,000	10,000
Clsong Stock on 31st December, 2018	1,00,000	30,000

The value of stocks in the furniture department consist of 75% wood and 25% other expenses. The Sawmill Department earned Gross Profit at 15 % on sales in 2017. General expenses of the business as a whole came to ₹ 55,000. The firm adopts FIFO method for assigning costs to inventories.

Branch Accounting

12. From the following particulars relating to Pune branch for the year ending December 31, 2018, prepare Branch Account in the books of Head office.

		₹
Stock at Branch on January 1, 2018		10,000
Branch Debtors on January 1, 2018		4,000
Branch Debtors on Dec. 31, 2018		4,900
Petty cash at branch on January 1, 2018		500

Furniture at branch on January 1, 2018		2,000
Prepaid fire insurance premium on January 1, 2018		150
Salaries outstanding at branch on January 1, 2018		100
Good sent to Branch during the year		80,000
Cash Sales during the year		1,30,000
Credit Sales during the year		40,000
Cash received from debtors		35,000
Cash paid by the branch debtors directly to the Head Office		2,000
Discount allowed to debtors		100
Cash sent to branch for Expenses:		
Rent	2,000	
Salaries	2,400	
Petty Cash	1,000	
Annual Insurance up to March 31, 2019	600	6,000
Goods returned by the Branch		1,000
Goods returned by the debtors		2,000
Stock on December 31,2018		5000
Petty Cash spent by branch		850
Provide depreciation on furniture 10% p.a.		

Goods costing ₹ 1,200 were destroyed due to fire and a sum of ₹ 1,000 was received from the Insurance Company.

Accounts from Incomplete Records

13. Following is the incomplete information of Jyotishikha Traders:

The following balances are available as on 31.03.2018 and 31.03.2019.

Balances	*31.03.2018*	*31.03.2019*
Land and Building	5,00,000	5,00,000
Plant and Machinery	2,20,000	3,30,000
Office equipment	1,05,000	85,000
Debtors (before charging for Bad debts)	?	2,25,000
Creditors for purchases	95,000	?
Creditors for office expenses	20,000	15,000
Stock	?	65,000

Long term loan from SBI @ 12%.	1,60,000	100,000
Bank	25,000	?

Other Information	In ₹
Collection from debtors	9,25,000
Payment to creditors for purchases	5,25,000
Payment of office expenses (excluding interest on loan)	42,000
Salary paid	32,000
Selling expenses	15,000
Cash sales	2,50,000
Credit sales (80% of total sales)	
Credit purchases	5,40,000
Cash purchases (40% of total purchases)	
GP Margin at cost plus 25%	
Discount Allowed	5,500
Discount Received	4,500
Bad debts (2% of closing debtors)	
Depreciation to be provided as follows:	
Land and Building	5%
Plant and Machinery	10%
Office Equipment	15%

Other adjustments:

(i) On 01.10.18 they sold machine having Book Value ₹ 40,000 (as on 31.03.2018) at a loss of ₹ 15,000. New machine was purchased on 01.01.2019.

(ii) Office equipment was sold at its book value on 01.04.2018.

(iii) Loan was partly repaid on 31.03.19 together with interest for the year.

You are required to prepare Trading, Profit & Loss Account and Balance Sheet as on 31.03.2019.

Dissolution of partnership firm

14. P, Q, R and S are sharing profits and losses in the ratio 3 : 3 : 2 : 1. Frauds committed by R during the year were found out and it was decided to dissolve the partnership on 31st March, 2019 when their Balance Sheet was as under:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals:		Building	1,90,000
P	1,50,000	Stock	1,30,000
Q	1,50,000	Investments	50,000
R	-	Debtors	70,000
S	60,000	Cash	30,000
General reserve	40,000	R	40,000
Trade creditors	80,000		
Bills payable	30,000		
	5,10,000		5,10,000

Following information is given to you:

(i) A cheque for ₹ 7,000 received from debtor was not recorded in the books and was misappropriated by R.

(ii) Investments costing ₹ 8,000 were sold by R at ₹ 11,000 and the funds transferred to his personal account. This sale was omitted from the firm's books.

(iii) A creditor agreed to take over investments of the book value of ₹ 9,000 at ₹ 13,000. The rest of the creditors were paid off at a discount of 5%.

(iv) The other assets realized as follows:

Building 110% of book value

Stock ₹ 1,20,000

Investments The rest of investments were sold at a profit of ₹ 7,000

Debtors The rest of the debtors were realized at a discount of 10%

(v) The bills payable were settled at a discount of ₹ 500.

(vi) The expenses of dissolution amounted to ₹ 8,000

(vii) It was found out that realization from R's private assets would only be ₹ 7,000.

Prepare Realization Account, Cash Account and Partner's Capital Accounts. All workings should part of your answer.

Framework for Preparation and Presentation of Financial Statements

15. Aman started a business on 1st April 20X1 with ₹ 24,00,000 represented by 1,20,000 units of ₹ 20 each. During the financial year ending on 31st March, 20X2, he sold the entire stock for ₹ 30 each. In order to maintain the capital intact, calculate the maximum amount, which can be withdrawn by Aman in the year 20X1-X2 if Financial Capital is maintained at historical cost.

AS 2 Valuation of Inventories

16. (a) Hello Ltd. purchased goods at the cost of ₹ 20 lakhs in October. Till the end of the financial year, 75% of the stocks were sold. The Company wants to disclose closing stock at ₹ 5 lakhs. The expected sale value is ₹ 5.5 lakhs and a commission at 10% on sale is payable to the agent. You are required to ascertain the value of closing stock?

AS 4 Contingencies and Events Occurring after the Balance Sheet Date

(b) An earthquake destroyed a major warehouse of PQR Ltd. on 30.4.2019. The accounting year of the company ended on 31.3.2019. The accounts were approved on 30.6.2019. The loss from earthquake is estimated at ₹ 25 lakhs. State with reasons, whether the loss due to earthquake is an adjusting or non-adjusting event and how the fact of loss is to be disclosed by the company.

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

17. (a) The Accountant of Mobile Limited has sought your opinion with relevant reasons, whether the following transactions will be treated as change in Accounting Policy or not for the year ended 31st March, 2019. Please advise him in the following situations in accordance with the provisions of relevant Accounting Standard;

(i) Provision for doubtful debts was created @ 2% till 31st March, 2018. From the Financial year 2018-2019, the rate of provision has been changed to 3%.

(ii) During the year ended 31st March, 2019, the management has introduced a formal gratuity scheme in place of ad-hoc ex-gratia payments to employees on retirement.

(iii) Till the previous year the furniture was depreciated on straight line basis over a period of 5 years. From current year, the useful life of furniture has been changed to 3 years.

(iv) Management decided to pay pension to those employees who have retired after completing 5 years of service in the organization. Such employees will get pension of ₹ 20,000 per month. Earlier there was no such scheme of pension in the organization.

(v) During the year ended 31st March, 2019, there was change in cost formula in measuring the cost of inventories.

AS 10 Property, Plant and Equipment

(b) Shrishti Ltd. contracted with a supplier to purchase machinery which is to be installed in its Department A in three months' time. Special foundations were required for the machinery which were to be prepared within this supply lead time. The cost of the site preparation and laying foundations were ₹ 1,41,870. These activities were supervised by a technician during the entire period, who is employed for this purpose of ₹ 45,000 per month. The technician's services were given by Department B to Department A, which billed the services at ₹ 49,500 per month after adding 10% profit margin.

The machine was purchased at ₹ 1,58,34,000 inclusive of IGST @ 12% for which input credit is available to Shrishti Ltd. ₹ 55,770 transportation charges were incurred to bring the machine to the factory site. An Architect was appointed at a fee of ₹ 30,000 to supervise machinery installation at the factory site.

Ascertain the amount at which the Machinery should be capitalized under AS 10 considering that IGST credit is availed by the Shristhi Limited. Internally booked profits should be eliminated in arriving at the cost of machine.

AS 11 The Effects of Changes in Foreign Exchange Rates

18. (a) (i) Trade receivables as on 31.3.2019 in the books of XYZ Ltd. include an amount receivable from Umesh ₹ 5,00,000 recorded at the prevailing exchange rate on the date of sales, i.e. at US $ 1= ₹ 58.50. US $ 1 = ₹ 61.20 on 31.3.2019.

Explain briefly the accounting treatment needed in this case as per AS 11 as on 31.3.2019.

(ii) Power Track Ltd. purchased a plant for US$ 50,000 on 31st October, 2018 payable after 6 months. The company entered into a forward contract for 6 months @₹ 64.25 per Dollar. On 31st October, 2018, the exchange rate was ₹ 61.50 per Dollar.

You are required to recognise the profit or loss on forward contract in the books of the company for the year ended 31st March, 2019.

AS 12 Accounting for Government Grants

(b) Samrat Limited has set up its business in a designated backward area which entitles the company for subsidy of 25% of the total investment from Government of India. The company has invested ₹ 80 crores in the eligible investments. The company is eligible for the subsidy and has received ₹ 20 crores from the government in February 2019. The company wants to recognize the said subsidy as its income to improve the bottom line of the company.

Do you approve the action of the company in accordance with the Accounting Standard?

AS 13 Accounting for Investments

19. (a) Z Bank has classified its total investment on 31-3-2018 into three categories (a) held to maturity (b) available for sale (c) held for trading as per the RBI Guidelines.

'Held to maturity' investments are carried at acquisition cost less amortized amount. 'Available for sale' investments are carried at marked to market. 'Held for trading' investments are valued at weekly intervals at market rates. Net depreciation, if any, is charged to revenue and net appreciation, if any, is ignored.

You are required to comment whether the policy of the bank is in accordance with AS 13?

AS 16 Borrowing costs

(b) In May, 2018, Capacity Ltd. took a bank loan to be used specifically for the construction of a new factory building. The construction was completed in January, 2019 and the building was put to its use immediately thereafter. Interest on the actual amount used for construction of the building till its completion was ₹ 18 lakhs, whereas the total interest payable to the bank on the loan for the period till 31st March, 2019 amounted to ₹ 25 lakhs.

Can ₹ 25 lakhs be treated as part of the cost of factory building and thus be capitalized on the plea that the loan was specifically taken for the construction of factory building? Explain the treatment in line with the provisions of AS 16.

AS 17 Segment Reporting

20 (a) A Company has an inter-segment transfer pricing policy of charging at cost less 5%. The market prices are generally 20% above cost.

You are required to examine whether the policy adopted by the company is correct or not?

AS 22 Accounting for Taxes on Income

(b) The Accountant of Sohna Ltd. provides the following information for the year ended 31-03-2019:

Particulars	₹
Accounting Profit	7,50,000
Book Profit as per MAT	4,37,500
Profit as per Income Tax Act	90,000
Tax rate	20%
MAT rate	7.50%

You are required to calculate the deferred tax asset/ liability as per AS 22 and amount of tax to be debited to the Profit and Loss Account for the year.

SUGGESTED ANSWERS/HINTS

1. (a) Oliva Company Ltd.

Statement of Profit and loss for the year ended 31.03.2019

(₹)

	Particulars	Note	Amount
I	Revenue from operations		17,10,000
II	Other income (3,900 +300)		4,200
III	**Total Revenue (I +II)**		17,14,200
IV	Expenses:		
	Cost of materials consumed	10	12,64,200
	Purchases of inventory-in-trade		--
	Changes in inventories of finished goods, work-in-progress and inventory-in-Trade	11	(13,500)
	Employee benefit expenses	12	44,700
	Finance costs		--
	Depreciation and amortization expenses		18,240
	Other expenses	13	3,51,510
	Total Expenses		16,65,150
V	Profit before exceptional and extraordinary items and tax		49,050
VI	Exceptional items		--
VII	Profit before extraordinary items and tax		49,050
VIII	Extraordinary items		--
IX	Profit before tax		49,050
X	Tax expense (40% of 49,050)		19,620
XI	Profit/Loss for the period from continuing operations		29,430

Oliva Company Ltd.

Balance Sheet for the year ended 31.03.2019

	Particulars		Note	Amount
1	**Equity and Liabilities**			
	(i) Shareholders' funds			
	(a) Share Capital			3,15,000
	(b) Reserves and surplus		1	50,430

2)	**Non-current liabilities**			
	(a) Long-term borrowings		2	23,300
(3)	**Current Liabilities**			
	(a) Short -term borrowings		3	6,000
	(b) Trade payables			3,27,000
	(c) Other current liability		4	73,000
	(d) Short term provision		5	19,620
				8,14,350
II	**ASSETS**			
(1)	**Non current assets**			
	(a) Property, Plant & equipment			
	(i) Tangible assets		6	2,04,160
	(b) Non-current investments			7,500
(2)	**Current assets**			
	(a) Current investments			4,500
	(b) Inventories		7	85,800
	(c) Trade receivables			2,38,500
	(d) Cash and cash equivalents			2,71,100
	(e) Short-term loans and advances		8	2,490
	(f) Other current assets		9	300
				8,14,350

Notes to accounts

No	Particulars		Amount	Amount
1.	**Reserve & Surplus**			
	Profit & Loss Account: Balance b/f		48,000	
	Net Profit for the year		29,430	
	Less: Interim Dividend including DDT		(27,000)	50,430
2.	**Long term borrowings**			
	Secured loans (21,000 less current maturities 1,000)		20,000	
	Fixed Deposits: Unsecured		3,300	23,300

3.	**Short term borrowings**			
	Secured loans		4,500	
	Fixed Deposits -Unsecured		1,500	6,000
4.	**Other current liabilities**			
	Expenses Payable (67,500 + 4,500)		72,000	
	Current maturities of long term borrowings		1,000	73,000
5.	**Short term provisions**			
	Provision for Income tax			19,620
6.	**Tangible Assets**			
	Building	1,01,000		
	Less: Depreciation @ 2%	(2,020)	98,980	
	Plant & Machinery	70,400		
	Less: Depreciation @10%	(7,040)	63,360	
	Furniture	10,200		
	Less: Depreciation @10%	(1,020)	9,180	
	Motor vehicles	40,800		
	Less: Depreciation @20%	(8,160)	32,640	2,04,160
7	**Inventory:**			
	Raw Material		25,800	
	Finished goods		60,000	85,800
8.	**Short term Loans & Advances**			
	General Charges prepaid			2,490
9.	**Other Current Assets:**			
	Interest accrued			300
10.	**Cost of material consumed**			
	Opening inventory of raw Material & Stores	30,000		
	Add: Purchases	12,15,000		
	Stores & Spare parts consumed	(45,000)	12,90,000	
	Less: Closing inventory		(25,800)	12,64,200
11.	**Changes in inventory of Finished Goods & WIP**			

	Closing Inventory of Finished Goods		60,000	
	Less: Opening Inventory of Finished Goods		46,500	13,500
12.	**Employee Benefit expenses**			
	Salary & Wages (40,200 + 4,500)			44,700
13.	**Other Expenses:**			
	Manufacturing Expenses (2,70,000 + 67,500)		3,37,500	
	General Charges (16,500 – 2,490)		14,010	3,51,510

(b) Computation of Effective Capital

		₹
Paid-up share capital-		
15,000, 14% Preference shares		15,00,000
1,20,000 Equity shares		96,00,000
Capital reserves (excluding revaluation reserve)		45,000
Securities premium		50,000
15% Debentures		65,00,000
	(A)	1,76,95,000
Investments		75,00,000
Profit and Loss account (Dr. balance)		15,25,000
	(B)	90,25,000
Effective capital	(A–B)	86,70,000

2. Cash flow Statement for the year ending 31st March, 2019

		Particulars	₹	₹
1		**Cash Flow from Operating Activities**		
	A.	Closing balance as per Profit and Loss Account		27,000
		Less: Opening balance as per Profit and Loss Account		(18,000)
		Add: Dividend declared during the year		37,000
		Add: Interim dividend paid during the year		10,000
		Add: Transfer to reserve		10,000
		Add: Provision for Tax		32,000
	B.	Net profit before taxation, and extra-ordinary item		98,000
	C.	*Add:* Items to be added		

		Depreciation	18,000	
		Loss on sale of Plant	3,000	
		Goodwill written off	13,000	34,000
	D.	*Less:* Dividend Income		(1,500)
	E.	Operating profit before working capital changes [B + C - D]		1,30,500
	F.	*Add:* Decrease in Current Assets and Increase in Current Liabilities		
		Decrease in Inventories	7,000	
		Increase in Trade Payables	21,000	28,000
	G.	*Less:* Increase in Trade Receivables		(33,000)
	H	Cash generated from operations (E+F-G)		1,25,500
	I	Less: Income taxes paid		(28,000)
	J	Net Cash from (used in) operating activities		97,500
II.		**Cash Flows from investing activities:**		
		Purchase of Plant		(1,34,000)
		Sale of Land		50,000
		Sale of plant		12,000
		Purchase of investments		(25,600)
		Dividend Received		2,100
		Net cash used in investing activities		(95,500)
III.		**Cash Flows from Financing Activities:**		
		Proceeds from issue of equity share capital		1,00,000
		Redemption of preference shares		(50,000)
		Interim Dividend (inclusive of DDT) paid		(10,000)
		Final dividend (inclusive of DDT) paid		(27,000)
		Net cash from financing activities		13,000
IV.		**Net increase in cash and cash equivalents (I+II+III)**		15,000
V.		**Cash and cash equivalents at beginning of period**		17,000
VI.		**Cash and cash equivalents at end of period (IV+V)**		32,000

1. **Land and Building Account**

Particulars	₹	Particulars	₹
To Balance b/d	1,00,000	By Bank A/c (Sale)	50,000
To Capital Reserve A/c (Profit on sale/revaluation)	25,000	By Balance c/d	75,000
	1,25,000		1,25,000

2. **Plant and Machinery Account**

Particulars	₹	Particulars	₹
To Balance b/d	90,000	By Depreciation A/c	18,000
To Bank A/c (Purchase)	1,34,000	By Bank A/c (sale)	12,000
		By Profit and Loss A/c (Loss on sale)	3,000
		By Balance c/d	1,91,000
	2,24,000		2,24,000

3. **Investments Account**

Particulars	₹	Particulars	₹
To Balance b/d	10,000	By Bank A/c (Div. received)	600
To bank A/c (Purchase	25,600	By Balance c/d	35,000
	35,600		35,600

3. Pre-incorporation period is for two months, from 1st April, 2018 to 31st May, 2018. 10 months' period (from 1st June, 2018 to 31st March, 2019) is post-incorporation period.

Statement showing calculation of profit/losses for pre and post incorporation periods

		Pre-Inc ₹	*Post Inc* ₹
Gross Profit		50,000	4,00,000
Bad debts Recovery		14,000	
		64,000	4,00,000
Less:	Salaries	24,000	1,20,000
	Audit fees	-	12,000
	Depreciation	3,000	16,250
	Sales commission	2,000	16,000
	Bad Debts (49,000 + 14,000)	7,000	56,000

Interest on Debentures	–	36,000
Rent	4,000	34,400
Net Profit	24,000	1,09,350

* Pre-incorporation profit is a capital profit and will be transferred to Capital Reserve.

Working Notes:

(i) Calculation of ratio of Sales

Sales from April to September = 6,00,000 (1,00,000 p.m. on average basis)

October to March = ₹ 12,00,000 (2,00,000 p.m. on average basis)

Thus, sales for pre-incorporation period = ₹2,00,000

post-incorporation period = ₹ 16,00,000

Sales are in the ratio of 1:8

(ii) Gross profit, sales commission and bad debts written off have been allocated in pre and post incorporation periods in the ratio of Sales.

(iii) Rent, salary are allocated on time basis.

(iv) Interest on debentures is allocated in post incorporation period.

(v) Audit fees charged to post incorporation period as relating to company audit.

(vi) Depreciation of ₹ 18,000 divided in the ratio of 1:5 (time basis) and ₹ 1,250 charged to post incorporation period.

(vii) Bad debt recovery of ₹ 14,000/- is allocated in pre-incorporation period, being sale made in 2015-16.

(viii) Rent

(₹ 38,400 – Additional rent for 6 months)		₹
[38,400- 14,400 (2,400 x 6) = ₹ 24,000 i.e. 2,000 per month]		
1/4/18 -31/5//18 (2,000 x 2)	=	4,000
1/6/18-31/3/19 – [(2,000 x 10) +14,400]	=	34,400
		38,400

4. Journal Entries in the books of Manoj Ltd.

			₹	₹
1-4-20X1	Equity share final call A/c	Dr.	5,40,000	
	To Equity share capital A/c			5,40,000

	(For final calls of ₹ 2 per share on 2,70,000 equity shares due as per Board's Resolution dated….)			
20-4-20X1	Bank A/c	Dr.	5,40,000	
	To Equity share final call A/c			5,40,000
	(For final call money on 2,70,000 equity shares received)			
	Securities Premium A/c	Dr.	75,000	
	Capital Redemption Reserve A/c	Dr.	1,20,000	
	General Reserve A/c	Dr.	3,60,000	
	Profit and Loss A/c (b.f.)	Dr.	1,20,000	
	To Bonus to shareholders A/c			6,75,000
	(For making provision for bonus issue of one share for every four shares held)			
	Bonus to shareholders A/c	Dr.	6,75,000	
	To Equity share capital A/c			6,75,000
	(For issue of bonus shares)			

Extract of Balance Sheet as at 30th April, 20X1 (after bonus issue)

	₹
Authorized Capital	
30,000 12% Preference shares of ₹ 10 each	3,00,000
4,00,000 Equity shares of ₹ 10 each	40,00,000
Issued and subscribed capital	
24,000 12% Preference shares of ₹10 each, fully paid	2,40,000
3,37,500 Equity shares of ₹ 10 each, fully paid	33,75,000
(Out of the above, 67,500 equity shares @ ₹ 10 each were issued by way of bonus shares)	
Reserves and surplus	
Profit and Loss Account	4,80,000

5. **Value of right share** = Cum-right value of the share – Ex-right value of the share (as computed in Working Note)

= ₹ 190 – ₹ 176 = ₹ 14 per share.

Working Note:

Ex-right value of the shares

= (Cum-right value of the existing shares + Rights shares x Issue Price) / (Existing No. of shares + No. of right shares) = (₹ 190 X 4 Shares + ₹ 120 X 1 Share) / (4 + 1) Shares

= ₹ 880 / 5 shares = ₹ 176 per share.

6. In the books of ABC Limited

Journal Entries

Date 20X2	***Particulars***		***Dr. (₹)***	***Cr. (₹)***
Jan 1	10% Redeemable Preference Share Capital A/c	Dr.	2,00,000	
	Premium on Redemption of Preference Shares		10,000	
	To Preference Shareholders A/c			2,10,000
	(Being the amount payable on redemption transferred to Preference Shareholders Account)			
	Preference Shareholders A/c	Dr.	2,10,000	
	To Bank A/c			2,10,000
	(Being the amount paid on redemption of preference shares)			
	General Reserve A/c	Dr.	2,00,000	
	To Capital Redemption Reserve A/c			2,00,000
	(Being the amount transferred to Capital Redemption Reserve Account as per the requirement of the Act)			
	Profit & Loss A/c	Dr.	10,000	
	To Premium on Redemption of Preference Shares A/c			10,000
	(Being premium on redemption charged to Profit and Loss A/c)			

Note: Capital reserve cannot be utilized for transfer to Capital Redemption Reserve.

7. **Journal Entries in the books of Omega Ltd.**

Journal Entries

Date	*Particulars*		*Amount Dr.*	*Amount Cr.*
			₹	₹
1.5.20X1	Bank A/c	Dr.	1,50,00,000	
	To Debenture Application A/c			1,50,00,000
	(Application money received on 1,50,000 debentures @ ₹ 100 each)			
1.6.20X1	Debenture Application A/c	Dr.	1,50,00,000	
	Underwriters A/c	Dr.	50,00,000	
	To 15% Debentures A/c			2,00,00,000
	(Allotment of 1,50,000 debentures to applicants and 50,000 debentures to underwriters)			
	Underwriting Commission	Dr.	4,00,000	
	To Underwriters A/c			4,00,000
	(Commission payable to underwriters @ 2% on ₹ 2,00,00,000)			
	Bank A/c	Dr.	46,00,000	
	To Underwriters A/c			46,00,000
	(Amount received from underwriters in settlement of account)			
01.06.20X1	Profit & Loss A/c	Dr.	20,00,000	
	To Debenture Redemption Reserve A/c (200,000 X 100 X 25% X 40%)			20,00,000
	(Being Debenture Redemption Reserve created on non-convertible debentures)			
	Debenture Redemption Reserve Investment A/c	Dr.	12,00,000	
	To Bank A/c (200,000 X 100 x 15% X 40%)			12,00,000
	(Being Investments made for redemption purpose)			
30.9.20X1	Debenture Interest A/c	Dr.	10,00,000	
	To Bank A/c			10,00,000
	(Interest paid on debentures for 4 months @ 15% on ₹ 2,00,00,000)			

31.10.20X1	15% Debentures A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Conversion of 60% of debentures into shares of ₹ 60 each with a face value of ₹ 10)	1,20,00,000	 20,00,000 1,00,00,0000
31.3.20X2	Debenture Interest A/c Dr. To Bank A/c (Interest paid on debentures for the half year) (refer working note below)	7,50,000	 7,50,000

Working Note :

Calculation of Debenture Interest for the half year ended 31st March, 20X2

On ₹ 80,00,000 for 6 months @ 15% = ₹ 6,00,000

On ₹ 1,20,00,000 for 1 months @ 15% = ₹ 1,50,000

₹ 7,50,000

8. **Books of A Pvt. Ltd.**

Investment in 13.5% Convertible Debentures in P Ltd. Account

(Interest payable 31st March & 30th September)

Date	Particulars	Nominal	Interest	Amount	Date	Particulars	Nominal	Interest	Amount
		₹	₹	₹			₹	₹	₹
2018					2018				
May 1	To Bank	5,00,000	5,625	5,19,375	Sept. 30	By Bank (6 months Int)		50,625	
Aug. 1	To Bank	2,50,000	11,250	2,45,000	Oct. 1	By Bank	2,00,000		2,06,000
Oct. 1	To P&L A/c			2,167					
Dec. 31	To P&L A/c		52,313		Dec. 31	By Equity share	1,10,000		1,12,108
					Dec. 31	By Bank (See note1)		3,713	
					Dec. 31	By Balance c/d	4,40,000	14,850	4,48,434
		7,50,000	69,188	7,66,542			7,50,000	69,188	7,66,542

Note 1: ₹ 3,713 received on 31.12.2018 represents interest on the debentures converted till date of conversion.

Note 2: Cost being lower than Market Value the debentures are carried forward at Cost.

Investment in Equity shares in P Ltd. Account

Date	Particulars	Nominal	Amount	Date	Particulars	Nominal	Amount
		₹	₹			₹	₹
2018				2018			
Dec 31	To 13.5% Deb.	1,00,000	1,12,108	Dec.31	By P&L A/c		22,108
				Dec.31	By Bal. c/d	1,00,000	90,000
		1,00,000	1,12,108			1,00,000	1,12,108

Note 1: Cost being higher than Market Value the shares are carried forward at Market Value.

Working Notes:

1. Interest paid on ₹ 5,00,000 purchased on May 1st, 2018 for the month of April 2018, as part of purchase price: 5,00,000 x 13.5% x 1/12 = ₹ 5,625

2. Interest received on 30th Sept. 2018

   On ₹ 5,00,000 = 5,00,000 x 13.5% x ½ = 33,750

   On ₹ 2,50,000 = 2,50,000 x 13.5% x ½ = 16,875

   Total ₹ 50,625

3. Interest paid on ₹ 2,50,000 purchased on Aug. 1st 2018 for April 2018 to July 2018 as part of purchase price:

   2,50,000 x 13.5% x 4/12 = ₹ 11,250

4. Loss on Sale of Debentures

   Cost of acquisition

   (₹ 5,19,375 + ₹ 2,45,000) x ₹ 2,00,000/₹ 7,50,000 = 2,03,833

   Less: Sale Price (2,000 x 103) = 2,06,000

   Profit on sale = ₹ 2,167

5. Interest on 1,100 Debentures (being those converted) for 3 months i.e. Oct-Dec. 2018

   1,10,000 x 13.5% x 3/12 = ₹ 3,713

6. Cost of Debentures converted to Equity Shares

   (₹ 5,19,375 + ₹ 2,45,000) x 1,10,000/7,50,000= ₹ 1,12,108

7. Cost of Balance Debentures

   (₹ 5,19,375 + ₹ 2,45,000) x ₹ 4,40,000/₹ 7,50,000 = ₹ 4,48,434

8. Interest on Closing Debentures for period Oct.- Dec. 2018 carried forward (accrued interest)

   ₹ 4,40,000 x 13.5% x 3/12 = ₹ 14,850

9. In the books of Mr. Black

Trading Account for the year ended 31.3.2019

	₹		₹
To Opening Stock	1,35,000	By Sales	9,00,000
To Purchases	6,45,000	By Closing Stock at cost	1,80,000
To Gross Profit	3,00,000	$\left(1{,}62{,}000 \times \frac{100}{90}\right)$	
	10,80,000		10,80,000

Memorandum Trading A/c
for the period from 1.4.2019 to 02.06.2019

	₹		₹
To Opening Stock (at cost)	1,80,000	By Sales 4,80,000	
To Purchases 2,25,000 *Add:* Goods received but invoice not received 30,000 2,55,000		*Less:* Goods not dispatched 75,000	4,05,000
Less: Machinery 15,000	2,40,000	By Closing stock (Balancing figure)	1,50,000
To Gross Profit (Refer W.N.)	1,35,000		
	5,55,000		5,55,000

Calculation of Insurance Claim

Claim subject to average clause = $\left(\frac{\text{Actual loss of stock}}{\text{Value of stock on the date of fire}} \times \text{Amount of policy}\right)$

$$= 1{,}20{,}000 \times \left(\frac{1{,}50{,}000}{1{,}50{,}000}\right) = ₹\ 1{,}20{,}000$$

Working Note:

G.P. ratio = $\frac{3{,}00{,}000}{9{,}00{,}000} \times 100 = 33\frac{1}{3}\%$

Amount of Gross Profit = ₹ 4,05,000 x $33\frac{1}{3}$ % = ₹ 1,35,000

10. (i) Calculation of Interest and Cash Price

No. of installments	*Outstanding balance at the end after the payment of installment*	*Amount due at the time of installment*	*Outstanding balance at the end before the payment of installment*	Interest	*Outstanding balance at the beginning*
[1]	*[2]*	*[3]*	*[4] = 2 +3*	*[5] = 4 x 10/110*	*[6]4-5*
3rd	-	5,50,000	5,50,000	50,000	5,00,000
2nd	5,00,000	4,90,000	9,90,000	90,000	9,00,000
1st	9,00,000	4,20,000	13,20,000	1,20,000	12,00,000

Total cash price = ₹ 12,00,000+ 6,00,000 (down payment) = ₹ 18,00,000.

(ii) In the books of Amandeep

Cars Account

Date	*Particulars*	₹	*Date*	*Particulars*	₹
1.4.2016	To Fair Value Motors A/c	18,00,000	31.3.2017	By Depreciation A/c	4,50,000
				By Balance c/d	13,50,000
		18,00,000			18,00,000
1.4.2017	To Balance b/d	13,50,000	31.3.2018	By Depreciation A/c	3,37,500
				By Balance c/d	10,12,500
		13,50,000			13,50,000
1.4.2018	To Balance b/d	10,12,500	31.3.2019	By Depreciation A/c	2,53,125
				By Fair Value Motors A/c (Value of 1 Car taken over after depreciation for 3 years @ 40% p.a.) [9,00,000 - (3,60,000+2,16,000+1,29,600)]	1,94,400
				By Loss on surrender transferred to Profit and Loss A/c (Bal. fig.)	1,85,288
				By Balance c/d ½ (10,12,500-2,53,125)	3,79,687
		10,12,500			10,12,500

11. **Departmental Trading and Profit and Loss Account**

Particulars	Sawmill	Furniture	Particulars	Sawmill	Furniture
To Opening stock	1,50,000	25,000	By Sales	12,00,000	2,00,000
To Purchase	10,00,000	7,500	By Transfer to furniture department	1,50,000	
To Wages	30,000	10,000	By Closing stock	1,00,000	30,000
To Transfer from saw mill	-	1,50,000			
To Gross profit	2,70,000	37,500			
	14,50,000	2,30,000		14,50,000	2,30,000
To Selling expenses	10,000	3,000	By Gross profit	2,70,000	37,500
To Net Profit	2,60,000	34,500			
	2,70,000	37,500		2,70,000	37,500

General Profit & Loss Account

Particulars	Amount	Particulars	Amount
To General Expenses	55,000	By Net Profit from	
To Stock reserve (WN-2)	4,500	Saw Mill	2,60,000
To Net Profit	2,37,813	Furniture	34,500
		By stock reserve (opening WN-1)	2,813
	2,97,313		2,97,313

Working Notes

1. **Calculation of Stock Reserve (opening)**

   25,000 x 75% wood x 15% = ₹ 2,813

2. **Calculation of closing stock reserve**

   Gross profit Rate of Saw Mill of 2018

   2,70,000 / (12,00,000 + 1,50,000) x 100 = 20%

   30,000x 75% x 20% = ₹ 4,500

12. **Pune Branch Account**

Particulars		₹	Particulars	₹	₹
To Opening Balance			By Opening Balance:		
Stock		10,000	Salaries outstanding		100
Debtors		4,000	By Remittances:		
Petty Cash		500	Cash sales	1,30,000	
Furniture		2,000	Cash received from debtors	35,000	
Prepaid Insurance		150	Cash paid by debtors directly to H.O.	2,000	
To Goods sent to Branch Account		80,000	Received from Insurance Company	1,000	1,68,000
To Bank (expenses)			By Goods sent to branch (return of goods by the branch to H.O.)		1,000
Rent	2,000				
Salaries	2,400				
Petty Cash	1,000		By Closing Balances:		
Insurance	600	6,000	Stock		5,000
To Net Profit		78,950	Petty Cash		650
			Debtors		4,900
			Furniture (2,000 – 10% depreciation)		1,800
			Prepaid insurance (1/4 x ₹ 600)		150
		1,81,600			1,81,600

Working Note:

Calculation of petty cash balance at the end:	₹
Opening balance	500
Add: Cash received form the Head Office	1,000
Total Cash with branch	1,500
Less: Spent by the branch	850
Closing balance	650

13. **In the Books of Jyotishikha Traders**

Trading Account for the year ended 31.03.2019

	Particulars	₹		*Particulars*	₹
To	Opening Stock A/c (Bal. fig.)	1,65,000	By	Sales (W.N.1)	12,50,000
To	Purchases (W.N.2)	9,00,000	By	Closing Stock	65,000
To	Gross profit (12,50,000x25/125)	2,50,000			
		13,15,000			13,15,000

Profit and Loss Account for the year ended 31.03.2019

	Particulars		₹		*Particulars*	₹
To	Discount		5,500	By	Gross profit	2,50,000
To	Salaries Expenses	32,000		By	Discount	4,500
To	Office expenses (W.N.3)	37,000				
To	Selling expenses	15,000	84,000			
To	Interest on loan (12% on ₹1,60,000)		19,200			
To	Bad debts (2% of ₹2,25,000)		4,500			
To	Loss on sale of Machinery		15,000			
To	Depreciation:					
	Land & Building	25,000				
	Plant &Machinery (W.N 4b)	23,750				
	Office Equipment (W.N. 5)	12,750	61,500			
To	Net profit after tax		64,800			
			2,54,500			2,54,500

Balance sheet as on 31.3.2019

Liabilities	₹	₹	*Assets*	₹
Capital (W.N. 6)	8,95,500		Land and Building (5,00,000-25,000)	4,75,000
Add: Net Profit	64,800	9,60,300	Plant and Machinery (W.N.4a) (3,30,000-21,750)	3,08,250

Creditors for Purchases (W.N. 8)		1,05,500	Office Equipment (85,000-12,750)	72,250
Outstanding expenses		15,000	Debtors less Bad debts (W.N. 7)	2,20,500
Loan from SBI		1,00,000	Stock	65,000
			Bank Balance (W.N. 9)	39,800
		11,80,800		11,80,800

Working Notes:

1. **Calculation of Total Sales**

	₹
Cash Sales	2,50,000
Credit Sales (80% of total sales)	
Cash Sales (20% of total sales)	
Thus total Sales (250000 x 100/20)	12,50,000
Credit Sales (1250000 x 80/100)	10,00,000

2. **Calculation of Total Purchases**

	₹
Credit Purchases	5,40,000
Cash Purchases (40% of total purchases)	
Credit Purchases (60% of total purchases)	
Thus total Purchases (5,40,000 x 100/60)	9,00,000
Cash Purchases 9,00,000 x 40/100)	3,60,000

3. **Office Expenses Account**

	₹		₹
To Bank A/c	42,000	By Balance b/d	20,000
To Balance c/d	15,000	By Profit & loss A/c	37,000
	57,000		57,000

4. (a) **Plant and Machinery Account**

	₹		₹
To Opening balance	2,20,000	By Sale	40,000

To Purchases	1,50,000	By Closing Balance	3,30,000
	3,70,000		3,70,000

(b) **Depreciation calculations on Plant & Machinery**

		₹
Depreciation on	1,80,000 x 10% (for full year)	18,000
	1,50,000 x 10% x 3/12 (for 3 months)	3,750
	40,000 x 10% x 6/12 (for 6 months)	2,000
		23,750

(c) **Sale of Machinery Account**

	Amount (₹)		*Amount* (₹)
To Plant & Machinery	40,000	By Depreciation	2,000
		By Profit and Loss A/c	15,000
		By Bank	23,000
	40,000		40,000

5. **Depreciation calculations on Office Equipments**

	₹
Opening Balance	1,05,000
Less: Closing Balance	85,000
Sale of Office Equipment	20,000
Balance of Office Equipment after sale	85,000
Depreciation @15%	12,750

6. **Opening Balance Sheet as on 31.03.2018**

	₹		₹
Creditors	95,000	Land & Building	5,00,000
Creditor for Exp.	20,000	Plant & Machinery	2,20,000
Loan	1,60,000	Office Equipment	1,05,000
Capital (Bal. fig.)	8,95,500	Debtors	1,55,500
		Stock	1,65,000
		Bank	25,000
	11,70,500		11,70,500

7. **Sundry Debtors A/c**

	₹		₹
To Balance b/d	1,55,500	By Bank	9,25,000
To Sales	10,00,000	By Discount	5,500
		By Bad debts	4,500
		By Bal. c/d	2,20,500
	11,55,500		11,55,500

8. **Sundry Creditors A/c**

	₹		₹
To Bank	5,25,000	By Balance b/d	95,000
To Discount	4,500	By Purchases	5,40,000
To Balance c/d	1,05,500		
	6,35,000		6,35,000

9. **Bank Account**

	₹		₹
To Balance b/d	25,000	By Creditors	5,25,000
To Debtors	9,25,000	By Office Expenses	42,000
To Cash Sales	2,50,000	By Salary Expense	32,000
To Sale of Machinery (W.N. 4c)	23,000	By Selling Expenses	15,000
To Sale of equipment	20,000	By Purchases (cash)	3,60,000
		By Purchase of Machinery	1,50,000
		By Bank Loan & Interest	79,200
		By Balance c/d	39,800
	12,43,000		12,43,000

14. **Realization Account**

Particulars	₹	*Particulars*		₹
To Building	1,90,000	By Trade creditors		80,000
To Stock	1,30,000	By Bills payable		30,000
To Investment	50,000	By Cash		
To Debtors	70,000	Building	2,09,000	

To Cash-creditors paid (W.N.1)	63,650	Stock	1,20,000	
To Cash-expenses	8,000	Investments (W.N.2)	40,000	
To Cash-bills payable (30,000-500)	29,500	Debtors (W.N. 3)	56,700	4,25,700
To Partners' Capital A/cs		By R – (Receipt from Debtors unrecorded)		7,000
P 4,183		By R - Receipt from Investments unrecorded		11,000
Q 4,183				
R 2,789				
S 1,395	12,550			
	5,53,700			5,53,700

Cash Account

Particulars	Amount ₹	Particulars	Amount ₹
To Balance b/d	30,000	By Realization-creditors paid	63,650
To Realization – assets realized		By Realization-bills payable	29,500
Building 2,09,000		By Realization-expenses	8,000
Stock 1,20,000		By Capital accounts:	
Investments 40,000		P	1,51,132
Debtors 56,700	4,25,700	Q	1,51,132
To R's capital A/c	7,000	S	59,286
	4,62,700		4,62,700

Partners' Capital Accounts

Particulars	P	Q	R	S	Particulars	P	Q	R	S
	₹	₹	₹	₹		₹	₹	₹	₹
To Balance b/d			40,000		By Balance b/d	1,50,000	1,50,000	-	60,000
To Realization A/c-Debtors misappropriation			7,000		By General reserve	13,333	13,333	8,889	4,445

To Realization A/c-Investment-misappropriation			11,000		By Realization profit	4,183	4,183	2,789	1,395
To R's capital A/c (W.N. 4)	16,384	16,384		6,554	By Cash A/c			7,000	
To Cash A/c	1,51,132	1,51,132		59,286	By P's capital A/c			16,384	
					By Q's capital A/c			16,384	
					By S's capital A/c			6,554	
	1,67,516	1,67,516	58,000	65,840		1,67,516	1,67,516	58,000	65,840

Working Notes:

1. Amount paid to creditors in cash

	₹
Book value	80,000
Less: Creditors taking over investments	(13,000)
	67,000
Less: Discount @ 5%	(3,350)
	63,650

2. Amount received from sale of investments

	₹
Book value	50,000
Less: Misappropriated by R	(8,000)
	42,000
Less: Taken over by a creditor	(9,000)
	33,000
Add: Profit on sale of investments	7,000
Cash received from sale of remaining investment	40,000

3. Amount received from debtors

	₹
Book value	70,000
Less: Unrecorded receipt	(7,000)
	63,000
Less: Discount @ 10%	(6,300)
	56,700

4. **Deficiency of R**

	₹
Balance of capital as on 31st March, 2019	40,000
Debtors-misappropriation	7,000
Investment-misappropriation	11,000
	58,000
Less: Realization Profit	(2,789)
General reserve	(8,889)
Contribution from private assets	(7,000)
Net deficiency of capital	39,322

This deficiency of ₹ 39,322 in R's capital account will be shared by other partners P, Q and S in their capital ratio of 15 : 15 : 6.

Accordingly,

P's share of deficiency = [39,322 x (15/36)] = ₹ 16,384

Q's share of deficiency = [39,322 x (15/36)] = ₹ 16,384

S's share of deficiency = [39,322 x (6/36)] = ₹ 6,554

15.

Particulars	***Financial Capital Maintenance at Historical Cost (₹)***
Closing equity (₹ 30 x 1,20,000 units)	36,00,000 represented by cash
Opening equity	1,20,000 units x ₹ 20 = 24,00,000
Permissible drawings to keep Capital intact	12,00,000 (36,00,000 – 24,00,000)

16. (a) As per para 5 of AS 2 "Valuation of Inventories", the inventories are to be valued at lower of cost or net realizable value.

In this case, the cost of inventory is ₹ 5 lakhs. The net realizable value is ₹ 4.95 lakhs (₹ 5.5 lakhs less cost to make the sale @ 10% of ₹ 5.5 lakhs). So, the closing stock should be valued at ₹ 4.95 lakhs.

(b) Para 8.3 of AS 4 "Contingencies and Events Occurring after the Balance Sheet Date", states that adjustments to assets and liabilities are not appropriate for events occurring after the balance sheet date, if such events do not relate to conditions existing at the balance sheet date. The destruction of warehouse due to earthquake did not exist on the balance sheet date i.e. 31.3.2019. Therefore, loss occurred due to earthquake is not to be recognized in the financial year 2018-2019.

However, according to para 8.6 of the standard, unusual changes affecting the existence or substratum of the enterprise after the balance sheet date may indicate a need to consider the use of fundamental accounting assumption of going concern in the preparation of the financial statements. As per the information given in the question, the earthquake has caused major destruction; therefore, fundamental accounting assumption of going concern is called upon.

Hence, the fact of earthquake together with an estimated loss of ₹ 25 lakhs should be disclosed in the Report of the Directors for the financial year 2018-2019.

17. (a) (i) In the given case, Mobile limited created 2% provision for doubtful debts till 31st March, 2018. Subsequently in 2018-19, the company revised the estimates based on the changed circumstances and wants to create 3% provision. Thus change in rate of provision of doubtful debt is change in estimate and is not change in accounting policy. This change will affect only current year.

(ii) As per AS 5, the adoption of an accounting policy for events or transactions that differ in substance from previously occurring events or transactions, will not be considered as a change in accounting policy. Introduction of a formal retirement gratuity scheme by an employer in place of ad hoc ex-gratia payments to employees on retirement is a transaction which is substantially different from the previous policy, will not be treated as change in an accounting policy.

(iii) Change in useful life of furniture from 5 years to 3 years is a change in estimate and is not a change in accounting policy.

(iv) Adoption of a new accounting policy for events or transactions which did not occur previously should not be treated as a change in an accounting policy. Hence the introduction of new pension scheme is not a change in accounting policy.

(v) Change in cost formula used in measurement of cost of inventories is a change in accounting policy.

(b) Calculation of Cost of Fixed Asset (i.e. Machinery)

Particulars			₹
Purchase Price		Given (₹ 158,34,000 x 100/112)	1,41,37,500
Add:	Site Preparation Cost	Given	1,41,870
	Technician's Salary	Specific/Attributable overheads for 3 months (See Note) (45,000 x3)	1,35,000
	Initial Delivery Cost	Transportation	55,770
	Professional Fees for Installation	Architect's Fees	30,000
Total Cost of Asset			1,45,00,140

18. (a) (i) As per AS 11 "The Effects of Changes in Foreign Exchange Rates", exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, should be recognized as income or as expenses in the period in which they arise.

Accordingly, exchange difference on trade receivables amounting ₹ 23,076 {₹ 5,23,076(US $ 8547* x ₹ 61.20) less ₹ 5,00,000} should be charged to profit & Loss account.

(ii) Calculation of profit or loss to be recognized in the books of Power Track Limited

	₹
Forward contract rate	64.25
Less: Spot rate	(61.50)
Loss on forward contract	2.75
Forward Contract Amount	$ 50,000
Total loss on entering into forward contract = ($ 50,000 × ₹ 2.75)	₹1,37,500
Contract period	6 months
Loss for the period 1st November, 2018 to 31st March, 2019 i.e. 5 months falling in the year 2018-2019	5 months
Hence, Loss for 5 months will be ₹ 1,37,500 $\times \frac{5}{6}$ =	₹ 1,14,583

Thus, the loss amounting to ₹ 1,14,583 for the period is to be recognized in the year ended 31st March, 2019.

(b) As per AS 12 "Accounting for Government Grants", where the government grants are in the nature of promoters' contribution, *i.e.,* they are given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay (for example, Central Investment Subsidy Scheme) and no repayment is ordinarily expected in respect thereof, the grants are treated as capital reserve which can be neither distributed as dividend nor considered as deferred income.

The subsidy received by Samrat Ltd. for setting up its business in a designated backward area will be treated as grant by the government in the nature of promoter's contribution as the grant is given with reference to the total investment in an undertaking i.e. subsidy is 25% of the eligible investment and also no repayment is apparently expected in respect thereof.

* US $ 8,547 = 5,00,000/58.50

Since the subsidy received is neither in relation to specific fixed assets nor in relation to revenue. Thus, the company cannot recognize the said subsidy as income in its financial statements in the given case. It should be recognized as capital reserve which can be neither distributed as dividend nor considered as deferred income.

19. **(a)** As per AS 13 'Accounting for Investments', the accounting standard is not applicable to Bank, Insurance Company, Mutual Funds. In this case Z Bank is a bank, therefore, AS 13 does not apply to it. For banks, the RBI has issued separate guidelines for classification and valuation of its investment and Z Bank should comply with those RBI Guidelines/Norms. Therefore, though Z Bank has not followed the provisions of AS 13, yet it would not be said as non-compliance since, it is complying with the norms stipulated by the RBI.

(b) AS 16 clearly states that capitalization of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Therefore, interest on the amount that has been used for the construction of the building up to the date of completion (January, 2019) i.e. ₹ 18 lakhs alone can be capitalized. It cannot be extended to ₹ 25 lakhs.

20 **(a)** AS 17 'Segment Reporting' requires that inter-segment transfers should be measured on the basis that the enterprise actually used to price these transfers. The basis of pricing inter-segment transfers and any change therein should be disclosed in the financial statements. Hence, the enterprise can have its own policy for pricing inter-segment transfers and hence, inter-segment transfers may be based on cost, below cost or market price. However, whichever policy is followed, the same should be disclosed and applied consistently. Therefore, in the given case inter-segment transfer pricing policy adopted by the company is correct if followed consistently.

(b) Tax as per accounting profit 7,50,000 × 20% = ₹ 1,50,000

Tax as per Income-tax Profit 90,000 × 20% = ₹ 18,000

Tax as per MAT 4,37,500 × 7.50% = ₹ 32,812.50

Tax expense= Current Tax + Deferred Tax

₹ 1,50,000 = ₹ 18,000+ Deferred tax

Therefore, **Deferred Tax liability** as on 31-03-2019

= ₹ 1,50,000 – ₹ 18,000 = ₹ 1,32,000

Amount of tax to be debited in Profit and Loss account for the year 31-03-2019

Current Tax + Deferred Tax liability + Excess of MAT over current tax

= ₹ 18,000 + ₹ 1,32,000 + ₹ 14,812.50 (32,812.50 – 18,000)

= ₹ 1,64,812.50

PAPER – 2: CORPORATE AND OTHER LAWS

PART – I: ANNOUNCEMENTS STATING APPLICABILITY FOR NOVEMBER, 2019 EXAMINATIONS

Applicability for November, 2019 examinations

The Study Material (July 2017 edition) is applicable for November, 2019 examinations. This study material is updated for all amendments till 30th April, 2017. Further, all relevant amendments/ circulars/ notifications etc. in the Company law part and the Negotiable Instruments Act, 1881, for the period 1st May 2017 to 30th April, 2019 are mentioned below:

Relevant Legislative amendments from 1st May 2017 to 30th April, 2019			
The Companies Act, 2013/ Corporate Laws			
Sl. No.	**Relevant Amendments**	**Pg no.***	**Earlier Law**
I	**Amendments related to** - Enforcement of the Companies (Acceptance of Deposits) Amendment Rules, 2017 Vide Notification G.S.R. 454 (E) dated 11th May, 2017 In the Companies (Acceptance of Deposits) Rules, 2014, In rule 2, in sub-rule (1), in clause (c), in sub-clause (xviii), after the words "Domestic Venture Capital Funds" the words "Infrastructure Investment Trusts" shall be inserted.	5.4	- (The words have been newly inserted in the said sub-clause)
II	**Amendments related to** – Exemptions to Government Companies Vide Notification G.S.R. 582(E) Dated 13th June, 2017 The Central Government amends the Notification G.S.R. 463(E), dated 5th June 2015, whereby Exceptions, Modifications and Adaptations were provided in case of Government companies. Following is the amendment: In sub-section (2) of section 96, for the words "such other place as the Central Government may approve in this behalf", the words "such other place within the city, town or village in which the registered office of the company is situate or such other place as the Central Government may approve in this behalf" shall be substituted."	7.51	**Such other place as the Central Government may approve in this behalf.**

	Insertion of Paragraph 2A in the principal notification G.S.R. 463(E), dated 5th June 2015: The aforesaid exceptions, modifications and adaptations (i.e. as given in Notification G.S.R. 463(E), dated 5th June 2015 and Notification G.S.R. 582(E) Dated 13th June, 2017) shall be applicable to a Government company which has not committed a default in filing of its financial statements under section 137 of the Companies Act or annual return under section 92 of the said Act with the Registrar.		
III	**Amendments related to** - Exemptions to Private Companies Vide Notification G.S.R. 583(E) Dated 13th June, 2017 The Central Government amends the Notification G.S.R. 464(E), dated 5th June 2015 whereby Exceptions, Modifications and Adaptations were provided in case of Private companies. Following are the amendments:		
	(1) In Chapter I, **Clause (40) of section 2.** For the proviso, the following shall be substituted, namely:- Provided that the financial statement, with respect to one person company, small company, dormant company and private company (if such private company is a start-up) may not include the cash flow statement; Explanation. - For the purposes of this Act, the term “start-up” or “start-up company” means a private company incorporated under the Companies Act, 2013 or the Companies Act, 1956 and recognised as start-up in accordance with the notification issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry.	1.9	**Provided that the financial statement, with respect to One Person Company, small company and dormant company, may not include the cash flow statement**
	(2) In Chapter V, clauses (a) to (e) of sub-section (2) of section 73, shall not apply to a private company- (A) which accepts from its members monies not exceeding one hundred per cent. of aggregate of the paid up share capital, free reserves and securities premium account; or (B) which is a start-up, for five years from the date of its incorporation; or	5.6	Clause (a) to (e) of Section 73 provides conditions for acceptance of deposits from members. Notification dated 5th June, 2015, provided that Clause (a) to (e) of Sub-section 2 of

	(C) which fulfils all of the following conditions, namely:- (a) which is not an associate or a subsidiary company of any other company; (b) if the borrowings of such a company from banks or financial institutions or any body corporate is less than twice of its paid up share capital or fifty crore rupees, whichever is lower; and (c) such a company has not defaulted in the repayment of such borrowings subsisting at the time of accepting deposits under this section: Provided that the company referred to in clauses (A), (B) or (C) shall file the details of monies accepted to the Registrar in such manner as may be specified.		Section 73 shall not apply to private Companies which accepts from its members monies not exceeding one hundred per cent, of aggregate of the paid up share capital and free reserves, and such company shall file the details of monies so accepted to the Registrar in such manner as may be specified.
	(3) In Chapter VII, clause (g) of sub-section (1) of section 92, shall apply to private companies which are small companies, namely:- "(g) aggregate amount of remuneration drawn by directors;"	7.11	clause (g) of sub-section (1) of section 92 is read as "remuneration of directors and key managerial personnel"
	(4) In Chapter VII, proviso to **sub-section (1) of section 92,** For the proviso, the following proviso shall be substituted, namely:- "Provided that in relation to One Person Company, small company and private company (if such private company is a start-up), the annual return shall be signed by the company secretary, or where there is no company secretary, by the director of the company.".	7.12	(4) However, in relation to One Person Company and small company, the annual return shall be signed by the company secretary, or where there is no company secretary, by the director of the company.
	(5) Section 143(3)(i), shall not apply to a private company:- (i) which is a one person company or a small company; or (ii) which has turnover less than rupees fifty crores as per latest audited financial **statement or#** which has aggregate borrowings from banks or	10.24	(5) Section 143(3)(i) provides- whether the company has adequate internal financial controls system in place and the operating

	financial institutions or anybody corporate at any point of time during the financial year less than rupees twenty five crore."		effectiveness of such controls;
	Insertion of Paragraph 2A in the principal notification G.S.R. 464(E), dated 5th June 2015: The aforesaid exceptions, modifications and adaptations shall be applicable to a Private company which has not committed a default in filing of its financial statements under section 137 or annual return under section 92 of the said Act with the Registrar.		
#IV	**Amendments related to** - Corrigendum vide Notification S.O. 2218(E) dated 13th July 2017 with respect to the Notification G.S.R. 583(E) Dated 13th June, 2017 Ministry of Corporate Affairs vide corrigendum stated that for the words "statement or" to read as "statement and" under section 143(3)(i).	Refer point 5 of above point III	In Section 143(3)(i) the words "**statement or**" which has been replaced with the word "statement and" through this notification.
V	**Amendments related to** - Enforcement of the Companies (Audit and Auditors) Second Amendment Rules, 2017 Vide Notification G.S.R. 621(E) dated 22nd June 2017. The Central Government hereby amends the Companies (Audit and Auditors) Rules, 2014. Through this amendment rule, in Rule 5(b), for the word "twenty", the word "fifty" shall be substituted.	10.6	Earlier Rule 5(b) stated that -all private limited companies having paid up share capital of rupees **20 crore** or more;
VI	**Amendments related to** - Clarification regarding applicability of exemption given to certain private companies under section 143(3)(i) vide circular no. 08/2017 dated 25th July 2017 Notification No. G.S.R. 583(E) dated 13th June, 2017 stated that requirements of reporting under section 143(3)(i) read Rule 10 A of the Companies (Audit and Auditors) Rules, 2014 of the Companies Act 2013 shall not apply to certain private companies. Through issue of this circular, it is hereby clarified that the exemption shall be applicable for those audit reports in respect of financial statements pertaining to financial year, commencing on or after 1st April, 2016, which are made on or after the date of the said notification.	-	For the purposes of clause (i) of sub-section (3) of section 143, for the financial years commencing on or after 1st April, 2015, the report of the auditor shall state about existence of adequate internal financial controls system and its operating effectiveness:

			Provided that auditor of a company may voluntarily include the statement referred to in this rule for the financial year commencing on or after 1st April, 2014 and ending on or before 31st March, 2015.
VII	**Amendments related to** - Clarification regarding applicability of exemption given to certain private companies under section 143(3)(i) vide circular no. 08/2017 dated 25th July 2017 Notification No. G.S.R. 583(E) dated 13th June, 2017 stated that requirements of reporting under section 143(3)(i) read Rule 10 A of the Companies (Audit and Auditors) Rules, 2014 of the Companies Act 2013 shall not apply to certain private companies. Through issue of this circular, it is hereby clarified that the exemption shall be applicable for those audit reports in respect of financial statements pertaining to financial year, commencing on or after 1st April, 2016, which are made on or after the date of the said notification.	-	For the purposes of clause (i) of sub-section (3) of section 143, for the financial years commencing on or after 1st April, 2015, the report of the auditor ….. controls system and its operating effectiveness: Provided that auditor of a company may voluntarily …… on or after 1st April, 2014 and ending on or before 31st March, 2015.
VIII	**Amendments related to** - Enforcement of the Companies (Acceptance of Deposits) Second Amendment Rules, 2017 Vide Notification G.S.R. 1172(E) dated 19th September, 2017. In the Companies (Acceptance of Deposits) Rules, 2014, in rule 3, in sub-rule (3), for the proviso, the following shall be substituted, namely:- “Provided that a Specified IFSC Public company and a private company may accept from its members monies not exceeding one hundred per cent. of aggregate of the paid up share capital, free reserves and securities premium account and	5.8	**Provided that a private company may accept from its members monies not exceeding one hundred per cent of aggregate of the paid up share capital, free reserves and securities premium account and such company shall file**

	such company shall file the details of monies so accepted to the Registrar in Form DPT-3. *Explanation*.—For the purpose of this rule, a Specified IFSC Public company means an unlisted public company which is licensed to operate by the Reserve Bank of India or the Securities and Exchange Board of India or the Insurance Regulatory and Development Authority of India from the International Financial Services Centre located in an approved multi services Special Economic Zone set-up under the Special Economic Zones Act, 2005 read with the Special Economic Zones Rules, 2006: Provided further that the maximum limit in respect of deposits to be accepted from members shall not apply to following classes of private companies, namely:— (i) a private company which is a start-up, for five years from the date of its incorporation; (ii) a private company which fulfils all of the following conditions, namely:— (a) which is not an associate or a subsidiary company of any other company; (b) the borrowings of such a company from banks or financial institutions or any body corporate is less than twice of its paid up share capital or fifty crore rupees, whichever is less; and (c) such a company has not defaulted in the repayment of such borrowings subsisting at the time of accepting deposits under section 73: Provided also that all the companies accepting deposits shall file the details of monies so accepted to the Registrar in Form DPT-3.”.		**the details of monies so accepted to the Registrar in such manner as may be specified.**
IX	**Amendments related to** - Notification S.O. 3086(E) dated 20th September 2017 The Central Government hereby appoints the 20th September, 2017 as the date on which proviso to clause (87) of section 2 of the said Act shall come into force. The proviso to section 2(87) shall be read as, “Provided that such class or classes of holding	1.20	- (The proviso is newly notified)

	companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.”		
X	**Amendments related to** - COMPANIES (AMENDMENT) ACT, 2017 Following sections of the Companies Act, 2013 (hereinafter referred to as the principal Act) have been amended by the Companies (Amendment) Act, 2017 via Notification S.O. 351 (E) dated 26th January, 2018; Notification S. O. 630 (E) dated 9th February; 2018, Notifications: S.O. 1833 (E) dated 7th May, 2018; S.O. 2422(E) dated 13th June, 2018; SO. 3299(E) dated 5th July, 2018; S.O. 3300(E) dated 5th July, 2018; S.O. 3684(E) dated 27th July, 2018; S.O. 3838(E) dated 31st July, 2018; S.O. 3921(E) dated 7th August, 2018 and S.O. 4907(E) dated 19th September, 2018.		
	1. In **section 2** of the Companies Act, 2013 (hereinafter referred to as the principal Act)-		
	(i) in **clause (6)**, for the Explanation, the following Explanation shall be substituted, namely:— '*Explanation*.—For the purpose of this clause,— (a) the expression "significant influence" means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement; (b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement; **Enforcement Date: 7th May, 2018**	1.4	**Explanation.— For the purposes of this clause, “significant influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement**
	(i) for **clause (28)**, the following clause shall be substituted, namely:— '(28) "Cost Accountant" means a cost accountant as defined in clause (b) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 and who holds a valid certificate of practice under sub-section (1) of section 6 of that Act;	1.7	**Cost accountant means a cost accountant as defined in clause (b) of sub-section (1) of section 2 of the Cost and Works**

			Accountants Act, 1959.
	(ii) in **clause (30)**, the following proviso shall be inserted, namely: "Provided that- (a) the instruments referred to in Chapter III-D of the Reserve Bank of India Act, 1934; and (b) such other instrument, as may be prescribed by the Central Government in consultation with the Reserve Bank of India, issued by a company, shall not be treated as debenture;";	1.8	– (The proviso is newly inserted)
	[1]**(iii)** in **clause (41)**, in the first proviso, after the word "subsidiary", the words "or associate company" shall be inserted;	1.9	- (The words are newly inserted) which is a holding company or a subsidiary of a company incorporated outside India
	(iv) in **clause (46)**, the following Explanation shall be inserted, namely:- '*Explanation*.—For the purposes of this clause, the expression "company" includes any body corporate;';	1.11	- (The Explanation is newly inserted)
	(v) clause (49) shall be omitted	1.11	**(49) Interested director means a director who is in any way, whether by…………, entered into or to be entered into by or on behalf of a company;** **This definition is relevant for section 174 relating to quorum …….. 188**

[1] First proviso to section 2(41) has been fully substituted by the Companies (Amendment) Second Ordinance, 2019 (with retrospective effect from 2nd November, 2018).

			relating to related party transactions of the Companies Act, 2013.
	(vi) in **clause (51)**,- (a) in sub-clause (iv), the word "and" shall be omitted; (b) for sub-clause (v), the following sub-clauses shall be substituted, namely:- "(v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and (vi) such other officer as may be prescribed;"	1.11	(iii) the whole-time director; (iv) the Chief Financial Officer; **and** **(v) such other officer as may be prescribed;**
	(vii) in **clause (57)**, for the words "and securities premium account", the words ", securities premium account and debit or credit balance of profit and loss account," shall be substituted	1.12	……the aggregate value of the paid-up share capital and all reserves created out of the profits **and securities premium account**, after deducting the aggregate…..
	(viii) in **clause (71)**, in sub-clause (a), after the word "company;", the word "and" shall be inserted;	1.15	– (The word is newly inserted)
	(ix) in **clause (72)**, in the proviso, in clause (A), after the words "State Act", the words "other than this Act or the previous company law" shall be inserted;	1.16	- (The words are newly inserted)
	(x) in **clause (76)**, for sub-clause (viii), the following sub-clause shall be substituted, namely:— "(viii) any body corporate which is— (A) a holding, subsidiary or an associate company of such company; (B) a subsidiary of a holding company to which it is also a subsidiary; or	1.17	**(viii) any company which is—** **(A) a holding, subsidiary or an associate company of such company; or** **(B) a subsidiary of a holding company to**

	(C) an investing company or the venturer of the company;"; *Explanation*.—For the purpose of this clause, "the investing company or the venturer of a company" means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.		**which it is also a subsidiary;**
	(xi) in **clause (85)**- **(a)** in sub-clause (i), for the words "five crore rupees", the words "ten crore rupees" shall be substituted;	1.20	For **(a)** 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**; or
	(b) in sub-clause (ii),- (A) for the words "as per its last profit and loss account", the words "as per profit and loss account for the immediately preceding financial year" shall be substituted; (B) for the words "twenty crore rupees", the words "one hundred crore rupees" shall be substituted;		For **(b)** 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**:
	(ii) in **clause (87)**, in sub-clause (ii), for the words "total share capital", the words "total voting power" shall be substituted; **Enforcement Date: 7th May, 2018**	1.20	(ii) exercises or controls more than one-half of the **total share capital** either at its own or together with one or more of its subsidiary companies:
	(xii) for **clause (91)**, the following clause shall be substituted, namely:- '(91) "turnover" means the gross amount of revenue recognised in the profit and loss account from the sale, supply, or distribution of goods or	1.21	**(91) Turnover means the aggregate value of the realisation of amount made from**

	on account of services rendered, or both, by a company during a financial year;'.		**the sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year;** **Note: There is in ambiguity in definition. So, there is a need for amendment in this definition. Further, the change in definition is pending in the Companies (Amendment) Bill, 2016.**
	2. After section 3 of the principal Act, the following section shall be inserted, namely:- "**3A**. If at any time the number of members of a company is reduced, in the case of a public company, below seven, in the case of a private company, below two, and the company carries on business for more than six months while the number of members is so reduced, every person who is a member of the company during the time that it so carries on business after those six months and is cognisant of the fact that it is carrying on business with less than seven members or two members, as the case may be, shall be severally liable for the payment of the whole debts of the company contracted during that time, and may be severally sued therefor.". **Enforcement Date: 9th February, 2018**	2.4	- (The section is newly inserted)
	3. In **section 4** of the principal Act, in sub-section (5), for clause (i), the following shall be substituted, namely:- "(i) Upon receipt of an application under sub-section (4), the Registrar may, on the basis of	2.11	**Upon receipt of an application, the Registrar may, on the basis of information and**

	information and documents furnished along with the application, reserve the name for a period of twenty days from the date of approval or such other period as may be prescribed: Provided that in case of an application for reservation of name or for change of its name by an existing company, the Registrar may reserve the name for a period of sixty days from the date of approval." **Enforcement Date: 26th January, 2018**		**documents furnished along with the application, reserve the name for a period of sixty days from the date of the application.**
	4. In **section 7** of the principal Act, in sub-section (1), in item (c), for the words "an affidavit", the words "a declaration" shall be substituted. **Enforcement Date: 27th July, 2018**	2.18	**an affidavit** from each of the subscribers to the memorandum and from persons named as the first directors, if any, in the articles stating that
	5. In **section 12** of the principal Act,— **(i)** in **sub-section (1),** for the words "on and from the fifteenth day of its incorporation", the words "within thirty days of its incorporation" shall be substituted; **Enforcement Date: 27th July, 2018**	2.22	(1) Registered office: **From the 15th day of its incorporation** and at all times thereafter a company shall …..be addressed to it.
	5. In **section 12** of the principal Act,— **(ii)** in **sub-section (4)**, for the words "within fifteen days", the words "within thirty days" shall be substituted. **Enforcement Date: 27th July, 2018**	2.23	(6) Notice of change to registrar: Notice of every change …….. Registrar **within 15 days** of the change, who shall record the same.
	6. In **section 21** of the principal Act, for the words "an officer of the company", the words "an officer or employee of the company" shall be substituted **Enforcement Date: 9th February, 2018**	2.35	(ii) **an officer of the company** duly authorised by the Board in this behalf.
	7. In **section 26** of the principal Act, in sub-section (1),— **(i)** after the words "signed and shall", the following shall be inserted, namely:—	3.7	- (The words have been newly inserted)

	"state such information and set out such reports on financial information as may be specified by the Securities and Exchange Board in consultation with the Central Government: Provided that until the Securities and Exchange Board specifies the information and reports on financial information under this sub-section, the regulations made by the Securities and Exchange Board under the Securities and Exchange Board of India Act, 1992, in respect of such financial information or reports on financial information shall apply."; **Enforcement Date: 7th May, 2018**		
	7. In **section 26** of the principal Act, in sub-section (1),- **(ii)** clauses (a), (b) and (d) shall be omitted. **Enforcement Date: 7th May, 2018**	3.7, 3.8, 3.9	**(a) Firstly, under the general information, the prospectus shall contained the following information, namely—** **(i) names and addresses of the** **.........of promoter's contribution;** **(b) Secondly, under the Financial informations, ... applied directly or indirectly;** **(d) state such other matters and set out such other reports, as may be prescribed.**
	8. In **section 35** of the principal Act, in sub-section (2), after clause (b), the following clause shall be inserted, namely:-	3.22	- (The clause is newly inserted)

	"(c) that, as regards every misleading statement purported to be made by an expert or contained in what purports to be a copy of or an extract from a report or valuation of an expert, it was a correct and fair representation of the statement, or a correct copy of, or a correct and fair extract from, the report or valuation; and he had reasonable ground to believe and did up to the time of the issue of the prospectus believe, that the person making the statement was competent to make it and that the said person had given the consent required by sub-section (5) of section 26 to the issue of the prospectus and had not withdrawn that consent before delivery of a copy of the prospectus for registration or, to the defendant's knowledge, before allotment thereunder.". **Enforcement Date: 9th February, 2018**		To be inserted in Point (2) after point (b)
	9. For **section 42** of the principal Act, the following section shall be substituted, namely:— '42. (1) A company may, subject to the provisions of this section, make a private placement of securities. (2) A private placement shall be made only to a select group of persons who have been identified by the Board (herein referred to as "identified persons"), whose number shall not exceed fifty or such higher number as may be prescribed [excluding the qualified institutional buyers and employees of the company being offered securities under a scheme of employees stock option in terms of provisions of clause (b) of sub-section (1) of section 62], in a financial year subject to such conditions as may be prescribed. (3) A company making private placement shall issue private placement offer and application in such form and manner as may be prescribed to identified persons, whose names and addresses are recorded by the company in such manner as may be prescribed: Provided that the private placement offer and application shall not carry any right of renunciation.	3.28 to 3.32	The content related to section 42 is to be deleted

	Explanation I.—"private placement" means any offer or invitation to subscribe or issue of securities to a select group of persons by a company (other than by way of public offer) through private placement offer-cum-application, which satisfies the conditions specified in this section. Explanation II.—"qualified institutional buyer" means the qualified institutional buyer as defined in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time, made under the Securities and Exchange Board of India Act, 1992. *Explanation* III.—If a company, listed or unlisted, makes an offer to allot or invites subscription, or allots, or enters into an agreement to allot, securities to more than the prescribed number of persons, whether the payment for the securities has been received or not or whether the company intends to list its securities or not on any recognised stock exchange in or outside India, the same shall be deemed to be an offer to the public and shall accordingly be governed by the provisions of Part I of this Chapter. (*4*) Every identified person willing to subscribe to the private placement issue shall apply in the private placement and application issued to such person alongwith subscription money paid either by cheque or demand draft or other banking channel and not by cash: Provided that a company shall not utilise monies raised through private placement unless allotment is made and the return of allotment is filed with the Registrar in accordance with sub-section (*8*). (*5*) No fresh offer or invitation under this section shall be made unless the allotments with respect to any offer or invitation made earlier have been completed or that offer or invitation has been withdrawn or abandoned by the company: Provided that, subject to the maximum number of identified persons under sub-section (*2*), a		

	company may, at any time, make more than one issue of securities to such class of identified persons as may be prescribed. (*6*) A company making an offer or invitation under this section shall allot its securities within sixty days from the date of receipt of the application money for such securities and if the company is not able to allot the securities within that period, it shall repay the application money to the subscribers within fifteen days from the expiry of sixty days and if the company fails to repay the application money within the aforesaid period, it shall be liable to repay that money with interest at the rate of twelve per cent. per annum from the expiry of the sixtieth day: Provided that monies received on application under this section shall be kept in a separate bank account in a scheduled bank and shall not be utilised for any purpose other than— (*a*) for adjustment against allotment of securities; or (*b*) for the repayment of monies where the company is unable to allot securities. (*7*) No company issuing securities under this section shall release any public advertisements or utilise any media, marketing or distribution channels or agents to inform the public at large about such an issue. (*8*) A company making any allotment of securities under this section, shall file with the Registrar a return of allotment within fifteen days from the date of the allotment in such manner as may be prescribed, including a complete list of all allottees, with their full names, addresses, number of securities allotted and such other relevant information as may be prescribed. (*9*) If a company defaults in filing the return of allotment within the period prescribed under sub-section (*8*), the company, its promoters and directors shall be liable to a penalty for each default of one thousand rupees for each day		

	during which such default continues but not exceeding twenty-five lakh rupees. (*10*) Subject to sub-section (*11*), if a company makes an offer or accepts monies in contravention of this section, the company, its promoters and directors shall be liable for a penalty which may extend to the amount raised through the private placement or two crore rupees, whichever is lower, and the company shall also refund all monies with interest as specified in sub-section (*6*) to subscribers within a period of thirty days of the order imposing the penalty. (*11*) Notwithstanding anything contained in sub-section (*9*) and sub-section (*10*), any private placement issue not made in compliance of the provisions of sub-section (*2*) shall be deemed to be a public offer and all the provisions of this Act and the Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992 shall be applicable.'. **Enforcement Date: 7th August, 2018**		
	10. In **section 47**, in sub-section (1), for the words, figures and brackets "provisions of section 43 and sub-section (2) of section 50", the words, figures and brackets "provisions of section 43, sub-section (2) of section 50 and sub-section (1) of section 188" shall be substituted. **Enforcement Date: 9th February, 2018**	4.6	In Point (i), the following may be added, "Subject to the provisions of section 43, sub-section (2) of section 50 and sub-section (1) of section 188,"
	11. In **section 53** of the principal Act,- **(i)** in sub-section (2), for the words "discounted price", the word "discount" shall be substituted; **Enforcement Date: 9th February, 2018**	4.10	**For (i)** Any share issued by a company at a **discounted price** shall be void.
	11. In **section 53** of the principal Act,- **(ii)** after sub-section (2), the following sub-section shall be inserted, namely:- "(2A) Notwithstanding anything contained in sub-sections (1) and (2), a company may issue	4.10	**For (ii): -** (The sub- section is newly inserted)

	shares at a discount to its creditors when its debt is converted into shares in pursuance of any statutory resolution plan or debt restructuring scheme in accordance with any guidelines or directions or regulations specified by the Reserve Bank of India under the Reserve Bank of India Act, 1934 or the Banking (Regulation) Act, 1949.". **Enforcement Date: 9th February, 2018**		
	12. In **section 54**, in sub-section (*1*), clause (*c*) shall be omitted. **Enforcement Date: 7th May, 2018**	4.11	**(c) not less than one year has, at the date of such issue, elapsed since the date on which the company had commenced business; and**
	13. In **section 62** of the principal Act,- **(i)** in sub-section (1), in clause (c), for the words "of a registered valuer subject to such conditions as may be prescribed", the words and figures "of a registered valuer, subject to the compliance with the applicable provisions of Chapter III and any other conditions as may be prescribed" shall be substituted; **Enforcement Date: 9th February, 2018**	4.22	For **(i)** (c) to any persons, if it is authorised by a special resolution, ….. is determined by the valuation report **of a registered valuer** subject to such conditions as prescribed ………
	13. In **section 62** of the principal Act,- **(ii)** for sub-section (2), the following sub-section shall be substituted, namely:- "(2) The notice referred to in sub-clause (i) of clause (a) of sub-section (1) shall be dispatched through registered post or speed post or through electronic mode or courier or any other mode having proof of delivery to all the existing shareholders at least three days before the opening of the issue.". **Enforcement Date: 9th February, 2018**	4.22	For **(ii)** **The notice of offer of shares shall be despatched through registered post or speed post or through electronic mode to all the existing shareholders at least three days before the opening of the issue.**

	14. In **section 73** of the principal Act, in sub-section (2),— **(i)** for **clause (*c*),** the following clause shall be substituted, namely:— "(*c*) depositing, on or before the thirtieth day of April each year, such sum which shall not be less than twenty per cent. of the amount of its deposits maturing during the following financial year and kept in a scheduled bank in a separate bank account to be called deposit repayment reserve account;"; **Enforcement Date: 15th August, 2018**	5.6	**(c) depositing such sum which shall not be less than fifteen per cent. of the amount of its deposits maturing during a financial year and the financial year next following, and kept in a scheduled bank in a separate bank account to be called as deposit repayment reserve account**
	14. In **section 73** of the principal Act, in sub-section (2),— **(ii) clause (*d*)** shall be omitted; **Enforcement Date: 15th August, 2018**	5.6	**(d) providing such deposit insurance in such manner and to such extent as may be prescribed**
	14. In **section 73** of the principal Act, in sub-section (2),— **(iii) in clause (*e*),** for the words "such deposits;", the following shall be substituted, namely:— "such deposits and where a default had occurred, the company made good the default and a period of five years had lapsed since the date of making good the default;". **Enforcement Date: 15th August, 2018**	5.6	(e) certifying that the ………. Act or payment of interest on **such deposits**
	15. In **section 74**, in sub-section (*1*), for clause (*b*), the following clause shall be substituted, namely:— "(*b*) repay within three years from such commencement or on or before expiry of the period for which the deposits were accepted, whichever is earlier: Provided that renewal of any such deposits shall be done in accordance with the provisions of Chapter V and the rules made thereunder."	5.13	**repay within one year from such commencement or from the date on which such payments are due, whichever is earlier**

	Enforcement Date: 15th August, 2018		
	16. In **section 76A** of the principal Act,- **(a) in clause (a)**, for the words, "one crore rupees", the words "one crore rupees or twice the amount of deposit accepted by the company, whichever is lower" shall be substituted; **Enforcement Date: 9th February, 2018**	**(a)** 5.14	For **(a)** the company ….shall not be less than **one crore rupees** but which may extend to ten crore rupees; and
	16. In **section 76A** of the principal Act,- **(b) in clause (b),-** (i) for the words "seven years or with fine", the words "seven years and with fine" shall be substituted; (ii) the words "or with both" shall be omitted **Enforcement Date: 9th February, 2018**	5.15	For **(b)** every officer ….with imprisonment which may extend to **seven years or with fine** which shall not be less than twenty-five lakh rupees but which may extend to two crore rupees, **or with both**
	17. In **section 77** of the principal Act, in sub-section (*1*), after the third proviso, the following proviso shall be inserted, namely:— "Provided also that this section shall not apply to such charges as may be prescribed in consultation with the Reserve Bank of India.". **Enforcement Date: 7th May, 2018**	6.3	- (The proviso is newly inserted)
	18. In **section 78** of the principal Act, for the words and figures "register the charge within the period specified in section 77", the words, brackets and figures "register the charge within the period of thirty days referred to in sub-section (*1*) of section 77" shall be substituted. **Enforcement Date: 7th May, 2018**	6.4	As per section 78 ……. to **register the charge within the period 30 days**, the person in whose favour the charge is created may apply
	19. In **section 82** of the principal Act, in **sub-section (*1*),—** **(i)** the words, brackets and figures "and the provisions of sub-section (1) of section 77 shall,	6.7	According to section 82 of the Companies Act, 2013, …… from the date of such payment or

	as far as may be, apply to an intimation given under this section" shall be omitted; **Enforcement Date: 5th July, 2018**		satisfaction **and the provisions of section 77(1) shall, as far as may be, apply to an intimation given under this section**.
	19. In **section 82** of the principal Act, in **sub-section (*1*),—** **(ii)** the following **proviso** shall be **inserted**, namely:— "Provided that the Registrar may, on an application by the company or the charge holder, allow such intimation of payment or satisfaction to be made within a period of three hundred days of such payment or satisfaction on payment of such additional fees as may be prescribed.". **Enforcement Date: 5th July, 2018**	6.8	- (The proviso is newly inserted)
	20. In **section 89** of the principal Act,— **(i)** in **sub-section (*6*)**, the words and figures, "within the time specified under section 403" shall be omitted; **Enforcement Date: 7th May, 2018**	7.9	For (i), the said words are omitted. (however, the study material does not contain reference of section 403)
	20. In **section 89** of the principal Act,— **(ii)** in **sub-section (*7*)**, for the words and figures, "under the first proviso to sub-section (*1*) of section 403", the word "therein", shall be substituted; **Enforcement Date: 7th May, 2018**	7.9	the said words have been substituted (however, the study material does not contain reference of section 403)
	20. In **section 89** of the principal Act,— **(iii) after sub-section (*9*)**, the following sub-section shall be inserted, namely:— "(10) For the purposes of this section and section 90, beneficial interest in a share includes, directly or indirectly, through any contract, arrangement or	7.9	The sub- section is newly inserted.

	otherwise, the right or entitlement of a person alone or together with any other person to— (i) exercise or cause to be exercised any or all of the rights attached to such share; or (*ii*) receive or participate in any dividend or other distribution in respect of such share.". **Enforcement Date: 13th June, 2018**		
	21. For **section 90** of the principal Act, the following section shall be substituted, namely:— 'REGISTER OF SIGNIFICANT BENEFICIAL OWNERS IN A COMPANY (*1*) Every individual, who acting alone or together, or through one or more persons or trust, including a trust and persons resident outside India, holds beneficial interests, of not less than twenty-five per cent. or such other percentage as may be prescribed, in shares of a company or the right to exercise, or the actual exercising of significant influence or control as defined in clause (*27*) of section 2, over the company (herein referred to as "significant beneficial owner"), shall make a declaration to the company, specifying the nature of his interest and other particulars, in such manner and within such period of acquisition of the beneficial interest or rights and any change thereof, as may be prescribed: Provided that the Central Government may prescribe a class or classes of persons who shall not be required to make declaration under this sub-section. (*2*) Every company shall maintain a register of the interest declared by individuals under sub-section (*1*) and changes therein which shall include the name of individual, his date of birth, address, details of ownership in the company and such other details as may be prescribed. (3) The register maintained under sub-section (*2*) shall be open to inspection by any member of the company on payment of such fees as may be prescribed.	7.10	**INVESTIGATION OF BENEFICIAL OWNERSHIP OF SHARES IN CERTAIN CASES The section simply enables the Central ……. investigation ordered under that section.**

	(4) Every company shall file a return of significant beneficial owners of the company and changes therein with the Registrar containing names, addresses and other details as may be prescribed within such time, in such form and manner as may be prescribed. (5) A company shall give notice, in the prescribed manner, to any person (whether or not a member of the company) whom the company knows or has reasonable cause to believe— (a) to be a significant beneficial owner of the company; (b) to be having knowledge of the identity of a significant beneficial owner or another person likely to have such knowledge; or (c) to have been a significant beneficial owner of the company at any time during the three years immediately preceding the date on which the notice is issued, and who is not registered as a significant beneficial owner with the company as required under this section. (6) The information required by the notice under sub-section (*5*) shall be given by the concerned person within a period not exceeding thirty days of the date of the notice. (7) The company shall,— (a) where that person fails to give the company the information required by the notice within the time specified therein; or (b) where the information given is not satisfactory, apply to the Tribunal within a period of fifteen days of the expiry of the period specified in the notice, for an order directing that the shares in question be subject to restrictions with regard to transfer of interest, suspension of all rights attached to the shares and such other matters as may be prescribed. (*8*) On any application made under sub-section (*7*), the Tribunal may, after giving an opportunity		

	of being heard to the parties concerned, make such order restricting the rights attached with the shares within a period of sixty days of receipt of application or such other period as may be prescribed. (9) The company or the person aggrieved by the order of the Tribunal may make an application to the Tribunal for relaxation or lifting of the restrictions placed under sub-section (*8*). (10) If any person fails to make a declaration as required under sub-section (*1*), he shall be punishable with fine which shall not be less than one lakh rupees but which may extend to ten lakh rupees and where the failure is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the failure continues. (11) If a company, required to maintain register under sub-section (*2*) and file the information under sub-section (*4*), fails to do so or denies inspection as provided therein, the company and every officer of the companywho is in default shall be punishable with fine which shall not be less than ten lakh rupees but which may extend to fifty lakh rupees and where the failure is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the failure continues. (12) If any person wilfully furnishes any false or incorrect information or suppresses any material information of which he is aware in the declaration made under this section, he shall be liable to action under section 447.'. **Enforcement Date: 13th June, 2018**		
	22. In **section 92** of the principal Act,— **(i)** in **sub-section (*4*)**, the words and figures, "within the time as specified, under section 403" shall be omitted; **Enforcement Date: 7th May, 2018**	7.12	A copy of annual return shall be file with the RoC within 60 days …… holding the AGM **within the time specified under section 403**

	22. In **section 92** of the principal Act,— [2]**(ii)** in **sub-section (*5*)**, for the words and figures, "under section 403 with additional fees" the word "therein" shall be substituted. **Enforcement Date: 7th May, 2018**	7.12	the said words have been substituted (however, the study material does not contain reference of section 403)
	23. Section 93 of the principal Act shall be omitted. **Enforcement Date: 13th June, 2018**	7.13	**SECTION 93 – RETURN ….. company in each case**
	24. In **section 94** of the principal Act,— **(i)** in sub-section (*1*), in the first proviso, the words "and the Registrar has been given a copy of the proposed special resolution in advance" shall be omitted; **Enforcement Date: 13th June, 2018**	7.14	the change has to be made in the diagram given on page 7.14
	24. In **section 94** of the principal Act,— **(ii)** in sub-section (*3*), the following proviso shall be inserted, namely:— "Provided that such particulars of the register or index or return as may be prescribed shall not be available for inspection under sub-section (*2*) or for taking extracts or copies under this sub-section.". **Enforcement Date: 13th June, 2018**	7.14	- (The proviso is newly inserted)
	25. In **section 96** of the principal Act, in sub-section (*2*), in the proviso, for the words "Provided that", the following shall be substituted, namely:— "Provided that annual general meeting of an unlisted company may be held at any place in India if consent is given in writing or by electronic mode by all the members in advance: Provided further that". **Enforcement Date: 13th June, 2018**	7.51	- (The proviso is newly inserted)

[2] Sub-section 5 of section 92 has been fully substituted by the Companies (Amendment) Second Ordinance, 2019 (w.r.e.f. 2.11.2018)

	26. In **section 100** of the principal Act, in sub-section (1), the following proviso shall be inserted, namely:- "Provided that an extraordinary general meeting of the company, other than of the wholly owned subsidiary of a company incorporated outside India, shall be held at a place within India.". **Enforcement Date: 9th February, 2018**	7.52	- (The proviso is newly inserted)
	27. In **section 101** of the principal Act, in sub-section (1), for the proviso, the following proviso shall be substituted, namely:- "Provided that a general meeting may be called after giving shorter notice than that specified in this sub-section if consent, in writing or by electronic mode, is accorded thereto- (i) in the case of an annual general meeting, by not less than ninty-five per cent. of the members entitled to vote thereat; and (ii) in the case of any other general meeting, by members of the company- (a) holding, if the company has a share capital, majority in number of members entitled to vote and who represent not less than ninety-five per cent. of such part of the paid-up share capital of the company as gives a right to vote at the meeting; or (b) having, if the company has no share capital, not less than ninety-five per cent. of the total voting power exercisable at that meeting: Provided further that where any member of a company is entitled to vote only on some resolution or resolutions to be moved at a meeting and not on the others, those members shall be taken into account for the purposes of this sub-section in respect of the former resolution or resolutions and not in respect of the latter.". **Enforcement Date: 9th February, 2018**	7.19	**The proviso to section 101(1) also states that a shorter notice may also be given with the consent of 95 per cent of the members entitled to vote. Generally meetings need to be called by giving a notice of 21 clear days. However, they can be called on a shorter notice if, 95 per cent of the members entitled to vote in that meeting give their consent in writing or by electronic mode.** **It is also important to note that only the requirement as regards the length of the notice being 21 days, is dispensed with by such consent of not less than 95 per cent of the members entitled to vote at such meeting and not the**

			necessity to call and hold such meeting.
	28. In **section 110** of the principal Act, in sub-section (1), the following proviso shall be inserted, namely:- "Provided that any item of business required to be transacted by means of postal ballot under clause (a), may be transacted at a general meeting by a company which is required to provide the facility to members to vote by electronic means under section 108, in the manner provided in that section." **Enforcement Date: 9th February, 2018**	7.34	- (The proviso is newly inserted)
	29. In **section 117** of the principal Act,— **(i)** in **sub-section (*1*)**, the words and figures "within the time specified under section 403" shall be omitted; **Enforcement Date: 7th May, 2018**	7.45	the said words have been omitted (however, the study material does not contain reference of section 403)
	29. In **section 117** of the principal Act,— [3]**(ii) in sub-section (*2*),—** (*a*) for the words and figures "under section 403 with additional fees", the word "therein" shall be substituted; (b) for the words "not be less than five lakh rupees", the words "not be less than one lakh rupees" shall be substituted; (c) for the words "one lakh rupees", the words "fifty thousand rupees" shall be substituted; **Enforcement Date: 7th May, 2018**	7.46	Section 117(2) sets out …….. to …... the specified time **under section 403** and ……. which shall **not be less than ₹ 5,00,000** but which may extend to ₹ 25,00,000 and every officer …… with fine which shall not be less than **₹ 1,00,000** but which may extend to ₹ 5,00,000

[3] Sub-section 2 of section 117 has been fully substituted by the Companies (Amendment) Second Ordinance, 2019 (w.r.e.f. 2.11.2018)

	29. In **section 117** of the principal Act,—
	(iii) in **sub-section (*3*),—**
	(a) clause (e) shall be omitted;
	(b) in clause (g), in the proviso, the word "and" shall be omitted and the following proviso shall be inserted, namely:—
	"Provided further that nothing contained in this clause shall apply to a banking company in respect of a resolution passed to grant loans, or give guarantee or provide security in respect of loans under clause (*f*) of sub-section (*3*) of section 179 in the ordinary course of its business; and.".
	Enforcement Date: 7th May, 2018
		7.45	For (a)
			resolutions passed by a …….. of any of the powers under …(1)(c)
			
			For (b)-
			(The proviso is newly inserted)

	30. In **section 121** of the principal Act,— **(i)** in sub-section (*2*), the words and figures "within the time as specified, under section 403" shall be omitted; [4]**(ii)** in sub-section (*3*), for the words and figures "under section 403 with additional fees", the word "therein" shall be substituted. **Enforcement Date: 7th May, 2018**	7.52	the said words have been omitted/ substituted (however, the study material does not contain reference of section 403)
	31. In **section 123** of the principal Act,- **(a)** in sub-section (1)- **(i)** in clause (a),- **(A)** for the words "both; or", the word "both:" shall be substituted; **(B)** the following proviso shall be inserted, namely:- "Provided that in computing profits any amount representing unrealised gains, notional gains or revaluation of assets and any change in carrying amount of an asset or of a liability on measurement of the asset or the liability at fair value shall be excluded; or"; **Enforcement Date: 9th February, 2018**	8.4	(i) For point **(A)** (c) out of **both (a) and (b); or** For point **(B)**: - (The proviso is newly inserted)

[4] Sub-section 3 of section 121 has been fully substituted by the Companies (Amendment) Second Ordinance, 2019 (w.r.e.f. 2.11.2018)

	31. In **section 123** of the principal Act,- **(a)** in sub-section (1)- **(ii)** in the second proviso, for the words "transferred by the company to the reserves", the words "transferred by the company to the free reserves" shall be substituted; **Enforcement Date: 9th February, 2018**	8.4	For **(ii)** Where a company, ……. it in previous years and **transferred by the company** to the reserves, such declaration of dividend …… with prescribed rules. [Second Proviso to section 123(1)]
	31. In **section 123** of the principal Act,- **(b)** for sub-section (3), the following sub-section shall be substituted, namely:- "(3) The Board of Directors of a company may declare interim dividend during any financial year or at any time during the period from closure of financial year till holding of the annual general meeting out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend: Provided that in case the company has incurred loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends declared by the company during immediately preceding three financial years.". **Enforcement Date: 9th February, 2018**	8.6	According to section 123(3), **the Board of Directors of a company may declare interim dividend during any financial year out of the surplus in the profit and loss account and out of profits of the financial year in which such interim dividend is sought to be declared.** **However, in case the company has incurred loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends**

			declared by the company during immediately preceding three financial years.
	32. In **section 129** of the principal Act, for sub-section (3), the following sub-section shall be substituted, namely:— "(3) Where a company has one or more subsidiaries or associate companies, it shall, in addition to financial statements provided under sub-section (2), prepare a consolidated financial statement of the company and of all the subsidiaries and associate companies in the same form and manner as that of its own and in accordance with applicable accounting standards, which shall also be laid before the annual general meeting of the companyalong with the laying of its financial statement under sub-section (2): Provided that the company shall also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries and associate company or companies in such form as may be prescribed: Provided further that the Central Government may provide for the consolidation of accounts of companies in such manner as may be prescribed. **Enforcement Date: 7th May, 2018**	9.8 and 9.9	**(1) Where a company has one or more subsidiaries,……** **Rule 6 of the Companies (Accounts) Rules, 2014.** **Explanation—For the purposes of this sub-section, the word "subsidiary" shall include associate company and joint venture.**
	33. In **section 130** of the principal Act,- **(i)** in sub-section (1), in the proviso,- (a) after the words "regulatory body or authorities concerned", the words "or any other person concerned" shall be inserted; (b) after the words "the body or authority concerned", the words "or the other person concerned" shall be inserted; **Enforcement Date: 9th February, 2018**	9.13	For **(i)** - (The words are newly inserted)
	33. In **section 130** of the principal Act,- **(ii)** after sub-section (2), the following sub-section shall be inserted, namely:-	9.13	For **(ii)** –

	"(3) No order shall be made under sub-section (1) in respect of re-opening of books of account relating to a period earlier than eight financial years immediately preceding the current financial year: Provided that where a direction has been issued by the Central Government under the proviso to sub-section (5) of section 128 for keeping of books of account for a period longer than eight years, the books of account may be ordered to be re-opened within such longer period." **Enforcement Date: 9th February, 2018**		(This sub- section is newly inserted)
	34. In **section 134** of the principal Act,— (*a*) for **sub-section (*1*)**, the following sub-section shall be substituted, namely:— "(1) The financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board by the chairperson of the company where he is authorised by the Board or by two directors out of which one shall be managing director, if any, and the Chief Executive Officer, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, or in the case of One Person Company, only by one director, for submission to the auditor for his report thereon."; **Enforcement Date: 31st July, 2018**	9.16	**The financial statements, including consolidated financial statement, ……….. for submission to the auditor for his report thereon.**
	34. In **section 134** of the principal Act,— (***b***) in **sub-section (*3*),—** **(i)** for clause (*a*), the following clause shall be substituted, namely:— "(*a*) the web address, if any, where annual return referred to in sub-section (*3*) of section 92 has been placed;"; **(ii)** in clause (p), for the words "annual evaluation has been made by the Board of its own performance and that of its committees and individual directors", the words "annual evaluation of the performance of the Board, its Committees	9.17	For **(i)** **Extract of annual return** (in the diagram) For **(ii)** Listed /other public ……. statement of **annual evaluation of performances of Board,**

	and of individual directors has been made" shall be substituted; **(iii)** after clause (*q*), the following provisos shall be inserted, namely:— "Provided that where disclosures referred to in this sub-section have been included in the financial statements, such disclosures shall be referred to instead of being repeated in the Board's report: Provided further that where the policy referred to in clause (*e*) or clause (*o*) is made available on company's website, if any, it shall be sufficient compliance of the requirements under such clauses if the salient features of the policy and any change therein are specified in brief in the Board's report and the web-address is indicated therein at which the complete policy is available."; **Enforcement Date: 31st July, 2018**		**committees and individual directors.** (in the diagram) For **(iii)** The proviso is newly inserted (in the diagram)
	34. In **section 134** of the principal Act,— (***c***) after sub-section (*3*), the following sub-section shall be inserted, namely:— "(*3A*) The Central Government may prescribe an abridged Board's report, for the purpose of compliance with this section by One Person Company or small company.". **Enforcement Date: 31st July, 2018**	-	**-** (The sub- section is newly inserted)
	35. In **section 135** of the principal Act,— **(i)** in **sub-section (*1*)**,— **(a)** for the words "any financial year", the words "the immediately preceding financial year" shall be substituted; **(b)** the following proviso shall be inserted, namely:— "Provided that where a company is not required to appoint an independent director under sub-section (*4*) of section 149, it shall have in its Corporate Social Responsibility Committee two or more directors."; **Enforcement Date: 19th September, 2018**	9.23	For **(a)** during **any financial year** shall constitute a Corporate Social Responsibility Committee of the Board. For **(b)-** (The proviso has been newly inserted)

	35. In **section 135** of the principal Act,— **(ii)** in **sub-section (*3*)**, in clause (*a*), for the words and figures "as specified in Schedule VII", the words and figures "in areas or subject, specified in Schedule VII" shall be substituted; **Enforcement Date: 19th September, 2018**	9.24	formulate and recommend ……. which shall indicate the activities to be undertaken by the **company as specified in Schedule VII;**
	35. In **section 135** of the principal Act,— **(iii)** in **sub-section (*5*)**, for the *Explanation*, the following *Explanation* shall be substituted, namely:— '*Explanation*.—For the purposes of this section "net profit" shall not include such sums as may be prescribed, and shall be calculated in accordance with the provisions of section 198.'. **Enforcement Date: 19th September, 2018**	9.26	Here, **"average net profit" shall be calculated in accordance with the provisions of section 198**
	36. In **section 136** of the principal Act,- **(i)** in sub-section (1),- **(a)** the words and figures "Without prejudice to the provisions of section 101," shall be omitted; **Enforcement Date: 9th February, 2018**	9.30	As per the amendment the word "Without prejudice to the provisions of section 101," shall be omitted
	36. In **section 136** of the principal Act,- **(i)** in sub-section (1),- **(b)** in the first proviso, for the words "Provided that", the following shall be substituted, namely:- "Provided that if the copies of the documents are sent less than twenty-one days before the date of the meeting, they shall, notwithstanding that fact, be deemed to have been duly sent if it is so agreed by members- (a) holding, if the company has a share capital, majority in number entitled to vote and who represent not less than ninety-five per cent. of such part of the paid-up share capital of the company as gives a right to vote at the meeting; or	9.31	- (The proviso is newly inserted)

	(b) having, if the company has no share capital, not less than ninety five per cent. of the total voting power exercisable at the meeting: Provided further that"; **Enforcement Date: 9th February, 2018**		
	36. In **section 136** of the principal Act,- **(i)** in sub-section (1),- **(c)** in the second proviso, for the words "Provided further", the words, "Provided also" shall be substituted; **Enforcement Date: 9th February, 2018**	9.31	Related to point (ii) on Page 9.31
	36. In **section 136** of the principal Act,- **(i)** in sub-section (1),- **(d)** for the fourth proviso, the following provisos shall be substituted, namely:— 'Provided also that every listed company having a subsidiary or subsidiaries shall place separate audited accounts in respect of each of subsidiary on its website, if any: Provided also that a listed company which has a subsidiary incorporated outside India (herein referred to as "foreign subsidiary")- (a) where such foreign subsidiary is statutorily required to prepare consolidated financial statement under any law of the country of its incorporation, the requirement of this proviso shall be met if consolidated financial statement of such foreign subsidiary is placed on the website of the listed company; (b) where such foreign subsidiary is not required to get its financial statement audited under any law of the country of its incorporation and which does not get such financial statement audited, the holding Indian listed company may place such unaudited financial statement on its website and where such financial statement is in a language other than English, a translated copy of the financial statement in English shall also be placed on the website.'; **Enforcement Date: 9th February, 2018**	9.31	(iii) Subsidiary Companies: **Every company having a subsidiary or subsidiaries shall,—** **(1) place separate audited accounts in respect of each of its subsidiary on its website, if any;** **(2) provide a copy of separate audited financial statements in respect of each of its subsidiary, to any shareholder of the company who asks for it.**

	36. In **section 136** of the principal Act,- **(ii)** in sub-section (2), the following proviso shall be inserted, namely:- "Provided that every company having a subsidiary or subsidiaries shall provide a copy of separate audited or unaudited financial statements, as the case may be, as prepared in respect of each of its subsidiary to any member of the company who asks for it." **Enforcement Date: 9th February, 2018**	9.32	- (The proviso is newly inserted) Add the proviso in point (iv)
	37. In **section 137** of the principal Act,— **(i)** in **sub-section (1)**,— **(a)** the words and figures "within the time specified under section 403" shall be omitted; **(b)** in the second proviso, the words and figures "within the time specified under section 403" shall be omitted; **(c)** after the fourth proviso, the following proviso shall be inserted, namely:— 'Provided also that in the case of a subsidiary which has been incorporated outside India (herein referred to as "foreign subsidiary"), which is not required to get its financial statement audited under any law of the country of its incorporation and which does not get such financial statement audited, the requirements of the fourth proviso shall be met if the holding Indian company files such unaudited financial statement along with a declaration to this effect and where such financial statement is in a language other than English, along with a translated copy of the financial statement in English.'. **Enforcement Date: 7th May, 2018**	9.34	For **(a)** (i) Filing of financial statements [Section 137(1)]: A copy of the financial ….. fees as may be prescribed **within the time specified under section 403** For **(b)** (c) If the financial statements are adopted …… such additional fees as may be prescribed **within the time specified under section 403**. For **(c)** – (The proviso is newly inserted)
	37. In **section 137** of the principal Act,— **(ii)** in **sub-section (2)**, the words and figures "within the time specified, under section 403" shall be omitted;	9.35	(v) Annual General meeting not held [Section 137(2)] : Where the annual general …..

	Enforcement Date: 7th May, 2018		additional fees as may be prescribed **within the time specified, under section 403**.
	37. In **section 137** of the principal Act,— **(iii)** in **sub-section (3)**, for the words and figures "in section 403", the word "therein" shall be substituted. **Enforcement Date: 7th May, 2018**	9.35	the said words have been substituted (however, the study material does not contain reference of section 403)
	38. In **section 139** of the principal Act, in sub-section (*1*), the first proviso shall be omitted. **Enforcement Date: 7th May, 2018**	10.5	**The company shall place the matter relating to such appointment for ratification by members at every AGM.**
	[5]**39.** In **section 140** of the principal Act, in sub-section (3), for the words "fifty thousand rupees", the words "fifty thousand rupees or the remuneration of the auditor, whichever is less," shall be substituted. **Enforcement Date: 9th February, 2018**	10.15	(d) If the auditor does not ……. with fine which shall not be less than ₹ **50,000** but which may extend to ₹ 5 Lacs.
	40. In **section 141** of the principal Act, in sub-section (3), for clause (i), the following clause shall be substituted, namely:- '(i) a person who, directly or indirectly, renders any service referred to in section 144 to the company or its holding company or its subsidiary company. *Explanation*.—For the purposes of this clause, the term "directly or indirectly" shall have the meaning assigned to it in the Explanation to section 144.'. **Enforcement Date: 9th February, 2018**	10.22	(9) **any person whose subsidiary or associate company or any other form of entity, is engaged as on the date of appointment in consulting and specialised services as**

[5] Sub-section 3 of section 140 has been fully substituted by the Companies (Amendment) Second Ordinance, 2019 (w.r.e.f. 2.11.2018)

			provided in section 144
	41. In **section 143** of the principal Act,- **(i)** in sub-section (1), in the proviso, for the words "its subsidiaries", at both the places, the words "its subsidiaries and associate companies" shall be substituted; **Enforcement Date: 9th February, 2018**	10.23	(c) Access to record of all its subsidiaries: The auditor of a ……. the records of all **its subsidiaries** in so far as it relates to the consolidation of its financial statements with that of **its subsidiaries**.
	41. In **section 143** of the principal Act,- **(ii)** in sub-section (3), in clause (i), for the words "internal financial controls system", the words "internal financial controls with reference to financial statements" shall be substituted; **Enforcement Date: 9th February, 2018**	10.24	(9) whether the company has adequate **internal financial controls system** in place and the operating effectiveness of such controls;
	41. In **section 143** of the principal Act,- **(iii)** in sub-section (14), in clause (a), for the words "cost accountant in practice", the words "cost accountant" shall be substituted **Enforcement Date: 9th February, 2018**	10.36	The provisions of section 143 shall mutatis mutandis apply to the **cost accountant in practice** conducting cost audit under section 148.
	42. In **section 147** of the principal Act,- **(i)** in sub-section (2),- (a) after the words "five lakh rupees", the words "or four times the remuneration of the auditor, whichever is less" shall be inserted; **Enforcement Date: 9th February, 2018**	10.33	- The words shall be inserted in point (iii) (a)
	42. In **section 147** of the principal Act,- **(i)** in sub-section (2),- (b) in the proviso, for the words "and with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees", the words "and with fine which shall not be less than fifty thousand rupees but which may extend to	10.33	(2) **Fine which shall not be less than ₹ 1 lac but which may extend to ₹ 25 Lacs**

	twenty-five lakh rupees or eight times the remuneration of the auditor, whichever is less" shall be substituted; **Enforcement Date: 9th February, 2018**		
	42. In **section 147** of the principal Act,- **(ii)** in sub-section (3), in clause (ii), for the words "or to any other persons", the words "or to members or creditors of the company" shall be substituted; **Enforcement Date: 9th February, 2018**	10.33	(2) pay for damages to the company, statutory bodies or authorities **or to any other persons** for loss arising out of incorrect …. audit report.
	42. In **section 147** of the principal Act,- **(iii)** in sub-section (5), the following proviso shall be inserted, namely:- "Provided that in case of criminal liability of an audit firm, in respect of liability other than fine, the concerned partner or partners, who acted in a fraudulent manner or abetted or, as the case may be, colluded in any fraud shall only be liable.". **Enforcement Date: 9th February, 2018**	10.33	- (The proviso is newly inserted)
	43. In **section 148** of the principal Act,- **(i)** in sub-section (3),- (a) for the words "Cost Accountant in practice", the words "cost accountant" shall be substituted; **Enforcement Date: 9th February, 2018**	10.34	(iv) The cost audit shall be conducted by a **Cost Accountant in practice** who shall be …… by the members in such manner as may be prescribed.
	43. In **section 148** of the principal Act,- **(i)** in sub-section (3),- (b) in the *Explanation*, for the words "Institute of Cost and Works Accountants of India", the words "Institute of Cost Accountants of India" shall be substituted; **Enforcement Date: 9th February, 2018**	10.35	Here, the expression "cost auditing standards" mean such standards as are issued by the **Institute of Cost and Works Accountants of India**, constituted under the Cost and

			Works Accountants Act, 1959, with the approval of the Central Government.
	43. In **section 148** of the principal Act,- **(ii)** in sub-section (5), in the proviso, for the words "cost accountant in practice", the words "cost accountant" shall be substituted **Enforcement Date: 9th February, 2018**	10.35	(x) The report on the audit of cost records shall be submitted by the **cost accountant in practice** to the Board of Directors (BoD) of the company.
	44. In **section 447** of the principal Act,- (a) after the words "guilty of fraud", the words "involving an amount of at least ten lakh rupees or one per cent. of the turnover of the company, whichever is lower" shall be inserted. **Enforcement Date: 9th February, 2018**	3.25	The words are newly inserted
	44. In **section 447** of the principal Act,- (b) after the proviso, the following proviso shall be inserted, namely:— "Provided further that where the fraud involves an amount less than ten lakh rupees or one per cent. of the turnover of the company, whichever is lower, and does not involve public interest, any person guilty of such fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which may extend to [6]twenty lakh rupees or with both." **Enforcement Date: 9th February, 2018**	3.26	In earlier law the proviso was not there. The proviso is newly inserted
XI	**Amendments related to** - Amendment in the notification number G.S.R. 463(E) dated the 5th June, 2015 vide Notification no. S.O. 802(E) dated 23rd February, 2018 In exercise of the powers conferred by clauses (a) and (b) of sub-section (1) and subsection (2) of	9.7	Replace the footnote 'Section 129 shall not apply to the Government companies **to the extent of**

[6] The amount of "twenty lakh rupees" has been replaced with "fifty lakh rupees" as per the Companies (Amendment) Second Ordinance, 2019.

	section 462 of the Companies Act, 2013, the Central Government, in the interest of public amends the notification of the Government of India in the Ministry of Corporate Affairs number G.S.R. 463(E) dated the 5th June, 2015 namely:— In the said notification, in the Table, for serial number 8 and entries relating thereto, the following serial number and entries shall be respectively substituted, namely:- "In Chapter IX, Section 129- Shall not apply to the companies engaged in defence production to the extent of application of relevant Accounting Standard on segment reporting".		**application of Accounting Standard 17 (Segment Reporting) to the companies engaged in defence production**.
XII	**Amendments related to** - Notification G.S.R. 284(E) dated 23rd March, 2018 Rule 9: **Reservation of name** An application for reservation of name shall be made through the web service available at www.mca.gov.in by using [form RUN](Reserve Unique Name) along with fee as provided in the Companies (Registration offices and fees) Rules, 2014, which may either be approved or rejected, as the case may be, by the Registrar, Central Registration Centre after allowing re--submission of such application within fifteen days for rectification of the defects, if any.	2.11	- (This Rule may be read with respect to point (iv) Requirement for reservation of the name of the company)
XIII	**Amendments related to** - Notification G.S.R. 433(E) dated 7th May, 2018 The Central Government has amended the Companies (Specification of Definitions Details) Rules, 2014, by the Companies (Specification of Definitions Details) Amendment Rules, 2018. It shall come into force on 7th May, 2018. In the Companies (Specification of Definitions Details) Rules, 2014, in rule 2, in sub-rule (1), clause (r) shall be omitted. **Please note:** The said clause (r) deals with 'Total Share Capital'	1.4 & 1.21	**As per the Companies (Specification of Definitions Details) Rules, 2014, "Total Share Capital", ... (b) convertible preference share capital**

XIV	**<u>Amendments related to</u>** <u>- Notification G.S.R. 434(E) dated 7th May, 2018</u> The Central Government has amended the Companies (Share Capital and Debentures) Rules, 2014, by the Companies (Share Capital and Debentures) Second Amendment Rules, 2018. It shall come into force on 7th May, 2018. In the Companies (Share Capital and Debentures) Rules, 2014, in the principal rules, in rule 8, in sub-rule (1), in the Explanation, in clause (i) in sub-clause (a), the words "for at least last one year" shall be omitted.	4.12	"Employee" means- (a) a permanent employee of the company who has been working in India or outside India, **for at least last one year**; or
XV	**<u>Amendments related to</u>** <u>- Notification G.S.R. 560(E) dated 13th June, 2018</u> The Ministry of Corporate Affairs vide G.S.R. 560 (E) dated 13th June, 2018, has amended the Companies (Management and Administration) Rules, 2014 through the Companies (Management and Administration) Second Amendment Rules, 2018. Accordingly, in the Companies (Management and Administration) Rules, 2014, 1. rule 13 shall be omitted 2. the "Form No.MGT-10" shall be omitted. 3. in rule 15, the sub-rule(6), shall be omitted 4. in rule 18, in sub-rule (3), Explanation after clause (ix), shall be omitted 5. in rule 22, in sub-rule(16) for the proviso, the following shall be substituted, namely:- "Provided that any aforesaid items of business under this sub-rule, required to be transacted by means of postal ballot, may be transacted at a general meeting by a company which is required to provide the facility to members to vote by electronic means under section 108, in the manner provided in that section: Provided further that One Person Companies and other companies having members upto two hundred are not required to transact any business through postal ballot"	1.- 7.13 2.- 7.13 3.-7.15 4.- 7.30 5.-7.37	1. Rule 13 dealt with Return of Changes in Shareholding Position of Promoters and Top Ten Shareholders. 2. **MGT- 10** 3. **Copy of proposed Special Resolution field with ROC: …..at least one day before the date of general meeting of the company in Form MGT – 14.** 4. In Diagram ignore the words, **and Explanation under Rule 18(3)** 5. **Provided that One Person Company and other companies having members upto 200 are not required to transact any business through postal ballot.**

XVI	**Amendments related to** - Notification G.S.R. 612 (E) dated 5th July, 2018 The Central Government has amended the Companies (Acceptance of Deposits) Rules, 2014, by the Companies (Acceptance of Deposits) Amendment Rules, 2018. It shall come into force on 15th August, 2018. In the Companies (Acceptance of Deposits) Rules, 2014 in rule 14, in sub-rule (1), clause (k) shall be omitted;	5.11	**(k) details of deposit insurance including extent of deposit insurance;**
XVII	**Amendments related to** - Notification G.S.R. 708(E) dated 27th July, 2018 The Central Government has amended the Companies (Incorporation) Rules, 2014, by the Companies (Incorporation) Third Amendment Rules, 2018. It shall come into force on 27th July, 2018. In the Companies (Incorporation) Rules, 2014. (a) in rule 3, for Explanation to sub-rule (1), the following shall be substituted, namely:- "Explanation I. **-** For the purposes of this rule, the term "resident in India" means a person who has stayed in India for a period of not less than one hundred and eighty two days during the immediately preceding financial year. Explanation II.- For the purposes of this rule, while counting the number of days of stay of a director in India for the financial year 2018-2019, any period of stay between 01.01.2018 till the date of notification of this rule shall also be counted";	2.4	**(person who has stayed in India for a period of not less than 182 days during the immediately preceding one calendar year)**
XVIII	**Amendments related to** - Enforcement of the Companies (Audit and Auditors) Amendment Rules, 2018 vide Notification G.S.R. 432 (E) dated 7th May 2018 The Central Government makes the Companies (Audit and Auditors) Second Amendment Rules, 2018 to amend the Companies (Audit and Auditors) Rules, 2014. **1.** In the Companies (Audit and Auditors) Rules, 2014, in **rule 3** which deals with the Manner and	10.5	**According to the Companies (Audit and Auditors) Rules, 2014, …….** **by way of passing of an ordinary resolution.** **If the appointment is not ……..**

	Procedure of selection and appointment of auditors: (a) Explanation shall be omitted. (b) proviso to sub-rule (7) shall be omitted.		**procedure laid down in this behalf under the Act.**
	2. In the principal rules, in **rule 10A** i.e., related to Internal Financial controls system, for the words "adequate internal financial controls system", the words "internal financial controls with reference to financial statements" shall be substituted.	10.24	As per the rule 10A inserted by the Companies (Audit and Auditors) ….. about existence of **adequate internal financial controls system** and its operating effectiveness.
	3. In the principal rules, in **rule 14** which deals with the remuneration of the cost auditor, following are the changes- (a) in clause (a), in sub-clause (i), for the words, "who is a cost accountant in practice", the words "who is a cost accountant" shall be substituted;	10.34	(A) the Board shall appoint an individual, **who is a cost accountant in practice,** or a firm of
	3. In the principal rules, in **rule 14** which deals with the remuneration of the cost auditor, following are the changes- (b) in clause (b) for the words "who is a cost accountant in practice", the words "who is a cost accountant" shall be substituted.	10.34	(2) in the case of other companies which are not required……, shall appoint an individual **who is a cost accountant in practice** or a firm of
XIX	**Amendments related to** - Enforcement of the Companies (Accounts) Amendment Rules, 2018 vide Notification G.S.R. 725(E) dated 31st July, 2018 The Central Government makes the Companies (Accounts) Amendment Rules, 2018 to amend the Companies (Accounts) Rules, 2014. **1.** In the Companies (Accounts) Rules, 2014, In **sub-rule (5) of Rule 8** which deals with the Matters to be included in Board's report, after clause (viii) the following clauses shall be inserted, namely:-	9.20	- [Clause (ix) and (x) is newly inserted]

	"(ix) a disclosure, as to whether maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, is required by the Company and accordingly such accounts and records are made and maintained, (x) a statement that the company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013,"		
	2. In the Companies (Accounts) Rules, 2014, after sub-rule (5), the following Sub Rule (6), rule shall be inserted, namely:- "(6) This rule shall not apply to One Person Company or Small Company".	9.20	- (Sub- rule 6 is newly inserted)
XX	**Amendments related to -** Enforcement of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2018 vide Notification G.S.R. 865 (E) dated 19th September, 2018 The Central Government makes the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2018 to amend the Companies (Corporate Social Responsibility Policy) Rules, 2014. 1. In Companies (Corporate Social Responsibility Policy) Rules, 2014, in rule 2 which deals with the definitions, - (a) in sub-rule (1), in sub-clause (i) of clause (c) which defines "Corporate Social Responsibility (CSR)", after the words "relating to activities", the words ", areas or subjects" shall be inserted; (b) in sub-rule (1), in sub-clause (ii) of clause (c), for the words "cover subjects enumerated", the words "include activities, areas or subjects specified" shall be substituted;	9.22	(i) Projects or programs relating to activities **areas or subjects** specified in Schedule VII to the Act; or (ii) Projects or programs relating to ….. subject to the condition that such policy will **cover subjects enumerated** in Schedule VII of the Act.
	2. In Companies (Corporate Social Responsibility Policy) Rules, 2014, in rule 5 which deals with the "CSR Committees", in clause (i) of sub rule (1), for the words "an unlisted public company or a private	9.23	(b) **An unlisted public company or a private company** which is not required

	company", the words "a company" shall be substituted.		to appoint an independent
	3. In Companies (Corporate Social Responsibility Policy) Rules, 2014, In rule 6 which states of CSR Policy, following are the changes- (a) in sub-rule (1), in clause (a), for the words "falling within the purview of" the words "areas or subjects specified in" shall be substituted;	9.24	(a) List of CSR projects or programs which a company plans to undertake **falling within the purview of** the Schedule VII
	3. In Companies (Corporate Social Responsibility Policy) Rules, 2014, in rule 6 which states of CSR Policy, following are the changes- (b) in sub-rule (1), in second proviso to clause (b), for the words, "activities included in Schedule VII" the words "areas or subjects specified in Schedule VII" shall be substituted.	9.24	For point (b)- (d) The Board of Directors shall …. CSR Policy are related to the **activities included in Schedule VII** of the Act.
XXI	**Amendments related to -** Constitution of National Financial Reporting Authority The Central Government appointed 1st October, 2018 (Notification S.O. 5099(E) dated 1st October, 2018) as the date of constitution Of National Financial Reporting Authority. Section 132 shall now be read as under: **Constitution of National Financial Reporting Authority, have also been notified.** **132.** *(1) The Central Government may, by notification, constitute a National Financial Reporting Authority to provide for matters relating to accounting and auditing standards under this Act. **(2) Notwithstanding anything contained in any other law for the time being in force, the National Financial Reporting Authority shall— (a) make recommendations to the Central Government on the formulation and laying down of accounting and auditing policies and standards for adoption by companies or class of companies or their auditors, as the case may be;	9.14	-

	(b) monitor and enforce the compliance with accounting standards and auditing standards in such manner as may be prescribed; (c) oversee the quality of service of the professions associated with ensuring compliance with such standards, and suggest measures required for improvement in quality of service and such other related matters as may be prescribed; and (d) perform such other functions relating to clauses (a), (b) and (c) as may be prescribed. (3) The National Financial Reporting Authority shall consist of a chairperson, who shall be a person of eminence and having expertise in accountancy, auditing, finance or law to be appointed by the Central Government and such other members not exceeding fifteen consisting of part-time and full-time members as may be prescribed: Provided that the terms and conditions and the manner of appointment of the chairperson and members shall be such as may be prescribed: Provided further that the chairperson and members shall make a declaration to the Central Government in the prescribed form regarding no conflict of interest or lack of independence in respect of his or their appointment: Provided also that the chairperson and members, who are in full-time employment with National Financial Reporting Authority shall not be associated with any audit firm (including related consultancy firms) during the course of their appointment and two years after ceasing to hold such appointment. **(4) Notwithstanding anything contained in any other law for the time being in force, the National Financial Reporting Authority shall— (a) have the power to investigate, either *suo moto* or on a reference made to it by the Central Government, for such class of bodies corporate or		

	persons, in such manner as may be prescribed into the matters of professional or other misconduct committed by any member or firm of chartered accountants, registered under the Chartered Accountants Act, 1949: Provided that no other institute or body shall initiate or continue any proceedings in such matters of misconduct where the National Financial Reporting Authority has initiated an investigation under this section; (b) have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908, while trying a suit, in respect of the following matters, namely:— (i) discovery and production of books of account and other documents, at such place and at such time as may be specified by the National Financial Reporting Authority; (ii) summoning and enforcing the attendance of persons and examining them on oath; (iii) inspection of any books, registers and other documents of any person referred to in clause (b) at any place; (iv) issuing commissions for examination of witnesses or documents; (c) where professional or other misconduct is proved, have the power to make order for— (A) imposing penalty of— (I) not less than one lakh rupees, but which may extend to five times of the fees received, in case of individuals; and (II) not less than five lakh rupees, but which may extend to ten times of the fees received, in case of firms; (B) debarring the member or the firm from engaging himself or itself from practice as member of the Institute of Chartered Accountant of India		

	referred to in clause (e) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 for a minimum period of six months or for such higher period not exceeding ten years as may be decided by the National Financial Reporting Authority. *Explanation*.—For the purposes of his sub-section, the expression "professional or other misconduct" shall have the same meaning assigned to it under section 22 of the Chartered Accountants Act, 1949. **(5) Any person aggrieved by any order of the National Financial Reporting Authority issued under clause (c) of sub-section (4), may prefer an appeal before the Appellate Tribunal in such manner and on payment of such fee as may be prescribed. **(10) The National Financial Reporting Authority shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings in such manner as may be prescribed. (11) The Central Government may appoint a secretary and such other employees as it may consider necessary for the efficient performance of functions by the National Financial Reporting Authority under this Act and the terms and conditions of service of the secretary and employees shall be such as may be prescribed. *(12) The head office of the National Financial Reporting Authority shall be at New Delhi and the National Financial Reporting Authority may, meet at such other places in India as it deems fit. **(13) The National Financial Reporting Authority shall cause to be maintained such books of account and other books in relation to its accounts in such form and in such manner as the Central Government may, in consultation with the		

	Comptroller and Auditor-General of India prescribe. **(14) The accounts of the National Financial Reporting Authority shall be audited by the Comptroller and Auditor-General of India at such intervals as may be specified by him and such accounts as certified by the Comptroller and Auditor-General of India together with the audit report thereon shall be forwarded annually to the Central Government by the National Financial Reporting Authority. **(15) The National Financial Reporting Authority shall prepare in such form and at such time for each financial year as may be prescribed its annual report giving a full account of its activities during the financial year and forward a copy thereof to the Central Government and the Central Government shall cause the annual report and the audit report given by the Comptroller and Auditor-General of India to be laid before each House of Parliament. **Please note:** (i) Sub Section (3) and (11) have been notified on 21st March 2018. [Notification No. S.O. 1316(E)] (ii) Sub Section (6), (7), (8) and (9) have been omitted [with effect from 9th February, 2018] (iii) *Sub- section (1) and (12) notified on 1st October, 2018 [Notification S.O. 5098(E) dated 1st October, 2018] (iv) **Sub- Section (2),(4),(5),(10),(13),(14) and (15) have been notified on 24th October 2018 [Notification S.O. 5385(E) dated 24th October, 2018]		
XXII	**Amendments related to** - COMPANIES (AMENDMENT) SECOND ORDINANCE, 2019 Following sections of the Companies Act, 2013 (hereinafter referred to as the principal Act) have been amended by the Companies (Amendment) Second Ordinance, 2019 dated 21st February,	1.9	**Provided that on an application made by a company or body corporate, which is a holding company or a subsidiary or**

	2019. [It shall be deemed to have come into force on 2nd November, 2018.] **1.** In clause (41) of section 2, (a) for the first proviso, the following provisos shall be substituted namely: "Provided that where a company or body corporate, which is a holding company or a subsidiary or associate company of a company incorporated outside India and is required to follow a different financial year for consolidation of its accounts outside India, the Central Government may, on an application made by that company or body corporate in such form and manner as may be prescribed, allow any period as its financial year, whether or not that period is a year: Provided further that any application pending before the Tribunal as on the date of commencement of the Companies (Amendment) Ordinance, 2019, shall be disposed of by the Tribunal in accordance with the provisions applicable to it before such commencement." (b) for the second proviso, the for the words "Provided further that", the words "Provided also that" shall be substituted.		**associate company 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, whether or not that period is a year:**
	2. After **section 10**, the following section shall be inserted, namely: "**10A.Commencement of business etc.** (1) A company incorporated after the commencement of the Companies (Amendment) Ordinance, 2019 and having a share capital shall not commence any business or exercise any borrowing powers unless— (a) a declaration is filed by a director within a period of one hundred and eighty days of the date of incorporation of the company in such form and verified in such manner as may be prescribed, with the Registrar that every subscriber to the memorandum has paid the value of the shares agreed to be taken by him on the date of making of such declaration; and	-	The section is newly inserted

	(b) The company has filed with the Registrar a verification of its registered office as provided in sub-section (2) of section 12. (2) If any default is made in complying with the requirements of this section, the company shall be liable to a penalty of fifty thousand rupees and every officer who is in default shall be liable to a penalty of one thousand rupees for each day during which such default continues but not exceeding an amount of one lakh rupees. (3) Where no declaration has been filed with the Registrar under clause (a) of sub-section (1) within a period of one hundred and eighty days of the date of incorporation of the company and the Registrar has reasonable cause to believe that the company is not carrying on any business or operations, he may, without prejudice to the provisions of sub-section (2), initiate action for the removal of the name of the company from the register of companies under Chapter XVIII."		
	3. In **section 12**, after sub- section (8), the following sub- section shall be inserted, namely: "(9) If the Registrar has reasonable cause to believe that the company is not carrying on any business or operations, he may cause a physical verification of the registered office of the company in such manner as may be prescribed and if any default is found to be made in complying with the requirements of sub-section (1), he may without prejudice to the provisions of sub-section (8), initiate action for the removal of the name of the company from the register of companies under Chapter XVIII."	2.24	The sub- section is newly inserted
	4. In **section 14**, **(i)** in Sub- section (1), for the second proviso, the following provisos shall be substituted namely: "Provided further that any alteration having the effect of conversion of a public company into a private company shall not be valid unless it is approved by an order of the Central Government on an application made in such form and manner as may be prescribed:	2.31	**However, any such alteration having the effect of conversion of a public company into a private company shall not take effect except with the approval of**

	Provided also that any application pending before the Tribunal, as on the date of commencement of the Companies (Amendment) Ordinance, 2019, shall be disposed of by the Tribunal in accordance with the provisions applicable to it before such commencement."		**the Tribunal which shall make such order as it may deem fit.**
	4. In **section 14**, **(ii)** in sub- section (2), for the word "Tribunal", the words "Central Government" shall be substituted.	2.31	Every alteration of the articles and a copy of the order of the **Tribunal** approving the alteration, shall be filed with the Registrar, together with a printed copy of the altered articles, within a period of fifteen days in such manner as may be prescribed, who shall register the same.
	5. In **section 53,** for sub – section (3), the following sub- section shall be substituted, namely: "(3) Where any company fails to comply with the provisions of this section, such company and every officer who is in default shall be liable to a penalty which may extend to an amount equal to the amount raised through the issue of shares at a discount or five lakh rupees, whichever is less, and the company shall also be liable to refund all monies received with interest at the rate of twelve per cent. per annum from the date of issue of such shares to the persons to whom such shares have been issued."	4.10	**Where a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than one lakh rupees but which may extend to five**

			lakh rupees, or with both.
	6. In **section 64**, for sub- section (2), the following sub- section shall be substituted, namely: Where any company fails to comply with the provisions of sub-section (1), such company and every officer who is in default shall be liable to a penalty of one thousand rupees for each day during which such default continues, or five lakh rupees whichever is less.”	4.24	**If a company and any officer of the company who is in default contravenes the provisions of sub-section (1), it or he shall be punishable with fine which may extend to one thousand rupees for each day during which such default continues, or five lakh rupees, whichever is less.**
	7. In **section 77**, in sub- section (1), for the first and second provisos, the following provisos shall be substituted, namely: “Provided that the Registrar may, on an application by the company, allow such registration to be made- (a) in case of charges created before the commencement of the Companies (Amendment) Ordinance, 2019, within a period of three hundred days of such creation; or (b) in case of charges created on or after the commencement of the Companies (Amendment) Ordinance, 2019, within a period of sixty days of such creation, on payment of such additional fees as may be prescribed: Provided further that if the registration is not made within the period specified- (a) in clause (a) to the first proviso, the registration of the charge shall be made within six months from the date of commencement of the Companies (Amendment) Ordinance, 2019, on payment of such additional fees as may be prescribed and different fees may be prescribed for different classes of companies;	6.3	**The Registrar may, on an application by the company, allow such registration to be made within a period of three hundred days of such creation on payment of such additional fees as may be prescribed:** **Provided further that if registration is not made within a period of three hundred days of such creation, the company shall seek extension of time in accordance with section 87:**

	(b) in clause (b) to the first proviso, the Registrar may, on an application, allow such registration to be made within a further period of sixty days after payment of such *advalorem* fees as may be prescribed."		
	8. Section 86 of the Companies Act, 2013, shall be numbered as sub- section (1) thereof and after sub- section (1) as so numbered, the following sub- section shall be inserted, namely: "(2) If any person wilfully furnishes any false or incorrect information or knowingly suppresses any material information, required to be registered in accordance with the provisions of section 77, he shall be liable for action under section 447."	6.10	The sub- section is newly inserted
	9. For **section 87**, the following sections shall be substituted, namely: "87. The Central Government on being satisfied that — (a) the omission to give intimation to the Registrar of the payment or satisfaction of a charge, within the time required under this Chapter; or (b) the omission or misstatement of any particulars, in any filing previously made to the Registrar with respect to any such charge or modification thereof or with respect to any memorandum of satisfaction or other entry made in pursuance of section 82 or section 83, was accidental or due to inadvertence or some other sufficient cause or it is not of a nature to prejudice the position of creditors or shareholders of the company, it may, on the application of the company or any person interested and on such terms and conditions as it deems just and expedient, direct that the time for the giving of intimation of payment or satisfaction shall be extended or, as the case may require, that the omission or misstatement shall be rectified."	6.10	**(1) The Central Government on being satisfied that—** **……… before the charge is actually registered.**

	10. In **section 90**, **(i)** for sub- section (9), the following sub- section shall be substituted, namely: "(9) The company or the person aggrieved by the order of the Tribunal may make an application to the Tribunal for relaxation or lifting of the restrictions placed under sub-section (8), within a period of one year from the date of such order: Provided that if no such application has been filed within a period of one year from the date of the order under sub-section (8), such shares shall be transferred, without any restrictions, to the authority constituted under sub-section (5) of section 125, in such manner as may be prescribed."	-	[7]**The company or the person aggrieved by the order of the Tribunal may make an application to the Tribunal for relaxation or lifting of the restrictions placed under sub-section (8).**
	10. In **section 90**, **(ii)** in sub- section (10),- (a) after the word "punishable", the words "with imprisonment for a term which may extend to one year or" shall be inserted; (b) after the words "ten lakh rupees", the words "or with both" shall be inserted.	-	-[8] (The words are newly inserted)
	11. In **section 92,** for sub- section (5), the following sub- section shall be substituted, namely: "(5) If any company fails to file its annual return under sub-section (4), before the expiry of the period specified therein, such company and its every officer who is in default shall be liable to a penalty of fifty thousand rupees and in case of continuing failure, with further penalty of one hundred rupees for each day during which such failure continues, subject to a maximum of five lakh rupees."	7.12	**Section 92(5) of the Act specifies that if the company defaults in filing the annual return within the time as specified in this section, the company shall be punishable with fine which shall not be less than ₹ 50,000 but which**

[7] Section 90 (Investigation of Beneficial Ownership of Shares in Certain cases) has been replaced with section 90 (Register of Significant Beneficial Owners in a Company) via Companies (Amendment) Act, 2017 [w.e.f. 13th June, 2018].

[8] Same as footnote 7

			may extend to ₹ 5,00,000 or imprisonment up to 6 months or with both.
	12. In **section 102**, for sub- section (5), the following sub- section shall be substituted, namely: “(5) Without prejudice to the provisions of sub-section (4), if any default is made in complying with the provisions of this section, every promoter, director, manager or other key managerial personnel of the company who is in default shall be liable to a penalty of fifty thousand rupees or five times the amount of benefit accruing to the promoter, director, manager or other key managerial personnel or any of his relatives, whichever is higher.”	7.22	**If any default is made in complying with the provisions of this section, then every promoter, director, manager, or other key managerial personnel who is in default shall be punishable with fine which may extend to ₹ 50,000 or 5 times the amount of benefit accruing to the promoter, director, manager or other key managerial personnel or any of his relatives, whichever is more.**
	13. In **section 105**, in sub- section (3), for the words “punishable with fine which may extend to five thousand rupees”, the words “liable to a penalty of five thousand rupees” shall be substituted.	7.25	Failure to state in notice of meeting that a member is entitled to appoint proxy who need not be a member every officer of the company who is in default shall be **punishable with fine which may extend to ₹ 5,000**.
	14. In **section 117**, for sub- section (2), the following sub- section shall be substituted, namely:	7.46	Section 117(2) **sets out the penalty in case of failure to intimate RoC about**

	"(2) If any company fails to file the resolution or the agreement under sub-section (1) before the expiry of the period specified therein, such company shall be liable to a penalty of one lakh rupees and in case of continuing failure, with further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of twenty-five lakh rupees and every officer of the company who is in default including liquidator of the company, if any, shall be liable to a penalty of fifty thousand rupees and in case of continuing failure, with further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of five lakh rupees."		**the resolutions and agreements that are required to be filed within the specified time under section 403 and states that the company shall be punishable with fine which shall not be less than ₹ 5,00,000 but which may extend to ₹ 25,00,000 and every officer of the company who is in default, including the liquidator, if any, shall be punishable with fine which shall not be less than ₹ 1,00,000 but which may extend to ₹ 5,00,000.**
	15. In **section 121**, for sub- section (3), the following sub- section shall be substituted, namely: "(3) If the company fails to file the report under sub-section (2) before the expiry of the period specified therein, such company shall be liable to a penalty of one lakh rupees and in case of continuing failure, with further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of five lakh rupees and every officer of the company who is in default shall be liable to a penalty which shall not be less than twenty-five thousand rupees and in case of continuing failure, with further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of one lakh rupees."	7.52	**if it fails to file such report then company shall be punishable with fine which shall not be less than ₹1,00,000 but which may extend to ₹5,00,000 and every officer of the company, who is in default, shall be punishable with fine which shall not be less than ₹25,000 but which may extend to ₹1,00,000.**

	16. In **section 137**, in sub- section (3), (a) for the words "punishable with fine", the words "liable to a penalty" shall be substitute;	9.35	The company shall be **punishable with fine** of ₹1,000 for every day during which the failure continues
	16. In **section 137**, in sub- section (3), (b) for the portion beginning with "punishable with imprisonment", and ending with "five lakh rupees or with both", the words "shall be liable to a penalty of one lakh rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of five lakh rupees" shall be substituted.	9.35	any such director, all the directors of the company, shall be **punishable with:** **(1) Imprisonment for a term which may extend to 6 months or** **(2) Fine which shall not be less than ₹ 1 lac but which may extend to ₹5 Lacs, or** **(3) Both with imprisonment and fine.**
	17. In **section 140**, for the sub- section (3), the following sub- section shall be substitute, namely: [9]"(3) If the auditor does not comply with the provisions of sub-section (2), he or it shall be liable to a penalty of fifty thousand rupees or an amount equal to the remuneration of the auditor, whichever is less, and in case of continuing failure, with further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of five lakh rupees."	10.15	**If the auditor does not comply with aforesaid provision, he or it shall be punishable with fine which shall not be less than ₹ 50,000 but which may extend to ₹ 5 Lacs.**
	18. In **section 447**, in the second proviso, for the words "twenty lakh rupees", the words "fifty lakh rupees" shall be substituted.	3.26	The amount of "twenty lakh rupees" has been replaced with "fifty lakh rupees" as per the

[9] Sub-section 3 of section 140 has been fully substituted by the Companies (Amendment) Ordinance, 2019 w.r.e.f. 2.11.2018.

			Companies (Amendment) Second Ordinance, 2019
XXIII	**Amendments related to** - Notification G.S.R. 1219(E) dated 18th December, 2018 The Central Government has amended the Companies (Incorporation) Rules, 2014, by the Companies (Incorporation) Fourth Amendment Rules, 2018. It shall come into force on 18th December, 2018. In the Companies (Incorporation) Rules, 2014 (hereinafter referred to as the said rules), after rule 23, the following rule shall be inserted, namely:- "23A. Declaration at the time of commencement of business.-The declaration under section 10A by a director shall be in Form No.INC-20A and shall be filed as provided in the Companies (Registration Offices and Fees) Rules, 2014 and the contents of the said form shall be verified by a Company Secretary or a Chartered Accountant or a Cost Accountant, in practice: Provided that in the case of a company pursuing objects requiring registration or approval from any sectoral regulators such as the Reserve Bank of India, Securities and Exchange Board of India, etc., the registration or approval, as the case may be from such regulator shall also be obtained and attached with the declaration.".	2.41	- The Rule is newly inserted
XXIV	**Amendments related to** - Notification G.S.R. 42(E) dated 22nd January, 2019 The Central Government has amended the Companies (Acceptance of Deposits) Rules, 2014, by the Companies (Acceptance of Deposits) Amendment Rules, 2019. It shall come into force on 22nd January, 2019. In the Companies (Acceptance of Deposits) Rules, 2014 (hereinafter referred to as the said rules): 1. In rule 2, in sub-rule (1), in clause (c), in sub-clause(xviii), after the words "Infrastructure	1.-5.4 2.-5.11 3.5.11	

	Investment Trusts," the words "Real Estate Investment Trusts" shall be inserted. 2. In the said rules, in rule 16, the following Explanation shall be inserted, namely:- "Explanation.- It is hereby clarified that Form DPT-3 shall be used for filing return of deposit or particulars of transaction not considered as deposit or both by every company other than Government company.". 3. In rule 16(A), after sub-rule (2), the following sub-rule shall be inserted, namely:- "(3) Every company other than Government company shall file a onetime return of outstanding receipt of money or loan by a company but not considered as deposits, in terms of clause (c) of sub-rule 1 of rule 2 from the 01st April, 2014 to *[the date of publication of this notification in the Official Gazette], as specified in Form DPT-3 within **[ninety days from the date of said publication of this notification] along with fee as provided in the Companies (Registration Offices and Fees) Rules, 2014.".		
XXV	<u>**Amendments related to** - Notification G.S.R. 341(E) dated 30th April, 2019</u> The Central Government has amended the Companies (Acceptance of Deposits) Rules, 2014, by the Companies (Acceptance of Deposits) Second Amendment Rules, 2019. It shall come into force on 22nd January, 2019. In the Companies (Acceptance of Deposits) Rules, 2014, in rule 16A, in sub-rule (3), - *(a) for the words "the date of publication of this notification in the Official Gazette", the figures, letters and word "31st March, 2019" shall be substituted; **(b) for the words "ninety days from the date of said publication of this notification", the words, figures and letters "ninety days from 31st March, 2019" shall be substituted.	5.11	Read in reference to **XXIV above**

XXVI	**Amendments related to** - Notification dated 30th April, 2019 The Central Government has amended the Companies (Registration of Charges) Rules, 2014, by the Companies (Registration of Charges) Amendment Rules, 2019. In the Companies (Registration of Charges) Rules, 2014: **1.** In Rule 4, the following rules shall be substituted, namely: "**4. Application to Registrar** (1) For the purposes of the first proviso and clause (b) of the second proviso to sub-section (1) of section 77, the Registrar may, on being satisfied that the company had sufficient cause for not filing the particulars and instrument of charge, if any, within a period of thirty days of the date of creation of the charge including modification thereto, allow the registration of the same after thirty days but within the period as specified in the said provisos, on payment of fee, additional fee or advalorem fee, as may be applicable, as prescribed in the Companies (Registration Offices and Fees) Rules, 2014. (2) The application under sub-rule (1) shall be made in Form No. CHG-I and Form No.CHG-9 supported by a declaration from the company signed by its company secretary or a director that such belated filing shall not adversely affect the rights of any other intervening creditors of the company."	6.3	**(a) The Registrar may, on being satisfied ……… Intervening creditors of the company.**
	In the Companies (Registration of Charges) Rules, 2014: **2**. For **Rule 12**, the following rule shall be substituted, namely: "**12. Rectification in register of charges on account of omission or misstatement of particulars in charge previously recorded and extension of time in filing of satisfaction of charge.-**	6.11	**II. Condonation of delay and rectification of register of charges.** **According to Rule 12 ……… in the said order.**

	The Central Government may on an application filed in Form No. CHG-8 in accordance with section 87- (a) direct rectification of the omission or misstatement of any particulars, in any filing, previously recorded with the Registrar with respect to any charge or modification thereof, or with respect to any memorandum of satisfaction or other entry made in pursuance of section 82 or section 83, (b) direct extension of time for satisfaction of charge, if such filing is not made within a period of three hundred days from the date of such payment or satisfaction."		
The Negotiable Instruments Act, 1881			
I.	**<u>Amendments related to</u>** <u>– THE NEGOTIABLE INSTRUMENTS (AMENDMENT) ACT, 2018</u> The Ministry of Law and Justice has made amendments to the Negotiable Instruments Act, 1881 through the Negotiable Instruments (Amendment) Act, 2018. This Amendment Act received the assent of the President and published in the Official Gazette on 2nd August, 2018.		
	In the Negotiable Instruments Act, 1881 (hereinafter referred to as the principal Act), after section 143, the following section shall be inserted, namely:— "**143A. Power to direct interim compensation**. (1) Notwithstanding anything contained in the Code of Criminal Procedure, 1973, the Court trying an offence under section 138 may order the drawer of the cheque to pay interim compensation to the complainant— (a) in a summary trial or a summons case, where he pleads not guilty to the accusation made in the complaint; and (b) in any other case, upon framing of charge. (2) The interim compensation under sub-section (1) shall not exceed twenty per cent. of the amount of the cheque.		- (The section is newly inserted)

	(3) The interim compensation shall be paid within sixty days from the date of the order under sub-section (1), or within such further period not exceeding thirty days as may be directed by the Court on sufficient cause being shown by the drawer of the cheque. (4) If the drawer of the cheque is acquitted, the Court shall direct the complainant to repay to the drawer the amount of interim compensation, with interest at the bank rate as published by the Reserve Bank of India, prevalent at the beginning of the relevant financial year, within sixty days from the date of the order, or within such further period not exceeding thirty days as may be directed by the Court on sufficient cause being shown by the complainant. (5) The interim compensation payable under this section may be recovered as if it were a fine under section 421 of the Code of Criminal Procedure, 1973. (6) The amount of fine imposed under section 138 or the amount of compensation awarded under section 357 of the Code of Criminal Procedure, 1973, shall be reduced by the amount paid or recovered as interim compensation under this section.".		
	(2) In the principal Act, after section 147, the following section shall be inserted, namely:— "**148. Power of Appellate Court to order payment pending appeal against conviction.** (*1*) Notwithstanding anything contained in the Code of Criminal Procedure, 1973, in an appeal by the drawer against conviction under section 138, the Appellate Court may order the appellant to deposit such sum which shall be a minimum of twenty per cent. of the fine or compensation awarded by the trial Court: Provided that the amount payable under this sub-section shall be in addition to any interim compensation paid by the appellant under section 143A.		- (The section is newly inserted)

	(*2*) The amount referred to in sub-section (*1*) shall be deposited within sixty days from the date of the order, or within such further period not exceeding thirty days as may be directed by the Court on sufficient cause being shown by the appellant. (*3*) The Appellate Court may direct the release of the amount deposited by the appellant to the complainant at any time during the pendency of the appeal: Provided that if the appellant is acquitted, the Court shall direct the complainant to repay to the appellant the amount so released, with interest at the bank rate as published by the Reserve Bank of India, prevalent at the beginning of the relevant financial year, within sixty days from the date of the order, or within such further period not exceeding thirty days as may be directed by the Court on sufficient cause being shown by the complainant.”		

 # Page number of the Study material (SM) with reference of relevant provisions

Please note: The Ministry of Corporate Affairs has replaced Rule 14 of the Companies (Prospectus and Allotment of Securities) Rule, 2014 through Companies (Prospectus and Allotment of Securities) Second Rule, 2018. Hence, students are advised not to read the content related to Rule 14(2) of the Companies (Prospectus and Allotment of Securities) Rule, 2014 as contained on pages 3.31 and Page 3.32 of Study Material. [For November 2019 examinations the said amended rule has not been made applicable for the students.]

PART – II : QUESTIONS AND ANSWERS

QUESTIONS

DIVISION A - MULTIPLE CHOICE QUESTIONS

1. Eztech Machines Limited owns a plot of land which was mortgaged to Urbane Commercial Bank Limited for raising term loan of ₹ 2.00 crore. The mortgage was duly registered with the Central Registry. First loan installment of ₹ 50.00 lacs was released immediately after sanction of term loan with the condition that subsequent three installments of ₹50.00 lacs shall be released as soon as the earlier released installment is utilized satisfactorily. Is it necessary either for the company or the bank to register the charge on plot with the

concerned Registrar of Companies (ROC) when the mortgage is registered with the Central Registry?

(a) It is not necessary either for the bank or the company to register the charge on plot of land with the concerned Registrar of Companies (ROC) when the mortgage is registered with the Central Registry.

(b) It is necessary to get the charge on plot on land registered with the concerned Registrar of Companies (ROC) irrespective of the fact that mortgage is registered with the Central Registry.

(c) The charge on plot needs to be registered with the concerned Registrar of Companies (ROC) only when the actual liability of the company with the Bank exceeds ₹ 1.00 crore.

(d) The charge on plot needs to be registered with the concerned Registrar of Companies (ROC) only when the term loan sanctioned by the bank to the company exceeds ₹ 2.00 crores.

2. With a view to augment its production, Surya Techno-Products Limited availed a loan of ₹ 50.00 lacs from Shrilaxmi First Bank Limited for purchase of a new machinery by offering its factory worth ₹ 2.25 crores as security. However, the company did not initiate any steps to get the charge on factory registered in favour of lending banker within the specified time. As soon as the charge-holder bank came to know about the non-registration of charge with the ROC, it applied to the Registrar for registration of charge along with the instrument creating the charge and paid the requisite fees when demanded. Advise the bank whether it can recover the fees so paid for registration of charge from Surya Techno-Products.

(a) Yes, the bank can recover the fees paid by it for registration of charge.

(b) No, the bank cannot recover the fees paid by it for registration of charge because the bank is equally responsible for getting the charge registered.

(c) Only when it obtains recovery orders from Regional Director (RD), the bank can recover the fees paid by it for registration of charge from the company.

(d) Only when it obtains recovery orders from National Company Law Tribunal (NCLT), the bank can recover the fees paid by it for registration of charge from the company.

3. A charge was created by Cygnus Softwares Limited on its office premises to secure a term loan of ₹ 1.00 crore availed from Next_Gen Commercial Bank Limited through an instrument of charge executed by both the parties on 16th February, 2019. Inadvertently, the company could not get the charge registered with the concerned Registrar of Companies (ROC) within the first statutory period permitted by law and the default was made known to it by the lending banker with a stern warning to take immediate steps for rectification. Advise the company regarding the latest date within which it must register the charge with the ROC so that it is not required to pay a specific type of fees for charge registration.

(a) With a view to avoid paying a specific type of fees for charge registration, the company must get the charge registered latest by 27th April, 2019.

(b) With a view to avoid paying a specific type of fees for charge registration, the company must get the charge registered latest by 17th April, 2019.

(c) With a view to avoid paying a specific type of fees for charge registration, the company must get the charge registered latest by 2nd May, 2019.

(d) The company cannot now get the charge register as the time prescribed by Law has expired.

4. Cyplish Games and Toys Limited was sanctioned a term loan of ₹ 60.00 lacs by Zawnn Industrial Bank Limited on 21st November, 2018. As a security, the company offered its office premises situated at Bandra, Mumbai and an instrument of charge was executed. However, the company failed to get the charge registered with the concerned Registrar within the first as well as second statutory period available as per law. This was adversely commented by the internal auditors of the bank and therefore, after a strict advisory received from Shahji, the senior manager of the bank, the company was prompted to take steps for registration of charge. Name the specific type of fees which the company is now required to pay for registration of charge.

   (a) Special Fees.

   (b) Ad-valorem Fees.

   (c) A Late Registration Fees.

   (d) Ad-valorem Duty.

5. Sumitra Healthcare and Hospitality Limited had issued 9% non-convertible debentures which matured four years back. However, 1000 such debentures of ₹ 100 each are still remaining unclaimed and unpaid even after the maturity. State the period after which the company needs to transfer them to Investor Education and Protection Fund (IEPF) if they remain unclaimed and unpaid.

   (a) After the expiry of five years from the maturity date.

   (b) After the expiry of six years from the maturity date

   (c) After the expiry of seven years from the maturity date

   (d) After the expiry of eight years from the maturity date.

6. Delight Sports Garments Limited is contemplating to raise funds through issue of prospectus in which, according to the directors, a sum of ₹ 50 crores should be stated as the minimum amount that needs to be subscribed by the prospective subscribers. The funds shall be raised in four instalments consisting of application, allotment, first call and second & final call. Advise the company by which instalment it should receive the minimum subscription stated in the prospectus.

(a) Along with amount subscribed as application money.

(b) Along with amount subscribed as final call money.

(c) Along with amount subscribed as first call money.

(d) Along with amount subscribed as second and final call money.

7. All the 40 members of Taxila Traders Limited have valid voting rights. Due to some urgency, its directors are desirous of convening Annual General Meeting (AGM) at a shorter notice than statutorily required. Is it possible for them to do so?

   (a) Taxila Traders Limited cannot convene AGM at shorter notice than statutorily required.

   (b) Taxila Traders Limited can convene AGM at shorter notice than statutorily required, if consent in writing or by electronic mode is accorded by all the forty members who are entitled to vote at the AGM.

   (c) Taxila Traders Limited can convene AGM at shorter notice than statutorily required if consent in writing or by electronic mode is accorded by at least 38 members who are entitled to vote at the AGM.

   (d) Taxila Traders Limited can convene AGM at shorter notice than statutorily required if consent in writing or by electronic mode is accorded by at least 36 members who are entitled to vote at the AGM.

8. A draws a bill on B for ₹ 500 payable to the order of A. B accepts the bill, but subsequently dishonours it by non-payment. A sues B on the bill. B proves that it was accepted for value as to ₹ 400, and as an accommodation to the plaintiff as to the residue. Thus, as per the provisions of the Negotiable Instruments Act, 1881, A can only recover the following amount:

   (a) ₹ 900

   (b) ₹ 500

   (c) ₹ 400

   (d) ₹ 100

DIVISION B - DETAILED QUESTIONS

COMPANY LAW

The Companies Act, 2013

1. S Ltd. is a company in which H Ltd. is holding 60% of its paid up share capital. One of the shareholder of H Ltd. made a charitable trust and donated his 10% shares in H Ltd. and ₹50 crores to the trust. He appoints S Ltd. as the trustee. All the assets of the trust are held in the name of S Ltd. Can a subsidiary hold shares in its holding company in this way?

2. Vintage security equipments limited is a manufacturer of CCTV cameras. It has raised ₹ 100 crores through public issue of its equity shares for starting one more unit of CCTV camera manufacturing. It has utilized 10 crores rupees and then it realized that its existing business has no potential for expansion because government has reduced customs duty on import of CCTV camera hence imported cameras from china are cheaper than its own manufacturing. Now it wants to utilize remaining amount in mobile app development business by adding a new object in its memorandum of association.

   Does the Companies Act, 2013 allow such change of object. If not then what advise will you give to company. If yes, then give steps to be followed.

3. What are the powers of Registrar to make entries of satisfaction and release of charges in the absence of any intimation from the company. Discuss this matter in the light of provisions of the Companies Act, 2013.

4. Neemrana Infotech Ltd. was incorporated on 1.4.2017. No General Meeting of the company has been held so far. Explain the provisions of the Companies Act, 2013 regarding the time limit for holding the first annual general meeting of the Company and the power of the Registrar to grant extension of time for the First Annual General Meeting.

5. Mr. Pink held 100 partly paid up shares of Red Limited. The company asked him to pay the final call money on the shares. Due to some unavoidable circumstances he was unable to pay the amount of call money to the company. At a general meeting of the shareholders, the chairman disallowed him to cast his vote on the ground that the articles do not permit a shareholder to vote if he has not paid the calls on the shares held by him. Mr. Pink contested the decision of the Chairman. Referring to the provisions of the Companies Act, 2013 decide whether the contention of Mr. Pink is valid.

6. Red Limited was incorporated on 1st April, 2014 is facing severe effects of depression of the economy. Owing to its bad financial status most of the members have started withdrawing their holding from the company. The company had 250 members on 10th January, 2019. By 15th January, 2019, 244 members had withdrawn their holding. No new member has invested in the company after 15th February till date. Now, Mr. A, an existing member has approached you to advise him regarding his liabilities in such a situation.

7. Rijwan Limited, a listed company, is in the business of garment manufacturing and has its registered office at 123, N Tower, Commercial Beta Complex, Biwadi, Rajasthan. The company has called its 6th Annual General Meeting at 3 PM on 22nd August, 2019 at Ansal Plaza, Bhiwadi. Some of the members of the company have opposed to calling of the meeting at Ansal Plaza. The company has approached you to advise them in this regard.

   Suppose, Rijwan Limited is an unlisted company and wants to call their 6th AGM at Jaipur, will your answer differ.

8. Yellow limited has prepared its financial statements for the year 2018-19. Mr. Prateek, the Managing director the company is declining to sign these financial statements on the grounds that it is only the duty of the Board of the directors to sign the financial statements

as approved by the Board and he is not liable to sign the same. Now, Mr. Prateek has approached you advise him regarding his responsbilty for signing the financial statement. Advise Mr. Prateek regarding his responsibility for signing the financial statements as per the provisions of the Companies Act, 2013.

Mr. Prateek has also provided to you the following more informations:

1. The Board as a policy does not authorise the chairperson of the company to sign the financial statements
2. The company has appointed Ms. Sunanina as its Company Secretary

OTHER LAWS

The Indian Contract Act, 1872

9. Mr. Chintu was appointed as Site Manager of ABC Constructions Company on a two years contract at a monthly salary of ` 50,000. Mr. Ganesh gave a surety in respect of Mr. Chintu's conduct. After six months the company was not in position to pay ₹ 50,000 to Mr. Chintu because of financial constraints. Chintu agreed for a lower salary of ₹ 30,000 from the company. This was not communicated to Mr. Ganesh. Three months afterwards it was discovered that Chintu had been doing fraud since the time of his appointment. What is the liability of Mr. Ganesh during the whole duration of Chintu's Appointment.

The Negotiable Instruments Act, 1881

10. Mr. Madhavan drew a cheque payable to Mr. Vikas or order. Mr. Vikas lost the cheque and was not aware of the loss of the cheque. The person who found the cheque forged the signature of Mr. Vyas and endorsed it to Mr. Pawan as the consideration for goods bought by him from Mr. Pawan. Mr. Pawan encashed the cheque, on the very same day from the drawee bank. Mr. Vikas intimated the drawee bank about the theft of the cheque after three days. Examine the liability of the drawee bank.

    Give your answer in reference to the Provisions of Negotiable Instruments Act, 1881.

The General Clauses Act, 1897

11. Vyas owned a land with fifty tamarind trees. He sold his land and the timber (obtained after cutting the fifty trees) to Yash. Vyas wants to know whether the sale of timber tantamounts to sale of immovable property. Advise him with reference to provisions of "General Clauses Act, 1897".

Interpretation of Statutes

12. Explain whether Foreign Decisions be used for construing Indian Acts.

SUGGESTED ANSWERS/HINTS

DIVISION A - ANSWER TO MULTIPLE CHOICE QUESTIONS

Question No.	1	2	3	4	5	6	7	8
Correct Option	(b)	(a)	(b)	(b)	(c)	(a)	(c)	(c)

DIVISION B - ANSWER TO DETAILES QUESTIONS

1. According to section 19 of the Companies Act, 2013 a company shall not hold any shares in its holding company either by itself or through its nominees. Also, holding company shall not allot or transfer its shares to any of its subsidiary companies and any such allotment or transfer of shares of a company to its subsidiary company shall be void.

Following are the exceptions to the above rule—

(a) where the subsidiary company holds such shares as the legal representative of a deceased member of the holding company; or

(b) where the subsidiary company holds such shares as a trustee; or

(c) where the subsidiary company is a shareholder even before it became a subsidiary company of the holding company but in this case it will not have a right to vote in the meeting of holding company.

In the given case one of the shareholders of holding company has transferred his shares in the holding company to a trust where the shares will be held by subsidiary company. It means now subsidiary will hold shares in the holding company. But it will hold shares in the capacity of a trustee. Therefore, we can conclude that in the given situation S Ltd. can hold shares in H Ltd.

2. According to section 13 of the Companies Act, 2013 a company, which has raised money from public through prospectus and still has any unutilised amount out of the money so raised, shall not change its objects for which it raised the money through prospectus unless a special resolution is passed by the company and—

(i) the details in respect of such resolution shall also be published in the newspapers (one in English and one in vernacular language) which is in circulation at the place where the registered office of the company is situated and shall also be placed on the website of the company, if any, indicating therein the justification for such change;

(ii) the dissenting shareholders shall be given an opportunity to exit by the promoters and shareholders having control in accordance with SEBI regulations.

Company will have to file copy of special resolution with ROC and he will certify the registration within a period of thirty days. Alteration will be effective only after this certificate by ROC.

Looking at the above provision we can say that company can add the object of mobile app development in its memorandum and divert public money into that business. But for that it will have to comply with above requirements.

3. Section 83 of the Act of 2013 empowers the Registrar to make entries with respect to the satisfaction and release of charges even if no intimation has been received by him from the company.

Accordingly, with respect to any registered charge if an evidence is shown to the satisfaction of Registrar that the debt secured by charge has been paid or satisfied in whole or in part or that the part of the property or undertaking charged has been released from the charge or has ceased to form part of the company's property or undertaking, then he may enter in the register of charges a memorandum of satisfaction that:

- the debt has been satisfied in whole or in part; or
- the part of the property or undertaking has been released from the charge or has ceased to form part of the company's property or undertaking.

This power can be exercised by the Registrar despite the fact that no intimation has been received by him from the company.

Information to affected parties: The Registrar shall inform the affected parties within 30 days of making the entry in the register of charges.

Issue of Certificate: As per Rule 8 (2), in case the Registrar enters a memorandum of satisfaction of charge in full, he shall issue a certificate of registration of satisfaction of charge.

4. According to Section 96 of the Companies Act, 2013, every company shall be required to hold its first annual general meeting within a period of 9 months from the closing of its first financial year.

Also, if a company holds its first annual general meeting as aforesaid, it shall not be necessary for the company to hold any annual general meeting in the year of its incorporation:

It also provide that the Registrar may, for any special reason, extend the time within which any annual general meeting, other than the first annual general meeting, shall be held, by a period not exceeding three months.

In the given case, taking the first financial year of Neemrana Infotech Ltd is for the period 1st April 2017 to 31st March 2018, the first annual general meeting of the company should be held on or before 31st December, 2018.

According to section 99, if any default is made in holding a meeting of the company in accordance with section 96, 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.

Even though the Registrar of Companies is empowered to grant extension of time for a period not exceeding 3 months for holding the annual general meetings, such power does not apply in the case of the first annual general meeting. Thus, the company and its directors will be liable under section 99 of the Companies Act, 2013 for the default if the annual general meeting was held after 31st December, 2018.

5. Section 106 (1) of the Companies Act, 2013 states that the articles of a company may provide that no member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid, or in regard to which the company has exercised any right of lien.

In the present case the articles of the company do not permit a shareholder to vote if he has not paid the calls on the shares held by him. Therefore, the chairman at the meeting is well within its right to refuse him the right to vote at the meeting and Mr. Pink's contention is not valid.

6. According to section 3A of the Companies Act, 2013, If at any time the number of members of a company is reduced, in the case of a public company, below seven, in the case of a private company, below two, and the company carries on business for more than six months while the number of members is so reduced, every person who is a member of the company during the time that it so carries on business after those six months and is cognisant of the fact that it is carrying on business with less than seven members or two members, as the case may be, shall be severally liable for the payment of the whole debts of the company contracted during that time, and may be severally sued therefor.

Hence, in the given situation, the number of member in the said public company have fallen below 7 [250-244=6] and these members have continued beyond the specified limit of 6 months, the reduced members of the company during the period of 1 month shall be severally liable for the payment of the whole debts of the company contracted during that time, and may be severally sued therefor.

7. According to section 96(2) of the Companies Act, 2013, every annual general meeting shall be called during business hours, that is, between 9 a.m. and 6 p.m. on any day that is not a National Holiday and shall be held either at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situate.

Provided that annual general meeting of an unlisted company may be held at any place in India if consent is given in writing or by electronic mode by all the members in advance.

Thus, in the first case, the company is rightful in calling the Annual General meeting at Ansal Plaza.

In the second scenario, in case of an unlisted company, annual general meeting may be held at any place in India if consent is given in writing or by electronic mode by all the members in advance. Hence, if consent is given in writing or by electronic mode by all the members in advance, the AGM can be called at Jaipur, otherwise not.

8. According to section 134(1) of the Companies Act, 2013, the financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board by the chairperson of the company where he is authorised by the Board or by two directors out of which one shall be managing director, if any, and the Chief Executive Officer, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, or in the case of One Person Company, only by one director, for submission to the auditor for his report thereon.

As per the facts of the question, the Board has not authorised the chairperson of the company to sign the financial statements. Hence, the financial statement shall be signed by two directors out of which one shall be managing director [i.e. Mr. Prateek].

9. As per the provisions of Section 133 of the Indian Contract Act, 1872, if the creditor makes any variance (i.e. change in terms) without the consent of the surety, then surety is discharged as to the transactions subsequent to the change.

In the instant case, Mr. Ganesh is liable as a surety for the loss suffered by ABC Constructions company due to misappropriation of cash by Mr. Chintu during the first six months but not for misappropriations committed after the reduction in salary.

Hence, Mr. Ganesh, will be liable as a surety for the act of Mr. Chintu before the change in the terms of the contract i.e., during the first six months. Variation in the terms of the contract (as to the reduction of salary) without consent of Mr. Ganesh, will discharge Mr. Ganesh from all the liabilities towards the act of the Mr. Chintu after such variation.

10. Cheque payable to order

According to Section 85 of the Negotiable Instruments Act, 1881.

(1) Where a cheque payable to order purports to be indorsed by or on behalf of the payee, the drawee is discharged by payment in due course.

(2) Where a cheque is originally expressed to be payable to bearer, the drawee is discharged by payment in due course to the bearer thereof, notwithstanding any indorsement whether in full or in blank appearing thereon, and notwithstanding that any such indorsement purports to restrict or exclude further negotiation.

As per the given facts, cheque is drawn payable to "Mr. Vikas or order". It was lost and Mr. Vikas was not aware of the same. The person found the cheque and forged and endorsed it to Mr. Pawan, who encashed the cheque from the drawee bank. After few days, Mr. Vikas intimated about the theft of the cheque, to the drawee bank, by which time, the drawee bank had already made the payment.

According to above stated section 85, the drawee banker is discharged when it has made a payment against the cheque payable to order when it is purported to be endorsed by or on behalf of the payee. Even though the signature of Mr. Vikas is forged, the banker is protected and is discharged. The true owner, Mr. Vikas, cannot recover the money from the drawee bank in this situation.

11. "Immovable Property" [Section 3(26) of the General Clauses Act, 1897]: 'Immovable Property' shall include:

(i) Land,

(ii) Benefits to arise out of land, and

(iii) Things attached to the earth, or

(iv) Permanently fastened to anything attached to the earth.

It is an inclusive definition. It contains four elements: land, benefits to arise out of land, things attached to the earth and things permanently fastened to anything attached to the earth. Where, in any enactment, the definition of immovable property is in the negative and not exhaustive, the definition as given in the General Clauses Act will apply to the expression given in that enactment.

In the instant case, Vyas sold Land along with timber (obtained after cutting trees) of fifty tamarind trees of his land. According to the above definition, Land is immovable property; however, timber cannot be immovable property since the same are not attached to the earth.

12. The normal function of a proviso is to except something out of the enactment or to qualify something stated in the enactment which would be within its purview if the proviso were not there. The effect of the proviso is to qualify the preceding enactment which is expressed in terms which are too general. As a general rule, a proviso is added to an enactment to qualify or create an exception to what is in the enactment ordinarily a proviso is not interpreted as it stating a general rule.

It is a cardinal rule of interpretation that a proviso to a particular provision of a statute only embraces the field which is covered by the main provision. It carves out an exception to the provision to which it has been enacted as a proviso and not to the other. (*Ram Narain Sons Ltd. Vs. Assistant Commissioner of Sales Tax. A.I.R,1995 SC 765*)

PAPER – 3: COST AND MANAGEMENT ACCOUNTING

QUESTIONS

Material Cost

1. HBL Limited produces product 'M' which has a quarterly demand of 20,000 units. Each product requires 3 kg. and 4 kg. of material X and Y respectively. Material X is supplied by a local supplier and can be procured at factory stores at any time, hence, no need to keep inventory for material X. The material Y is not locally available, it requires to be purchased from other states in a specially designed truck container with a capacity of 10 tons.

   The cost and other information related with the materials are as follows:

Particulars	Material –X	Material-Y
Purchase price per kg. (excluding GST)	₹140	₹640
Rate of GST	18%	18%
Freight per trip (fixed, irrespective of quantity)	-	₹28,000
Loss of materials in transit*	-	2%
Loss in process*	4%	5%

**On purchased quantity*

Other information:

- The company has to pay 15% p.a. to bank for cash credit facility.

- Input credit is available on GST paid on materials.

Required:

(i) CALCULATE cost per kg. of material X and Y

(ii) CALCULATE the Economic Order quantity for both the materials.

Employee (Labour) Cost

2. ADV Pvt. Ltd. manufactures a product which requires skill and precision in work to get quality products. The company has been experiencing high labour cost due to slow speed of work. The management of the company wants to reduce the labour cost but without compromising with the quality of work. It wants to introduce a bonus scheme but is indifferent between the Halsey and Rowan scheme of bonus.

   For the month of November 2019, the company budgeted for 24,960 hours of work. The workers are paid ₹80 per hour.

   Required:

(i) CALCULATE and suggest the bonus scheme where the time taken (in %) to time allowed to complete the works is (a) 100% (b) 75% (c) 50% & (d) 25% of budgeted hours.

Overheads- Absorption Costing Method

3. PLR Ltd. manufacturers a single product and recovers the overheads by adopting a single blanket rate based on machine hours. The budgeted production overheads of the factory for the FY 2019-20 are ₹50,40,000 and budgeted machine hours are 6,000.

For a period of first six months of the financial year 2019–20, following information were extracted from the books:

Actual production overheads	₹34,08,000
Amount included in the production overheads:	
Paid as per court's order	₹4,50,000
Expenses of previous year booked in current year	₹1,00,000
Paid to workers for strike period under an award	₹4,20,000
Obsolete stores written off	₹36,000

Production and sales data of the concern for the first six months are as under:

Production:	
Finished goods	1,10,000 units
Works-in-progress	
(50% complete in every respect)	80,000 units
Sale:	
Finished goods	90,000 units

The actual machine hours worked during the period were 3,000 hours. It is revealed from the analysis of information that 40% of the over/under-absorption was due to defective production policies and the balance was attributable to increase in costs.

You are required:

(i) to determine the amount of over/ under absorption of production overheads for the period,

(ii) to show the accounting treatment of over/ under-absorption of production overheads, and

(iii) to apportion the over/ under-absorbed overheads over the items.

Overheads- Activity Based Costing (ABC) Method

4. SMP Pvt. Ltd. manufactures three products using three different machines. At present the overheads are charged to products using labour hours. The following statement for the month of September 2019, using the absorption costing method has been prepared:

Particulars	Product X (using machine A)	Product Y (using machine B)	Product Z (using machine C)
Production units	45,000	52,500	30,000
Material cost per unit (₹)	350	460	410
Wages per unit @ ₹80 per hour	240	400	560
Overhead cost per unit (₹)	240	400	560
Total cost per unit (₹)	830	1,260	1,530
Selling price (₹)	1,037.50	1,575	1,912.50

The following additional information is available relating to overhead cost drivers.

Cost driver	Product X	Product Y	Product Z	Total
No. of machine set-ups	40	160	400	600
No. of purchase orders	400	800	1,200	2,400
No. of customers	1,000	2,200	4,800	8,000

Actual production and budgeted production for the month is same. Workers are paid at standard rate. Out of total overhead costs, 30% related to machine set-ups, 30% related to customer order processing and customer complaint management, while the balance proportion related to material ordering.

Required:

(i) COMPUTE overhead cost per unit using activity based costing method.

(ii) DETERMINE the selling price of each product based on activity-based costing with the same profit mark-up on cost.

Cost Sheet

5. DFG Ltd. manufactures leather bags for office and school purpose. The following information is related with the production of leather bags for the month of September 2019.

(i) Leather sheets and cotton cloths are the main inputs, and the estimated requirement per bag is two meters of leather sheets and one meter of cotton cloth. 2,000 meter of leather sheets and 1,000 meter of cotton cloths are purchased at ₹3,20,000 and ₹15,000 respectively. Freight paid on purchases is ₹8,500.

(ii) Stitching and finishing need 2,000 man hours at ₹80 per hour.

(iii) Other direct cost of ₹10 per labour hour is incurred.

(iv) DFG has 4 machines at a total cost of ₹22,00,000. Machine has a life of 10 years with a scrape value of 10% of the original cost. Depreciation is charged on straight line method.

(v) The monthly cost of administrative and sales office staffs are ₹45,000 and ₹72,000 respectively. DFG pays ₹1,20,000 per month as rent for a 2400 sq.feet factory premises. The administrative and sales office occupies 240 sq. feet and 200 sq. feet respectively of factory space.

(vi) Freight paid on delivery of finished bags is ₹18,000.

(vii) During the month 35 kg. of leather and cotton cuttings are sold at ₹150 per kg.

(viii) There is no opening and closing stocks for input materials. There is 100 bags in stock at the end of the month.

Required:

PREPARE a cost sheet following functional classification for the month of September 2019.

Cost Accounting Systems

6. As of 30th September, 2019, the following balances existed in a firm's cost ledger, which is maintained separately on a double entry basis:

	Debit (₹)	Credit (₹)
Stores Ledger Control A/c	15,00,000	–
Work-in-progress Control A/c	7,50,000	–
Finished Goods Control A/c	12,50,000	–
Manufacturing Overhead Control A/c	–	75,000
Cost Ledger Control A/c	–	34,25,000
	35,00,000	35,00,000

During the next quarter, the following items arose:

	(₹)
Finished Product (at cost)	11,25,000
Manufacturing overhead incurred	4,25,000
Raw material purchased	6,25,000
Factory wages	2,00,000
Indirect labour	1,00,000

Cost of sales	8,75,000
Materials issued to production	6,75,000
Sales returned (at cost)	45,000
Materials returned to suppliers	65,000
Manufacturing overhead charged to production	4,25,000

Required:

PREPARE the Cost Ledger Control A/c, Stores Ledger Control A/c, Work-in-progress Control A/c, Finished Stock Ledger Control A/c, Manufacturing Overhead Control A/c, Wages Control A/c, Cost of Sales A/c and the Trial Balance at the end of the quarter.

Contract Costing

7. GVL Ltd. commenced a contract on April 1, 2018. The total contract was for ₹ 1,08,50,000. It was decided to estimate the total profit and to take to the credit of Costing P & L A/c the proportion of estimated profit on cash basis which work completed bear to the total contract. Actual expenditure in 2018-19 and estimated expenditure in 2019-20 are given below:

	2018-19	2019-20
	Actual (₹)	Estimated (₹)
Material issued	18,24,000	32,56,000
Labour : Paid	12,20,000	15,20,000
: Outstanding at end	96,000	1,50,000
Plant purchased	9,00,000	-
Expenses : Paid	4,00,000	7,00,000
: Outstanding at the end	-	1,00,000
: Prepaid at the end	90,000	-
Plant returned to stores (a historical stores)	3,00,000	6,00,000 (on Sep. 30, 2019)
Material at site	1,20,000	3,00,000
Work-in progress certified	51,00,000	Full
Work-in-progress uncertified	1,60,000	----
Cash received	40,00,000	Full

The plant is subject to annual depreciation @ 20% of WDV cost. The contract is likely to be completed on September 30, 2019.

Required:

(i) PREPARE the Contract A/c for the year 2018-19.

(ii) ESTIMATE the profit for the contract.

Batch Costing

8. BTL LLP. manufactures glass bottles for HDL Ltd., a pharmaceutical company, which is in ayurvedic medicines business..

   BTL can produce 2,00,000 bottles in a month. Set-up cost of each production run is ₹ 5,200 and the cost of holding one bottle for a year is ₹ 1.50.

   As per an estimate HDL Ltd. can order as much as 19,00,000 bottles in a year spreading evenly throughout the year.

   At present the BTL manufactures 1,60,000 bottles in a batch.

   Required:

   (i) COMPUTE the Economic Batch Quantity for bottle production.

   (ii) COMPUTE the annual cost saving to BTL by adopting the EBQ of a production.

Job Costing

9. Ispat Engineers Limited (IEL) undertook a plant manufacturing work for a client. It will charge a profit mark up of 20% on the full cost of the jobs. The following are the information related to the job:

   Direct materials utilised – ₹1,87,00,000

   Direct labour utilised – 2,400 hours at ₹80 per hour

   Budgeted production overheads are Rs. 48,00,000 for the period and are recovered on the basis of 24,000 labour hours.

   Budgeted selling and administration overheads are ₹18,00,000 for the period and recovered on the basis of total budgeted total production cost of ₹36,00,00,000.

   Required:

   CALCULATE the price to be charged for the job.

Service Costing

10. A transport company has a fleet of four trucks of 10 tonne capacity each plying in different directions for transport of customer's goods. The trucks run loaded with goods and return empty. The distance travelled, number of trips made and the load carried per day by each truck are as under:

Truck No.	One way Distance Km	No. of trips per day	Load carried per trip / day tonnes
1	48	4	6
2	120	1	9

3	90	2	8
4	60	4	8

The analysis of maintenance cost and the total distance travelled during the last two years is as under

Year	Total distance travelled	Maintenance Cost ₹
1	1,60,200	1,38,150
2	1,56,700	1,35,525

The following are the details of expenses for the year under review:

Diesel	₹ 60 per litre. Each litre gives 4 km per litre of diesel on an average.
Driver's salary	₹ 22,000 per truck per month
Licence and taxes	₹ 15,000 per annum per truck
Insurance	₹ 80,000 per annum for all the four trucks
Purchase Price per truck	₹30,00,000, Life 10 years. Scrap value at the end of life is ₹1,00,000.
Oil and sundries	₹ 525 per 100 km run.
General Overhead	₹ 1,10,840 per annum

The trucks operate 24 days per month on an average.

Required

(i) PREPARE an Annual Cost Statement covering the fleet of four trucks.

(ii) CALCULATE the cost per km. run.

(iii) DETERMINE the freight rate per tonne km. to yield a profit of 30% on freight.

Process Costing

11. A product is manufactured in two sequential processes, namely Process-1 and Process-2. The following information relates to Process-1. At the beginning of June 2019, there were 1,000 WIP goods (60% completed in terms of conversion cost) in the inventory, which are valued at ₹2,86,020 (Material cost: ₹2,55,000 and Conversion cost: ₹31,020). Other information relating to Process-1 for the month of June 2019 is as follows;

Cost of materials introduced- 40,000 units (₹)	96,80,000
Conversion cost added (₹)	18,42,000
Transferred to Process-2 (Units)	35,000

Closing WIP (Units) (60% completed in terms of conversion cost)	1,500

100% of materials are introduced to Process-1 at the beginning. Normal loss is estimated at 10% of input materials (excluding opening WIP).

Required:

(i) PREPARE a statement of equivalent units using the weighted average cost method and thereby calculate the following:

(ii) CALCULATE the value of output transferred to Process-2 and closing WIP.

Standard Costing

12. JVG Ltd. produces a product and operates a standard costing system and value material and finished goods inventories at standard cost. The information related with the product is as follows:

Particulars	Cost per unit (₹)
Direct materials (30 kg at ₹350 per kg)	10,500
Direct labour (5 hours at ₹80 per hour)	400

The actual information for the month just ended is as follows:

(a) The budgeted and actual production for the month of September 2019 is 1,000 units.

(b) Direct materials –5,000 kg at the beginning of the month. The closing balance of direct materials for the month was 10,000 kg. Purchases during the month were made at ₹ 365 per kg. The actual utilization of direct materials was 7,200 kg more than the budgeted quantity.

(c) Direct labour – 5,300 hours were utilised at a cost of ₹ 4,34,600.

Required:

CALCULATE (i) Direct material price and usage variances (ii) Direct labour rate and efficiency variances.

Marginal Costing

13. PVC Ltd sold 55,000 units of its product at ₹375 per unit. Variable costs are ₹175 per unit (manufacturing costs of ₹140 and selling cost ₹35 per unit). Fixed costs are incurred uniformly throughout the year and amount to ₹65,00,000 (including depreciation of ₹15,00,000). There is no beginning or ending inventories.

Required:

(i) COMPUTE breakeven sales level quantity and cash breakeven sales level quantity.

(ii) COMPUTE the P/V ratio.

(iii) COMPUTE the number of units that must be sold to earn an income (EBIT) of ₹5,00,000.

(iv) COMPUTE the sales level achieve an after-tax income (PAT) of ₹5,00,000, assume 40% corporate tax rate..

Budget and Budgetary Control

14. KLM Limited has prepared its expense budget for 50,000 units in its factory for the year 2019-20 as detailed below:

	(₹ per unit)
Direct Materials	125
Direct Labour	50
Variable Overhead	40
Direct Expenses	15
Selling Expenses (20% fixed)	25
Factory Expenses (100% fixed)	15
Administration expenses (100% fixed)	8
Distribution expenses (85% variable)	20
Total	298

PREPARE an expense budget for the production of 35,000 units and 70,000 units.

Miscellaneous

15. (i) DIFFERENTIATE between Cost Accounting and Management Accounting.

(ii) EXPLAIN the meaning of Budget Manual.

(iii) EXPLAIN the term Equivalent units used in process industries.

SUGGESTED HINTS/ANSWERS

1. **Working Notes:**

(a) Annual purchase quantity for material X and Y:

Annual demand for product M- 20,000 units × 4 = 80,000 units

Particulars	**Mat-X**	**Mat-Y**
Quantity required for per unit of product M	3 kg.	4 kg.
Net quantity for materials required	2,40,000 kg.	3,20,000 kg.
Add: Loss in transit	-	6,881 kg.
Add: Loss in process	10,000 kg.	17,204 kg.

Purchase quantity	2,50,000 kg.	3,44,085 kg.

***Note** - Input credit on GST paid is available; hence, it will not be included in cost of material.*

(i) Calculation of cost per kg. of material X and Y:

Particulars	Mat-X	Mat-Y
Purchase quantity	2,50,000 kg.	3,44,085 kg.
Rate per kg.	₹140	₹640
Purchase price	₹3,50,00,000	₹22,02,14,400
Add: Freight	0	₹9,80,000*
Total cost	₹3,50,00,000	₹22,11,94,400
Net Quantity	2,40,000 kg.	3,20,000 kg
Cost per kg.	₹145.83	₹691.23

*No. of trucks = $\frac{3,44,085\text{kg.}}{10\,\text{ton}\times 1,000}$ = 34.40 trucks or 35 trucks

Therefore, total freight = 35 trucks × ₹28,000 = ₹9,80,000

(ii) Calculation of Economic Order Quantity (EOQ) for Mat.-X and Y:

$$\text{EOQ} = \sqrt{\frac{2\times\text{Annual Requirement}\times\text{Order cost}}{\text{Carrying cost per unit p.a.}}}$$

Particulars	Mat-X	Mat-Y
Annual Requirement	2,50,000 kg.	3,44,085 kg.
Ordering cost	0	₹28,000
Cost per unit	₹145.83	₹691.23
Carrying cost	15%	15%
Carrying cost per unit p.a.	0*	₹103.68
EOQ	0	13,632.62 kg.

2. The Cost of labour under the bonus schemes are tabulated as below:

Time Allowed	Time taken	Wages (₹)	Bonus (₹)		Total Wages (₹)		Earning per hour (₹)	
			Halsey*	Rowan**	Halsey	Rowan	Halsey	Rowan
(1)	(2)	(3) = (2) ×₹ 80	(4)	(5)	(6) = (3) + (4)	(7) = (3) + (5)	(8) = (6)/(2)	(9) = (7)/(2)
24,960	24,960	19,96,800	-	-	19,96,800	19,96,800	80.00	80.00
24,960	18,720	14,97,600	2,49,600	3,74,400	17,47,200	18,72,000	93.33	100.00

24,960	12,480	9,98,400	4,99,200	4,99,200	14,97,600	14,97,600	120.00	120.00
24,960	6,240	4,99,200	7,48,800	3,74,400	12,48,000	8,73,600	200.00	140.00

* Bonus under Halsey Plan = 50% of (Time Allowed – Time Taken) × Rate per hour

** Bonus under Rowan Plan = $\frac{\text{Time taken}}{\text{Time allowed}} \times \text{Time saved} \times \text{Rate per hour}$

Rowan scheme of bonus keeps checks on speed of work as the rate of incentive increases only upto 50% of time taken to time allowed but the rate decreases as the time taken to time allowed comes below 50%. It provides incentives for efficient workers for saving in time but also puts check on careless speed. On implementation of Rowan scheme, the management of ADV Pvt. Ltd. would resolve issue of the slow speed work while maintaining the skill and precision required maintaining the quality of product.

3. **(i)** Amount of over/ under absorption of production overheads during the period of first six months of the year 2019-20:

	Amount (₹)	Amount (₹)
Total production overheads actually incurred during the period		34,08,000
Less: Amount paid to worker as per court order	4,50,000	
Expenses of previous year booked in the current year	1,00,000	
Wages paid for the strike period under an award	4,20,000	
Obsolete stores written off	36,000	10,06,000
		24,02,000
Less: Production overheads absorbed as per machine hour rate (3,000 hours × ₹840*)		25,20,000
Amount of over absorbed production overheads		1,18,000

*Budgeted Machine hour rate (Blanket rate) = $\frac{₹\ 50,40,000}{6,000 \text{ hours}}$ = ₹840 per hour

(ii) **Accounting treatment of over absorbed production overheads:** As, 40% of the over absorbed overheads were due to defective production policies, this being abnormal, hence should be credited to Costing Profit and Loss Account.

Amount to be credited to Costing Profit and Loss Account

= ₹1,18,000× 40% = ₹47,200.

Balance of over absorbed production overheads should be distributed over Works in progress, Finished goods and Cost of sales by applying supplementary rate*.

Amount to be distributed = ₹1,18,000× 60% = ₹70,800

Supplementary rate = $\frac{₹\ 70,800}{1,50,000\ units} = ₹\ 0.472\ per\ unit$

(iii) Apportionment of over absorbed production overheads over WIP, Finished goods and Cost of sales:

	Equivalent completed units	Amount (₹)
Work-in-Progress (80,000 units × 50% ×0.472)	40,000	18,880
Finished goods (20,000 units × 0.472)	20,000	9,440
Cost of sales (90,000 units × 0.472)	90,000	42,480
Total	1,50,000	70,800

4. Workings:

Total labour hours and overhead cost:

Particulars	Product X	Product Y	Product Z	Total
Production units	45,000	52,500	30,000	1,27,500
Hour per unit	3	5	7	
Total hours	1,35,000	2,62,500	2,10,000	6,07,500
Rate per hour				₹80.00
Total overhead				₹4,86,00,000

Cost per activity and driver

Activity	Machine Set-up	Customer order processing	Customer complaint management	Total
Total overhead (₹)	1,45,80,000	1,45,80,000	1,94,40,000	4,86,00,000
No. of drivers	600	2,400	8,000	
Cost per driver (₹)	24,300	6,075	2,430	

(i) Computation of Overhead cost per unit:

Particulars	Product X	Product Y	Product Z
No. of machine set-ups	40	160	400

Cost per driver (₹)	24,300	24,300	24,300
Total Machine set-up cost (₹) [A]	**9,72,000**	**38,88,000**	**97,20,000**
No. of purchase orders	400	800	1,200
Cost per driver (₹)	6,075	6,075	6,075
Total order processing cost (₹) [B]	**24,30,000**	**48,60,000**	**72,90,000**
No. of customers	1,000	2,200	4,800
Cost per driver (₹)	2,430	2,430	2,430
Total customer complaint management cost (₹) [C]	**24,30,000**	**53,46,000**	**1,16,64,000**
Total Overhead cost **(₹) [A+B+C]**	58,32,000	1,40,94,000	2,86,74,000
Production units	45,000	52,500	30,000
Cost per unit (₹)	**129.60**	**268.46**	**955.80**

(ii) Determination of Selling price per unit

Particulars	Product X (using machine A)	Product Y (using machine B)	Product Z (using machine C)
Material cost per unit (₹)	350.00	460.00	410.00
Wages per unit @ ₹80 per hour	240.00	400.00	560.00
Overhead cost per unit (₹)	129.60	268.46	955.80
Total cost per unit (₹)	719.60	1,128.46	1,925.80
Profit (25% profit mark-up) (₹)	179.90	282.11	481.45
Selling price (₹)	**899.50**	**1,410.57**	**2,407.25**

5. No. of bags manufactured = 1,000 units

Cost sheet for the month of September 2019

	Particulars	Total Cost (₹)	Cost per unit (₹)
1.	Direct materials consumed:		
	- Leather sheets	3,20,000	320.00
	- Cotton cloths	15,000	15.00
	Add: Freight paid on purchase	8,500	8.50
2.	Direct wages (₹80 × 2,000 hours)	1,60,000	160.00

3.	Direct expenses (₹10 × 2,000 hours)	20,000	20.00
4.	**Prime Cost**	**5,23,500**	523.50
5.	Factory Overheads: Depreciation on machines {(₹22,00,000×90%)÷120 months}	16,500	16.50
	Apportion cost of factory rent	98,000	98.00
6.	**Works/ Factory Cost**	**6,38,000**	638.00
7.	Less: Realisable value of cuttings (₹150×35 kg.)	(5,250)	(5.25)
8.	**Cost of Production**	**6,32,750**	632.75
9.	Add: Opening stock of bags	0	
10.	Less: Closing stock of bags (100 bags × ₹632.75)	(63,275)	
11.	**Cost of Goods Sold**	**5,69,475**	632.75
12.	Add: Administrative Overheads:		
	- Staff salary	45,000	45.00
	- Apportioned rent for administrative office	12,000	12.00
13.	Add: Selling and Distribution Overheads		
	- Staff salary	72,000	80.00
	- Apportioned rent for sales office	10,000	11.11
	- Freight paid on delivery of bags	18,000	20.00
14.	**Cost of Sales (18+19+20)**	**7,26,475**	800.86

Apportionment of Factory rent:

To factory building {(₹1,20,000 ÷ 2400 sq.feet) × 1,960 sq. feet} = ₹98,000

To administrative office {(₹1,20,000 ÷ 2400 sq.feet) × 240 sq. feet} = ₹12,000

To sale office {(₹1,20,000 ÷ 2400 sq.feet) × 200 sq. feet} = ₹10,000

6. Cost Ledger Control Account

Dr. Cr.

		(₹)			(₹)
To	Store Ledger Control A/c	65,000	By	Opening Balance	34,25,000
To	Balance c/d	47,10,000	By	Store ledger control A/c	6,25,000
			By	Manufacturing Overhead Control A/c	4,25,000

		By Wages Control A/c	3,00,000
	47,75,000		47,75,000

Stores Ledger Control Account

Dr. Cr.

	(₹)		(₹)
To Opening Balance	15,00,000	By WIP Control A/c	6,75,000
To Cost ledger control A/c	6,25,000	By Cost ledger control A/c (Returns)	65,000
		By Balance c/d	13,85,000
	21,25,000		21,25,000

WIP Control Account

Dr. Cr.

	(₹)		(₹)
To Opening Balance	7,50,000	By Finished Stock Ledger Control A/c	11,25,000
To Wages Control A/c	2,00,000	By Balance c/d	9,25,000
To Stores Ledger Control A/c	6,75,000		
To Manufacturing Overhead Control A/c	4,25,000		
	20,50,000		20,50,000

Finished Stock Ledger Control Account

Dr. Cr.

	(₹)		(₹)
To Opening Balance	12,50,000	By Cost of Sales	8,75,000
To WIP Control A/c	11,25,000	By Balance c/d	15,45,000
To Cost of Sales A/c (Sales Return)	45,000		
	24,20,000		24,20,000

Manufacturing Overhead Control Account

Dr. Cr.

	(₹)		(₹)
To Cost Ledger Control A/c	4,25,000	By Opening Balance	75,000
To Wages Control A/c	1,00,000	By WIP Control A/c	4,25,000
		By Under recovery c/d	2 5,000
	5,25,000		5,25,000

Wages Control Account

Dr. Cr.

	(₹)		(₹)
To Transfer to Cost Ledger Control A/c	3,00,000	By WIP Control A/c	2,00,000
		By Manufacturing Overhead Control A/c	1,00,000
	3,00,000		3,00,000

Cost of Sales Account

Dr. Cr.

	(₹)		(₹)
To Finished Stock Ledger Control A/c	8,75,000	By Finished Stock Ledger Control A/c (Sales return)	45,000
		By Balance c/d	8,30,000
	8,75,000		8,75,000

Trial Balance

	(₹)	(₹)
Stores Ledger Control A/c	13,85,000	
WIP Control A/c	9,25,000	
Finished Stock Ledger Control A/c	15,45,000	
Manufacturing Overhead Control A/c	25,000	
Cost of Sales A/c	8,30,000	

Cost ledger control A/c	----	47,10,000
	47,10,000	47,10,000

7. **GVL Ltd.**

Contract A/c

(April 1, 2018 to March 31, 2019)

Particulars	Amount (₹)	Particulars	Amount (₹)
To Materials Issued	18,24,000	By Plant returned to Stores (Working Note 1)	2,40,000
To Labour 12,20,000		By Materials at Site	1,20,000
Add: Outstanding 96,000	13,16,000	By W.I.P.	
To Plant Purchased	9,00,000	Certified 51,00,000	
To Expenses 4,00,000		Uncertified 1,60,000	52,60,000
Less: Prepaid 90,000	3,10,000	By Plant at Site (Working Note 2)	4,80,000
To Notional Profit	17,50,000		
	61,00,000		61,00,000

GVL Ltd.

Contract A/c

(April 1, 2018 to September 30, 2019)

(For Computing estimated profit)

Particulars	Amount (₹)	Particulars	Amount (₹)
To Materials Issued (₹ 18,24,000 + ₹32,56,000)	50,80,000	By Material at Site	3,00,000
To Labour Cost (₹12,20,000 + ₹96,000 + ₹14,24,000* + ₹1,50,000)	28,90,000	By Plant returned to Stores on 31.03.2019.	2,40,000
To Plant purchased	9,00,000	By Plant returned to Stores on 30.09.2019 (Working Note 3)	4,32,000
To Expenses (₹3,10,000 + ₹7,90,000 + ₹1,00,000)	12,00,000	By Contractee A/c	1,08,50,000
To Estimated profit	17,52,000		
	1,18,22,000		1,18,22,000

* Labour paid in 2019-20: ₹15,20,000 – ₹96,000 = ₹14,24,000

Working Notes

	(₹)
1. **Value of the Plant returned to Stores on 31.03.2019**	
Historical Cost of the Plant returned	3,00,000
Less: Depreciation @ 20% of WDV for one year	(60,000)
	2,40,000
2. **Value of Plant at Site 31.03.2019**	
Historical Cost of Plant at Site (₹9,00,000 – ₹3,00,000)	6,00,000
Less: Depreciation @ 20% on WDV for one year	(1,20,000)
	4,80,000
3. **Value of Plant returned to Stores on 30.09.2019**	
Value of Plant (WDV) on 31.3.2019	4,80,000
Less: Depreciation @ 20% of WDV for a period of 6 months	(48,000)
	4,32,000
4. **Expenses Paid for the year 2018-19**	
Total expenses paid	4,00,000
Less: Pre-paid at the end	(90,000)
	3,10,000

8. Economic Batch Quantity (EBQ) = $\sqrt{\frac{2DS}{C}}$

Where, D = Annual demand for the product

S = Setting up cost per batch

C = Carrying cost per unit of production

(i) Computation of EBQ :

$$= \sqrt{\frac{2 \times 19,00,000 \times ₹5,200}{₹1.5}}$$

= 1,14,775 bottles

(ii) Computation of savings in cost by adopting EBQ:

Batch Size	No. of Batch	Set-up cost	Carrying cost	Total Cost
1,60,000 bottles	12	62,400 (₹5,200 × 12)	1,20,000 (₹1.5 × ½ × 1,60,000)	1,82,400

1,14,775 bottles	17	88,400 (₹5,200 × 17)	86,081.25 (₹1.5 × ½ × 1,14,775)	1,74,481.25
Saving				7,918.75

9. Calculation of job price

Particulars	Amount (₹)
Direct materials	1,87,00,000
Direct wages (₹80 × 2,400 hours)	1,92,000
Production overheads $\left(\frac{₹48,00,000}{24,000\text{hrs}} \times 2,400\text{hrs}\right)$	4,80,000
Production cost	**1,93,72,000**
Selling and administration overheads $\left(\frac{₹18,00,000}{₹36,00,00,000} \times ₹1,93,72,000\right)$	96,860
Total cost of sales	1,94,68,860
Profit mark-up @ 20%	38,93,772
Price for the job	**2,33,62,632**

10. (i) Annual Cost Statement of four vehicles

	(₹)
Diesel {(4,21,632 km. ÷ 4 km) × ₹ 60) (Refer to Working Note 1)	63,24,480
Oil & sundries {(4,21,632 km. ÷ 100 km.) × ₹ 525}	22,13,568
Maintenance {(4,21,632 km. × ₹ 0.75) + ₹ 18,000} (Refer to Working Note 2)	3,34,224
Drivers' salary {(₹22,000 × 12 months) × 4 trucks}	10,56,000
Licence and taxes (₹ 15,000 × 4 trucks)	60,000
Insurance	80,000
Depreciation {(₹29,00,000 ÷ 10 years) × 4 trucks}	11,60,000
General overhead	1,10,840
Total annual cost	**1,13,39,112**

(ii) Cost per km. run

Cost per kilometer run = $\frac{\text{Total annual cost of vehicles}}{\text{Total kilometre travelled annually}}$ (Refer to Working Note 1)

$$= \frac{₹1,13,39,112}{4,21,632 \text{ Kms}} = ₹\ 26.89$$

(iii) Freight rate per tonne km (to yield a profit of 30% on freight)

Cost per tonne km. $= \frac{\text{Total annual cost of three vehicles}}{\text{Total effective tonnes kms. per annum}}$ (Refer to Working Note 1)

$$= \frac{₹1,13,39,112}{16,10,496 \text{ kms}} = ₹\ 7.04$$

Freight rate per tonne km. $\left(\frac{₹7.04}{0.7}\right) \times 1$ = ₹ 10.06

Working Notes:

1. Total kilometre travelled and tonnes kilometre (load carried) by four trucks in one year

Truck number	One way distance in kms	No. of trips	Total distance covered in km per day	Load carried per trip / day in tonnes	Total effective tonnes km
1	48	4	384	6	1,152
2	120	1	240	9	1,080
3	90	2	360	8	1,440
4	60	4	480	8	1,920
Total			1,464		5,592

Total kilometre travelled by four trucks in one year

(1,464 km. × 24 days × 12 months) = 4,21,632

Total effective tonnes kilometre of load carried by four trucks during one year

(5,592 tonnes km. × 24 days × 12 months) = 16,10,496

2. Fixed and variable component of maintenance cost:

Variable maintenance cost per km= $\frac{\text{Difference in maintenance cost}}{\text{Difference in distance travelled}}$

$$= \frac{₹\ 1,38,150 - ₹\ 1,35,525}{1,60,200 \text{ kms} - 1,56,700 \text{ kms}}$$

= ₹ 0.75

Fixed maintenance cost = Total maintenance cost–Variable maintenance cost

= ₹1,38,150 – 1,60,200 kms × ₹ 0.75 = ₹ 18,000

11. (i) Statement of Equivalent Production

Particulars	Input Units	Particulars	Output Units	Equivalent Production			
				Material		Conversion cost	
				%	Units	%	Units
Opening WIP	1,000	Completed and transferred to Process-2	35,000	100	35,000	100	35,000
Units introduced	40,000	Normal Loss (10% of 40,000)	4,000	--	--	--	--
		Abnormal loss (Balancing figure)	500	100	500	60	300
		Closing WIP	1,500	100	1,500	60	900
	41,000		41,000		37,000		36,200

(ii) Calculation of value of output transferred to Process-2 & Closing WIP

	Amount (₹)	Amount (₹)
1. Value of units completed and transferred (35,000 units × ₹ 320.25) (Refer working note)		1,12,08,750
3. Value of Closing W-I-P:		
- Materials (1,500 units × ₹ 268.51)	4,02,765	
- Conversion cost (900 units × ₹ 51.74)	46,566	4,49,331

Workings:

Cost for each element

Particulars	Materials (₹)	Conversion (₹)	Total (₹)
Cost of opening work-in-process	2,55,000	31,020	2,86,020
Cost incurred during the month	96,80,000	18,42,000	1,15,22,000
Total cost: (A)	99,35,000	18,73,020	1,18,08,020
Equivalent units: (B)	37,000	36,200	
Cost per equivalent unit: (C) = (A ÷ B)	268.51	51.74	320.25

12. Working:

Quantity of material purchased and used.

No. of units produced	1,000 units
Std. input per unit	30kg.
Std. quantity (Kg.)	30,000 kg.
Add: Excess usage	7,200 kg.
Actual Quantity	37,200 kg.

Add: Closing Stock	10,000 kg.
Less: Opening stock	5,000 kg.
Quantity of Material purchased	42,200 kg.

(i) Direct Material Price Variance:

= Actual Quantity purchased (Std. Price – Actual Price)

= 42,200 kg.(₹350 – ₹365) = 6,33,000 (Adverse)

Direct Material Usage Variance:

= Std. Price (Std. Quantity – Actual Quantity)

= ₹350 (30,000 kg. – 37,200 kg.) = ₹25,20,000 (Adverse)

(ii) Direct Labour Rate Variance:

= Actual hours (Std. Rate – Actual Rate)

= 5,300 hours (₹80 – ₹82) = ₹10,600 (Adverse)

Direct Labour Efficiency Variance:

= Std. Rate (Std. hours – Actual hours)

= ₹80 (1,000 units × 5 hours – 5,300 hours) = ₹24,000 (Adverse)

13. (i) Contribution = ₹375 - ₹175 = ₹200 per unit.

Break even Sales Quantity = $\frac{\text{Fixed cost}}{\text{Contribution margin per unit}} = \frac{₹\ 65,00,000}{₹\ 200}$ = 32,500 units

Cash Break even Sales Qty= $\frac{\text{Cash Fixed Cost}}{\text{Contribution margin per unit}} = \frac{₹50,00,000}{₹200}$ = 25,000 units.

(ii) P/V ratio = $\frac{\text{Contribution/unit}}{\text{Selling Price/unit}} \times 100 = \frac{₹\,200}{₹\,375} \times 100$ = 53.33%

(iii) No. of units that must be sold to earn an Income (EBIT) of ₹5,00,000

$\frac{\text{Fixed cost} + \text{Desired EBIT level}}{\text{Contribution margin per unit}} = \frac{65,00,000 + 5,00,000}{200}$ = 35,000 units

(iv) After Tax Income (PAT) = ₹5,00,000

Tax rate = 40%

Desired level of Profit before tax $= \frac{₹5,00,000}{60} \times 100$ = ₹8,33,333

Estimate Sales Level = $\frac{\text{Fixed Cost} + \text{Desired Profit}}{\text{P/V ratio}}$

Or, $\left(\frac{\text{Fixed Cost} + \text{Desired Profit}}{\text{Contribution per unit}} \times \text{Selling Price per unit}\right)$

$= \frac{₹65,00,000 + ₹8,33,333}{53.33\%}$ = ₹1,37,50,859

14. Expense Budget of KLM Ltd.

Particulars	50,000 Units (₹)	35,000 Units (₹)	70,000 Units (₹)
Direct Material	62,50,000 (50,000 x 125)	43,75,000 (35,000 x 125)	87,50,000 (70,000 x 125)
Direct Labour	25,00,000 (50,000 x 50)	17,50,000 (35,000 x 50)	35,00,000 (70,000 x 50)
Variable Overhead	20,00,000 (50,000 x 40)	14,00,000 (35,000 x 40)	28,00,000 (70,000 x 40)
Direct Expenses	7,50,000 (50,000 x 15)	5,25,000 (35,000 x 15)	10,50,000 (70,000 x 15)
Selling Expenses (Variable)*	10,00,000 (50,000 x 20)	7,00,000 (35,000 x 20)	14,00,000 (70,000 x 20)
Selling Expenses (Fixed)* (5 x 50,000)	2,50,000	2,50,000	2,50,000
Factory Expenses (Fixed) (15 x 50,000)	7,50,000	7,50,000	7,50,000
Administration Expenses (Fixed) (8 x 50,000)	4,00,000	4,00,000	4,00,000
Distribution Expenses (Variable)**	8,50,000 (17 x 50,000)	5,95,000 (17 x 35,000)	11,90,000 (17 x 70,000)
Distribution Expenses (Fixed)** (3 x 50,000)	1,50,000	1,50,000	1,50,000
	1,49,00,000	1,08,95,000	2,02,40,000

*Selling Expenses: Fixed cost per unit = ₹25 x 20% = ₹5

Fixed Cost = ₹5 x 50,000 units = ₹2,50,000

Variable Cost Per unit = ₹25 – ₹5 = ₹20

**Distribution Expenses: Fixed cost per unit = ₹20 x 15% = ₹3

Fixed Cost = ₹3 x 50,000 units = ₹1,50,000

Variable cost per unit = ₹20 – ₹3 = ₹17

15. (i) Difference between Cost Accounting and Management Accounting

	Basis	Cost Accounting	Management Accounting
(i)	Nature	It records the quantitative aspect only.	It records both qualitative and quantitative aspect.
(ii)	Objective	It records the cost of producing a product and providing a service.	It Provides information to management for planning and co-ordination.
(iii)	Area	It only deals with cost Ascertainment.	It is wider in scope as it includes financial accounting, budgeting, taxation, planning etc.
(iv)	Recording of data	It uses both past and present figures.	It is focused with the projection of figures for future.
(v)	Development	Its development is related to industrial revolution.	It develops in accordance to the need of modern business world.
(vi)	Rules and Regulation	It follows certain principles and procedures for recording costs of different products.	It does not follow any specific rules and regulations.

(ii) Budget Manual: A budget manual is a collection of documents that contains key information for those involved in the planning process. Typical contents could include the following:

- An introductory explanation of the budgetary planning and control process, including a statement of the budgetary objective and desired results.
- A form of organisation chart to show who is responsible for the preparation of each functional budget and the way in which the budgets are interrelated.
- A timetable for the preparation of each budget. This will prevent the formation of a ‘bottleneck’ with the late preparation of one budget holding up the preparation of all others.
- Copies of all forms to be completed by those responsible for preparing budgets, with explanations concerning their completion.
- A list of the organization’s account codes, with full explanations of how to use them.

PAPER 4: TAXATION

SECTION A: INCOME TAX LAW

PART I: STATUTORY UPDATE

The Income-tax law, as amended by the Finance Act, 2018, including significant notifications/ circulars issued upto 30th April, 2019 are applicable for November, 2019 examination. The relevant assessment year for November, 2019 examination is A.Y.2019-20. The July 2018 edition of the Study Material is based on the provisions of income-tax law as amended by the Finance Act, 2018 and significant notifications/circulars issued upto 30th April, 2018.

The significant notifications/circulars issued upto 30.4.2019 which are relevant for November, 2019 examination but not covered in the July 2018 edition of the Study Material, are given hereunder.

Chapter 3: Incomes which do not form part of Total Income

Computation of admissible deduction u/s 10AA of the Income-tax Act, 1961 [Circular No. 4/2018, Dated 14-8-2018]

As per the provisions of section 10AA(7), the profits derived from export of articles or things or services (including computer software) shall be the amount which bears to the profits of the business of the undertaking, being the Unit, the same proportion as the export turnover in respect of such articles or things or services bears to the total turnover of the business carried on by the undertaking.

Further as per clause (i) to *Explanation 1* to section 10AA, "export turnover" means the consideration in respect of export by the undertaking, being the Unit of articles or things or services received in, or brought into, India by the assessee, but does not include freight, telecommunication charges or insurance attributable to the delivery of the articles or things outside India or expenses, if any, incurred in foreign exchange in rendering of services (including computer software) outside India.

The issue of whether freight, telecommunication charges and insurance expenses are to be excluded from both "export turnover"' and "total turnover' while working out deduction admissible under section 10AA on the ground that they are attributable to delivery of articles or things outside India has been highly contentious. Similarly, the issue whether charges for rendering services outside India are to be excluded both from "export turnover" and "total turnover" while computing deduction admissible under section 10AA on the ground that such charges are relatable towards expenses incurred in convertible foreign exchange in rendering services outside India has also been highly contentious.

The controversy has been finally settled by the Hon'ble Supreme Court vide its judgment dated 24.4.2018 in the case of Commissioner of Income Tax, Central-III Vs. M/s HCL Technologies Ltd. (CA No. 8489-8490 of 2013, NJRS Citation 2018-LL-0424-40), in relation to section 10A.

The issue had been examined by CBDT and it is clarified, in line with the above decision of the Supreme Court, that freight, telecommunication charges and insurance expenses are to be excluded both from "export turnover" and "total turnover', while working out deduction admissible under section 10AA to the extent they are attributable to the delivery of articles or things outside India.

Similarly, expenses incurred in foreign exchange for rendering services outside India are to be excluded from both "export turnover" and "total turnover" while computing deduction admissible under section 10AA.

Note: *Though this CBDT Circular is issued in relation to erstwhile section 10A, the same is also relevant in the context of section 10AA. Accordingly, the reference to section 10A in the Circular and the relevant sub-section and Explanation number thereto have been modified and given with reference to section 10AA and the corresponding sub-sections, Explanation number and clause of Explanation.*

Chapter 4 Unit 1: Salaries

Notified limit for exemption in respect of gratuity increased, in case of employees not covered under the Payment of Gratuity Act, 1972 [Notification No. 16 /2019, dated 08.03.2019]

As per section 10(10)(iii), in case of an employee not covered under the Payment of Gratuity Act, 1972, any gratuity received by an employee on his retirement or his becoming incapacitated prior to such retirement or on termination of his employment or any gratuity received by his widow, children or dependents on his death is exempt from tax to the extent of least of the following limits:

(i) One-half month's salary for each year of completed service

(ii) Actual gratuity received

(iii) Specified limit (i.e., limit notified by the Central Government)

The Central Government, having regard to the maximum amount of any gratuity payable to employees, has specified ₹20 lakh as the limit for the purposes of section 10(10)(iii) in relation to the employees who retire or become incapacitated prior to such retirement or die on or after 29th March, 2018 or whose employment is terminated on or after the said date. In effect, the Central Government has, vide this notification, increased the specified limit from ₹10 lakhs to ₹20 lakh with effect from 29.03.2018.

Chapter 9: Advance Tax, Tax Deduction at Source and Introduction to Tax Collection at Source

No tax is required to be deducted at source on interest payable on "Power Finance Corporation Limited 54EC Capital Gains Bond" and "Indian Railway Finance Corporation Limited 54EC Capital Gains Bond" – [Notification No. 27 & 28/2018, dated 18-06-2018]

Section 193 (Interest on securities) provides that the person responsible for paying to a resident any income by way of interest on securities shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax @ 10%, being the rates in force on the amount of the interest payable.

As per clause (iib) of the proviso to section 193, no tax is required to be deducted at source from any interest payable on such debentures, issued by any institution or authority, or any public sector company, or any co-operative society (including a co-operative land mortgage bank or a co-operative land development bank), as the Central Government may, by notification in the Official Gazette, specify in this behalf.

Accordingly, the Central Government has, vide this notification, specified -

(i) "Power Finance Corporation Limited 54EC Capital Gains Bond" issued by Power Finance Corporation Limited {PFCL} and

(ii) "Indian Railway Finance Corporation Limited 54EC Capital Gains Bond" issued by Indian Railway Finance Corporation Limited {IRFCL}

The benefit of this exemption would, however, be admissible in the case of transfer of such bonds by endorsement or delivery, only if the transferee informs PFCL/IRFCL by registered post within a period of sixty days of such transfer.

No tax to be deducted at source under section 194A, in case of Senior Citizens if the aggregate amount of interest does not exceed ₹ 50,000 [Notification No. 6/2018, dated 6-12-2018]

Section 194A requires deduction of tax at source on interest other than interest on securities. However, section 194A(3) provides for exemption from this requirement where such interest credited or paid or likely to be credited or paid during the Financial Year does not exceed ₹10,000 and the payer is a banking company, co-operative society engaged in banking business or post office. In case of a senior citizen (being a resident), however, a higher threshold of ₹ 50,000 has been specified for non-deduction of tax at source in such cases.

Accordingly, as per the third proviso to section 194A(3), no tax is required to be deducted at source in the case of senior citizens where the amount of interest or the aggregate of the amount of interest credited or paid during the financial year by a banking company, co-operative society engaged in banking business or post office does not exceed ₹50,000. However, it has come to the notice of the CBDT, that, some tax deductors/banks are making tax deductions even when the amount of interest does not exceed ₹ 50,000.

Under Rule 31A(5) of the Income-tax Rules, 1962, the DGIT (Systems) is authorized to specify the procedures, formats and standards for the purposes of furnishing and verification of the statements or claim for refund and shall be responsible for the day-to-day administration in relation to furnishing and verification of the statements or claim for refund in the manner so specified.

Accordingly, the Principal Director General of Income-tax (Systems) has, in exercise of the powers delegated by the CBDT under Rule 31A(5), clarified that no tax deduction at source under section 194A shall be made in the case of senior citizens where the amount of such income or the aggregate of the amounts of such income credited or paid during the financial year does not exceed ₹50,000.

Housing and Urban Development Corporation Ltd. (HUDCO), New Delhi notified for the purpose of section 194A(3)((iii)(f) [Notification No. 26/2019, dated 20.03.2019]

Section 194A(3)((iii)(f) provides that no tax is required to be deducted on interest income paid or credited to such other institution, association or body or class of institutions, associations, or bodies which is notified by the Central Government. Accordingly, the Central Government has, vide this notification, notified the Housing and Urban Development Corporation Ltd.(HUDCO), New Delhi for the purpose of the said section.

Consequent to such notification, no tax need to be deducted at source from interest other than interest on securities credited or paid to HUDCO.

Chapter 10: Provisions for filing return of income and self-assessment

Time limit for making an application for allotment of PAN in respect of certain persons [Notification No. 82/2018, dated 19-11-2018]

Section 139A(1) lists out the persons, who have not allotted PAN, to apply to the Assessing Officer for allotment of PAN within such time, as may be prescribed. The time limit for making such application is prescribed in Rule 114(3).

The Finance Act, 2018 has expanded the list of persons covered under section 139A(1) to include the persons mentioned in (iv) & (v) in column (2) of the table below, who have not been allotted a PAN, to apply to the Assessing Officer for allotment of PAN. Accordingly, Rule 114(3) has been amended *vide* this notification to provide the time limit (indicated in column (3) of the table below) for such persons to apply to the Assessing Officer for allotment of PAN.

The table below contains the list of persons mentioned in section 139A(1), who have not been allotted PAN, to apply for PAN and the time limit for making such application in each such case.

(1)	(2)	(3)
	Persons required to apply for PAN	**Time limit for making such application**
(i)	Every person, if his total income or the total income of any other person in respect of which he is assessable under the Act during any previous year exceeds the maximum amount which is not chargeable to income-tax	On or before the 31st May of the assessment year for which such income is assessable

(ii)	Every person carrying on any business or profession whose total sales, turnover or gross receipts are or is likely to exceed ₹ 5 lakhs in any previous year	Before the end of that financial year (previous year).
(iii)	Every person being a resident, other than an individual, which enters into a financial transaction of an amount aggregating to ₹ 2,50,000 or more in a financial year	On or before 31st May of the immediately following financial year
(iv)	Every person who is a managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of any person referred in (iv) above or any person competent to act on behalf of such person referred in (iv) above	On or before 31st May of the immediately following financial year in which the person referred in (iv) enters into financial transaction specified therein.

Quoting of Aadhaar Number mandatory in returns filed on or after 1.4.2019 [Circular No. 6/2019 dated 31.03.2019]

As per section 139AA(1)(ii), with effect from 01.07.2017, every person who is eligible to obtain Aadhaar number has to quote Aadhaar number in the return of income.

The Apex Court in a series of judgments has upheld the validity of section 139AA. Consequently, with effect from 01.04.2019, the CBDT clarified that it is mandatory to quote Aadhaar number while filing the return of income unless specifically exempted as per any notification issued under section 139AA(3). Thus, returns being filed either electronically or manually on or after 1.4.2019 cannot be filed without quoting the Aadhaar number.

Time limit for intimation of Aadhar Number to Prescribed Authority [Notification No. 31/2019, dated 31.03.2019]

Section 139AA(2) provides that every person who has been allotted Permanent Account Number (PAN) as on 1st July, 2017, and who is eligible to obtain Aadhar Number, shall intimate his Aadhar Number to prescribed authority on or before a date as may be notified by the Central Government.

Accordingly, the Central Government has, vide this notification, notified that every person who has been allotted permanent account number as on 1st July, 2017, and who is eligible to obtain Aadhaar number, shall intimate his Aadhaar number to the Principal DGIT (Systems) or Principal Director of Income-tax (Systems) by 30th September, 2019.

This notification would, however, not be applicable to those persons or such class of persons or any State or part of any State who/which are/is specifically excluded under section 139AA(3).

PART II: QUESTIONS AND ANSWERS

OBJECTIVE TYPE QUESTIONS

I. Mr. Ajay is found to be the owner of two gold chains of 50 gms each (market value of which is ₹ 1,45,000 each) during the financial year ending 31.3.2019 but he could offer satisfactory explanation for ₹ 50,000 spent on acquiring these gold chains. As per section 115BBE, Mr. Ajay would be liable to pay tax of –

(a) ₹ 1,87,200

(b) ₹ 2,26,200

(c) ₹ 1,49,760

(d) ₹ 1,80,960

II. Mr. Suhaan (aged 35 years), a non-resident earned dividend income of ₹ 12,50,000 from an Indian Company which is credited directly to its bank account in France and ₹ 15,000 as interest in Saving A/c from State Bank of India during the previous year 2018-19. Assuming that he has no other income, what will be amount of income chargeable to tax in his hands in India for A.Y. 2019-20?

(a) ₹ 2,55,000

(b) ₹ 2,65,000

(c) ₹ 15,000

(d) ₹ 5,000

III. XYZ Ltd. has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The unit in SEZ was set up and started manufacturing from 12.3.2012 and unit in DTA from 15.6.2015. Total turnover of XYZ Ltd. and Unit in DTA is ₹ 8,50,00,000 and 3,25,00,000, respectively. Export sales of unit in SEZ and DTA is ₹ 2,50,00,000 and ₹ 1,25,00,000, respectively and net profit of Unit in SEZ and DTA is ₹ 80,00,000 and ₹ 45,00,000, respectively. XYZ Ltd. would be eligible for deduction under section 10AA for -

(a) ₹ 38,09,524

(b) ₹ 19,04,762

(c) ₹ 23,52,941

(d) ₹ 11,76,471

IV. Mr. Jagat is an employee in accounts department of Bharat Ltd., a cellular company operating in the regions of eastern India. It is engaged in manufacturing of cellular devices. During F.Y. 2018-19, following transactions were undertaken by Mr. Jagat:

(i) He attended a seminar on "Perquisite Valuation". Seminar fees of ₹ 12,500 was paid by Bharat Ltd.

(ii) Tuition fees of Mr. Himanshu (son of Mr. Jagat) was reimbursed by Bharat Ltd. Amount of fees is ₹ 25,000.

(iii) Ms. Sapna (daughter of Mr. Jagat) studies in DPS Public School (owned and maintained by Bharat Ltd.). Tuition fees paid for Ms. Sapna was ₹ 750 per month. Cost of education in similar institution is ₹ 5,250 per month.

Compute the amount which is chargeable to tax under the head "Salaries" in hands of Mr. Jagat for A.Y. 2019-20.

(a) ₹ 25,000

(b) ₹ 37,500

(c) ₹ 66,500

(d) ₹ 79,000

V. Mr. Jha, an employee of FX Ltd, attained 60 years of age on 15.05.2018. He is resident in India during F.Y. 2018-19 and earned salary income of ₹5 lacs (computed). During the year, he earned ₹ 7 lacs from winning of lotteries. Compute his advance tax liability for A.Y. 2019-20:

(a) ₹ 2,20,000 + Cess ₹ 8,800 = ₹2,28,800, being the tax payable on total income of ₹12 lacs

(b) ₹ 2,10,000 + Cess ₹ 8,400 = ₹2,18,400, being the tax payable on lottery income of ₹7 lacs

(c) ₹ 10,000 + Cess ₹400 = ₹ 20,400, being the tax payable on salary income, since tax would have been deducted at source from lottery income.

(d) Nil

VI. APM Ltd. is a pioneer company in textile industry. At the end of F.Y. 2018-19, it decided to distribute deposit certificates (without interest) to its shareholders (preference as well as equity shareholders). Total value of accumulated profits of APM Ltd. was ₹ 25 lakhs. Mr. A is an equity shareholder of APM Ltd. holding 10% of share capital. During F.Y. 2018-19, Mr. A received deposit certificates (without interest) valuing ₹ 5,00,000 from APM Ltd. Comment upon taxability of receipt of deposit certificates in the hands of Mr. A.

(a) Deposit Receipts (without interest) are taxable to the extent of ₹2,50,000 under Income from other sources.

(b) Deposit Receipts (without interest) are fully taxable under Income from other sources.

(c) Deposit Receipts (without interest) are exempt since DDT is payable by the company.

(d) Deposit Receipts (without interest) are fully taxable and shall be included in Gross total income. But such receipt shall be allowed as deduction under Chapter-VI A.

VII. Mr. Hari is 65 years old residing in Agra. During F.Y. 2013-14, he purchased a house property in Kamla Nagar for ₹ 25 lacs. This house property was self-occupied by him till F.Y. 2015-16. In F.Y. 2016-17, he shifted to Delhi and the house property in Kamla Nagar was let out to Mr. Kishore. His income from house property was ₹ 5 lacs per annum (computed). During F.Y. 2018-19, Mr. Hari earned long-term capital gain of ₹ 2.50 lacs, casual income of ₹ 10 lacs, agricultural income of ₹ 3 lacs and profits from business of ₹ 4 lacs. During the same year, he transferred house property situated in Kamla Nagar to Mrs. Neelam (his son's wife) without any consideration. Subsequently, income from house property was received by Mrs. Neelam for F.Y. 2018-19. Compute gross total income of Mr. Hari for A.Y. 2019-20:

(a) ₹ 16.50 lacs

(b) ₹ 21.50 lacs

(c) ₹ 19.50 lacs

(d) ₹ 24.50 lacs

VIII. The details of income/loss of Mr. Kumar for A.Y. 2019-20 are as follows:

Particulars	Amt. (in ₹)
Income from Salary (Computed)	5,20,000
Loss from self-occupied house property	95,000
Loss from let-out house property	2,25,000
Loss from specified business u/s 35AD	2,80,000
Loss from medical business	1,20,000
Long term capital gain	1,60,000
Income from other sources	80,000

Compute gross total income of Mr. Kumar for A.Y. 2019-20:

(a) ₹ 4,40,000

(b) ₹ 3,20,000

(c) ₹ 1,60,000

(d) ₹ 4,80,000

IX. Mr. Pawan is engaged in the business of roasting and grinding coffee beans. During F.Y. 2018-19, his total income is ₹ 4.5 lacs. Mr. Pawan filed its return of income for

A.Y. 2019-20 on 3rd March, 2020. Compute fee payable for default in furnishing in return of income for PQ & Associates for A.Y. 2019-20:

(a) ₹ 5,000

(b) Not exceeding ₹ 1,000

(c) ₹ 10,000

(d) No fees payable as total income is below ₹ 5,00,000

X. Mr. Rana is a resident of India residing in Meerut. During F.Y. 2010-11 he purchased an agricultural land situated in Bahadurpur for ₹ 10 lacs. This land is situated in an area which has aerial distance of 3 km from the local limits of Municipality of Bahadurpur. Total population of this area is 80,000 as per the last preceding census. During F.Y. 2018-19, Mr. Rana sold this land to Mr. Jeet for ₹ 25 lacs on 29.1.2019. Mr. Rana invested ₹ 5 lakhs in bonds of NHAI on 31.7.2019. Cost inflation index for F.Y. 2010-11 and F.Y. 2018-19 is 167 and 280 respectively. Compute the amount of capital gain taxable in the hands of Mr. Rana for A.Y. 2019-20:

(a) ₹ 3,23,353

(b) ₹ 8,23,353

(c) ₹ 10,00,000

(d) None of the above

DESCRIPTIVE QUESTIONS

1. Mr. Sunil Patni, aged 45 years, furnishes the following details of his total income for the A.Y. 2019-20:

Income from Salaries (computed)	26,56,000
Income from House Property (computed)	16,90,000
Interest income from FDRs	7,34,000

He has not claimed any deduction under Chapter VI-A. You are required to compute tax liability of Mr. Sunil Patni as per the provisions of Income Tax Act, 1961.

2. Mr. Rajesh Sharma (aged 62 years), an Indian citizen, travelled frequently out of India for his business trip as well as for his outings. He left India from Delhi airport on 29th May 2018 as stamped in the passport and returned on 27th April 2019. He has been in India for less than 365 days during the 4 years immediately preceding the previous year. Determine his residential status and his total income for the assessment year 2019-20 from the following information:

(1) Short term capital gain on the sale of shares of Tilt India Ltd., a listed Indian company, amounting to ₹ 58,000. The sale proceeds were credited to his bank account in Singapore.

(2) Dividend amounting to ₹ 48,000 received from Treat Ltd., a Singapore based company, which was transferred to his bank account in Singapore. He had borrowed money from Mr. Abhay, a non-resident Indian, for the above-mentioned investment on 2nd April, 2018. Interest on the borrowed money for the previous year 2018-19 amounted to ₹ 5,800.

(3) Interest on fixed deposit with Punjab National Bank, Delhi amounting to ₹ 9,500 was credited to his saving bank account.

3. Examine with brief reasons, whether the following are chargeable to income-tax and the amount liable to tax with reference to the provisions of the Income-tax Act, 1961:

(i) Allowance of ₹ 18,000 p.m. received by an employee, Mr. Uttam Prakash, working in a transport system granted to meet his personal expenditure while on duty. He is not in receipt of any daily allowance from his employer.

(ii) During the previous year 2018-19, Mrs. Aadhya, a resident in India, received a sum of ₹ 9,63,000 as dividend from Indian companies and ₹ 4,34,000 as dividend from units of equity oriented mutual fund.

4. Ms. Suhaani, a resident individual, aged 33 years, is an assistant manager of Daily Needs Ltd. She is getting a salary of ₹ 48,000 per month. During the previous year 2018-19, she received the following amounts from her employer.

(i) Dearness allowance (10% of basic pay which forms part of salary for retirement benefits).

(ii) Bonus for the previous year 2017-18 amounting to ₹ 52,000 was received on 30th November, 2018.

(iii) Fixed Medical allowance of ₹ 48,000 for meeting medical expenditure.

(iv) She was also reimbursed the medical bill of her father dependent on her amounting to ₹ 4,900.

(v) Ms. Suhaani was provided;

- a laptop both for official and personal use. Laptop was acquired by the company on 1st June, 2016 at ₹ 35,000.
- a domestic servant at a monthly salary of ₹ 5,000 which was reimbursed by her employer.

(vi) Daily Needs Ltd. allotted 700 equity shares in the month of October 2018 @ ₹ 170 per share against the fair market value of ₹ 280 per share on the date of exercise of option by Ms. Suhaani. The fair market value was computed in accordance with the method prescribed under the Act.

(vii) Professional tax ₹ 2,200 (out of which ₹ 1,400 was paid by the employer).

Compute the Income under the head "Salaries" of Ms. Suhaani for the assessment year 2019-20.

5. Mr. Vihaan is a resident but not ordinarily resident in India during the Assessment Year 2019-20. He furnishes the following information regarding his income/expenditure pertaining to his house properties for the previous year 2018-19:

   - He owns two houses, one in Singapore and the other in Pune.
   - The house in Singapore is let out there at a rent of SGD 4,000 p.m. The entire rent is received in India. He paid Property tax of SGD 1250 and Sewerage Tax SGD 750 there. (1SGD=INR 51)
   - The house in Pune is self-occupied. He had taken a loan of ₹ 25,00,000 to construct the house on 1st June, 2014 @12%. The construction was completed on 31st May, 2016 and he occupied the house on 1st June, 2016.

     The entire loan is outstanding as on 31st March, 2019. Property tax paid in respect of the second house is ₹ 2,800.

   Compute the income chargeable under the head "Income from House property" in the hands of Mr. Vihaan for the Assessment Year 2019-20.

6. Mr. Chirag, set up a manufacturing unit of Baking Soda in notified backward area of the State of Andhra Pradesh on 18th May, 2018. The following machineries (falling under 15% block) purchased by him during the previous year 2018-19.

		Amount (₹ lakhs)
(i)	Machinery X, Machinery Y and Machinery Z from Sahaj Limited on credit (installed and usage started on 18th July, 2018, 25th July 2018 and 1st August 2018, respectively). Payment is made on 15th April 2019 to Sahaj Limited by net banking.	58
(ii)	Machinery L from Swayam Limited (installed on 8th August, 2018). The Invoice was paid through a cash payment on the same day.	35
(iii)	Machinery M (a second-hand machine) from Sunshine Limited on 18th December, 2018 (The payment for the purchase invoice was made through NEFT on 5th January, 2019)	15

Compute the depreciation allowance under section 32 of the Income-tax Act, 1961 for the assessment year 2019-20.

7. Mrs. Yuvika bought a vacant land for ₹ 80 lakhs in May 2004. Registration and other expenses were 10% of the cost of land. She constructed a residential building on the said land for ₹ 100 lakhs during the financial year 2006-07.

   She entered into an agreement for sale of the above said residential house with Mr. Johar (not a relative) in April 2015. The sale consideration was fixed at ₹ 700 lakhs and on 23-4-2015, Mrs. Yuvika received ₹ 20 lakhs as advance in cash by executing an agreement. However, due to failure on part of Mr. Johar, the said negotiation could not materialise and hence, the said amount of advance was forfeited by Mrs. Yuvika.

   Mrs. Yuvika, again entered into an agreement on 01.08.2018 for sale of this house at ₹ 810 lakhs. She received ₹ 80 lakhs as advance by cash payment. The stamp duty value on the date of agreement was ₹ 835 lakhs. The sale deed was executed and registered on 14-1-2019 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 870 lakhs. Mrs. Yuvika paid 1% as brokerage on sale consideration received.

   Subsequent to sale, Mrs. Yuvika made following investments:

   (i) Acquired a residential house at Delhi for ₹ 130 lakhs on 31.5.2019.

   (ii) Acquired a residential house at UK for ₹ 290 lakhs on 23.3.2019.

   (iii) Subscribed to NHAI capital gains bond (approved under section 54EC) for ₹ 47 lakhs on 29-3-2019 and for ₹ 50 lakhs on 12-5-2019.

   Compute the income chargeable under the head 'Capital Gains'. The choice of exemption must be in the manner most beneficial to the assessee.

   Cost Inflation Index: F.Y. 2004-05 – 113; F.Y. 2006-07 – 122; F.Y. 2018-19 - 280.

8. Mr. Raghav is a chartered accountant and his income from profession for the year 2018-19 is ₹ 15,00,000. He provides you with the following information for the year 2018-19.

Particulars	₹
Income of minor son Rahul from company deposit	1,75,000
Income of minor daughter Riya (professional dancer) from her dance performances	20,00,000
Interest from Canara bank received by Riya on fixed deposit made in 2015 out of income earned from her dance performances	20,000
Gift received by Riya from friends of Mr. Raghav on winning National award	45,000
Loss from house property (computed)	2,50,000
Short term capital loss	6,00,000

Long term capital gain under section 112	4,00,000
Short term capital loss under section 111A	10,00,000

Mr. Raghav income before considering clubbing provisions is higher than that of his wife.

Compute the Total Income of Mr. Raghav for Assessment Year 2019-20 and the losses to be carried forward assuming that he files his income tax returns every year before due date.

9. Mr. Arihant, a resident individual aged 40 years, has Gross Total Income of ₹ 7,50,000 comprising of income from Salary and income from house property for the assessment year 2019-20. He provides the following information:

   Paid ₹ 70,000 towards premium for life insurance policy of his handicapped son (section 80U disability). Sum assured ₹ 4,00,000; and date of issue of policy 1-8-2017.

   Deposited ₹ 90,000 in tax saver deposit in the name of his major son in Punjab National Bank of India.

   Paid ₹ 78,000 towards medical insurance for the term of 3 years as a lumpsum payment for himself and his spouse. Also, incurred ₹ 54,000 on medical expenditure of his father, a resident aged 68 years. No medical insurance policy is taken in the name of his father. His father earned ₹ 4,50,000 interest from fixed deposit.

   Contributed ₹ 25,000 to The Clean Ganga Fund, set up by the Central Government.

   Compute the Total Income and deduction under Chapter VI-A for the Assessment year 2019-20.

10. You are required to compute the total income of the Ms. Radhika, a resident individual, aged 37 years and the tax payable for the assessment year 2019-20. She furnishes the following particulars relating to the year ended 31-3-2019:

(i)	Winnings from a TV Game show (Net)	77,000
(ii)	Gift received from Father's brother	85,000
(iii)	Gift received from Archita, her close friend	80,000
(iv)	Interest on capital received from TVA & Co., a partnership firm in which she is a partner (@15% p.a.)	4,50,000
(v)	Rent received for a vacant plot of land (Net)	3,03,300
(vi)	Amount received from Lime Pvt. Ltd., for a house at Delhi for which she had been in negotiation for enhanced rent three years back. This has not been taxed in any earlier year. The house was, however, sold off in March, 2018.	2,85,000

(vii)	Amount received under Keyman Insurance Policy	4,35,000
(viii)	Amount forfeited by her for the vacant plot, since the buyer could not finalize the deal as per agreement.	3,10,000
(ix)	Donation given in cash to a charitable trust registered u/s 12AA	22,000
(x)	She owns agricultural lands at Dhaka, Bangladesh. She has derived agricultural income therefrom	5,20,000
(xi)	Public Provident Fund paid in the name of her minor daughter	1,25,000
(xii)	Interest credited in the said PPF account during the year	50,900
(xiii)	Share of profits received from TVA & Co., a partnership firm	1,50,000

Computation should be made under proper heads of income.

11. Mr. Chandra Prakash, a resident individual aged 54, is planning to pay self-assessment tax and furnish his return of income on 15.12.2019. He furnishes the following details of his income, the amount of tax deducted at source and advance tax paid for the previous year 2018-19 as under:

    (i) Retail Toy business, whose turnover is ₹ 185 lakhs [received ₹ 90 lakhs by Account payee cheque, ₹ 50 lakhs through ECS and balance in cash]. He opts for presumptive taxation scheme under section 44AD.

    (ii) Income from other sources ₹ 3,05,000.

    (iii) Tax deducted at source ₹ 55,000.

    (iv) Advance tax paid ₹ 1,45,000 on 14-3-2019.

    Calculate the interest payable under section 234B of the income-tax Act, 1961.

12. Examine with reference to the relevant provisions of Income-tax Act, 1961 whether the following losses/deductions can be carried forward/claimed by Mr. Sharma. These losses/deductions are in respect of the financial year 2018-19.

    (i) Loss from the business carried on by him as a proprietor: ₹ 9,80,000 (computed)

    (ii) Unabsorbed Depreciation: ₹ 3,25,000 (computed)

    (iii) Loss from House property: ₹ 50,000 (computed)

    The due date for filing the return for Mr. Sharma was 31st July, 2019 under section 139(1). However, he filed the return on 25.9.2019.

SUGGESTED ANSWERS

OBJECTIVE TYPE QUESTIONS

I. (a)

II. (d)

III. (b)

IV. (d)

V. (d)

VI. (c)

VII. (b)

VIII. (a)

IX. (b)

X. (d)

DESCRIPTIVE QUESTIONS

1. Computation of tax liability of Mr. Sunil Patni for the A.Y. 2019-20

Particulars	₹	₹
Income from Salaries (computed)		26,56,000
Income from house property (computed)		16,90,000
Interest income from FDR's		7,34,000
Total Income		**50,80,000**
Tax Liability		
(A) Tax payable including surcharge on total income of ₹ 50,80,000		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 @ 5%	12,500	
₹ 5,00,001 – ₹ 10,00,000 @ 20%	1,00,000	
₹ 10,00,001 – ₹ 50,80,000 @30%	12,24,000	
	13,36,500	
Add: Surcharge @ 10%, since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore.	1,33,650	14,70,150
(B) Tax Payable on total income of ₹ 50 lakhs (₹ 12,500 plus ₹ 1,00,000 plus ₹ 12,00,000, being 30% of ₹ 40,00,000)		13,12,500

(C) Excess tax payable (A)-(B)		1,57,650
(D) Marginal Relief (₹ 1,57,650 – ₹ 80,000, being the amount of income in excess of ₹ 50,00,000)		77,650
Tax payable (A)-(D) [₹ 14,70,150 – ₹ 77,650]		13,92,500
Add: Health & Education cess@4%		55,700
Tax Liability		**14,48,200**

2. Determination of residential status

An individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:

(i) He has been in India during the previous year for a total period of 182 days or more, or

(ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If the individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

Mr. Rajesh Sharma, an Indian citizen, has not satisfied either of the basic conditions for being a resident, since he was in India for only 59 days during the previous year 2018-19. Hence, he is non-resident in India for A.Y.2019-20.

Computation of total income of Mr. Rajesh Sharma for A.Y.2019-20

	Particulars	Amount (₹)
(1)	Short-term capital gain on sale of shares of an Indian listed company is chargeable to tax in the hands of Mr. Rajesh Sharma, since it has accrued and arisen in India even though the sale proceeds were credited to bank account in Singapore.	58,000
(2)	Dividend of ₹ 48,000 received from Singapore based company transferred to his bank account in Singapore is not taxable in the hands of the non-resident since the income has neither accrued or arisen in India nor has it been received in India. Since dividend is not taxable in India, interest paid for investment is not allowable as deduction.	Nil
(3)	Interest on fixed deposit with Punjab National Bank, Delhi credited to his savings bank account is taxable in the hands of Mr. Rajesh Sharma as Income from other sources, since it has	

	accrued and arisen in India and is also received in India. He would not be eligible for deduction under section 80TTB, since he is a non-resident.	9,500
Total Income		**67,500**

3.

	Chargeability	Amount liable to tax (₹)	Reason
(i)	**Partly taxable**	96,000	Any allowance granted to an employee working in a transport system to meet his personal expenditure during his duty is exempt provided he is not in receipt of any daily allowance. The exemption is 70% of such allowance (i.e., ₹ 12,600 per month being, 70% of ₹ 18,000, in the present case) or ₹ 10,000 per month, whichever is less. Hence, ₹ 1,20,000 (i.e., ₹ 10,000 x 12) is exempt. Balance ₹ 96,000 (₹ 2,16,000 – ₹ 1,20,000) is taxable in the hands of Mr. Uttam Prakash.
(ii)	**Not Taxable**	-	As per section 10(34), dividend received upto ₹ 10 lakhs from Indian companies on which dividend distribution tax is paid by the company, is exempt in the hands of shareholder. As per section 10(35), income received from units of mutual fund is exempt. Hence, ₹ 9,63,000, being the dividend from Indian companies and ₹ 4,34,000, being the dividend from units of equity oriented mutual fund is not taxable in the hands of Mrs. Aadhya.

4. **Computation of Income under the head "Salaries" in the hands of Ms. Suhaani for the A.Y. 2019-20**

Particulars	₹
Basic Salary [₹ 48,000 x 12]	5,76,000
Dearness allowance [10% of basic salary]	57,600
Bonus [Taxable in the P.Y. 2018-19, since it is taxable on receipt basis]	52,000

Fixed Medical Allowance [Taxable]	48,000
Reimbursement of Medical expenditure incurred for her father [Fully taxable from A.Y. 2019-20, even though father is included in the meaning of "family" on account of standard deduction being introduced in lieu of reimbursement of medical expenditure].	4,900
Facility of laptop [Facility of laptop is an exempt perquisite, whether used for official or personal purpose or both]	Nil
Reimbursement of salary of domestic servant [₹ 5,000 x 12] [Fully taxable, since perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee]	60,000
Value of equity shares allotted [700 equity shares x ₹ 110 (₹ 280, being the fair market value – ₹ 170, being the amount recovered)]	77,000
Professional tax paid by the employer [Perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee]	1,400
Gross Salary	**8,76,900**
Less: Deduction under section 16	
Professional tax paid	2,200
Standard Deduction (Lower of ₹ 40,000 or amount of salary)	40,000
Taxable Salary	**8,34,700**

5. Computation of income from house property of Mr. Vihaan for A.Y. 2019-20

Particulars	₹	₹
1. Income from let-out property in Singapore [See Note 1 below]		
[1]Gross Annual Value (SGD 4,000 p.m. x 12 months x ₹ 51)		24,48,000
Less: Municipal taxes paid during the year [SGD 2,000 (SGD 1,250 + SGD 750) x ₹ 51][2]		1,02,000
Net Annual Value (NAV)		23,46,000
Less: Deductions under section 24		
(a) 30% of NAV	7,03,800	

[1] *In the absence of information related to municipal value, fair rent and standard rent, the rent receivable has been taken as the GAV*

[2] *Both property tax and sewerage tax qualify for deduction from gross annual value*

(b) Interest on housing loan	-	7,03,800
		16,42,200
2. **Income from self-occupied property in Pune**		
Annual Value [Nil, since the property is self-occupied]		NIL
[No deduction is allowable in respect of municipal taxes paid in respect of self-occupied property]		
Less: Deduction in respect of interest on housing loan **[See Note 2 below]**		2,00,000
		(2,00,000)
Income from house property [₹ 16,42,200 – ₹ 2,00,000]		**14,42,200**

Notes:

(1) Since Mr. Vihaan is a resident but not ordinarily resident in India for A.Y. 2019-20, income which is, *inter alia,* received in India shall be taxable in India, even if such income has accrued or arisen outside India by virtue of the provisions of section 5(1). Accordingly, rent received from house property in Singapore would be taxable in India since such income is received by him in India.

(2) **Interest on housing loan for construction of self-occupied property allowable as deduction under section 24**

Interest for the current year (₹ 25,00,000 x 12%)	₹ 3,00,000
Pre-construction interest	
For the period 01.06.2014 to 31.03.2016 (₹ 25,00,000 x 12% x 22/12) = ₹ 5,50,000	
₹ 5,50,000 allowed in 5 equal installments (₹ 5,50,000/5)	₹ 1,10,000
	₹ 4,10,000
In case of self-occupied property, interest deduction to be restricted to	₹ 2,00,000

6. **Computation of depreciation under section 32 for A.Y. 2019-20**

Particulars	₹	₹
Machinery X, Machinery Y and Machinery Z acquired from Sahaj Ltd. (Since payment is made to Sahaj Ltd by way of use of ECS and the machineries were put to use for more than 180 days during the previous year, depreciation is allowable @15%)		58,00,000
Machinery L acquired from Swayam Ltd. in cash and		NIL

installed on 8.8.2018 [Since payment of ₹ 35 lakhs is made otherwise than by account payee cheque/bank draft or use of ECS, the said amount will not be included in actual cost and hence, depreciation not allowable]		
Second hand Machinery M from Sunshine Ltd on 18.12.2018 assuming it is installed and put to use in P.Y. 2018-19. [Since payment is made to Sunshine Ltd by way of use of ECS]		15,00,000
Actual Cost		**73,00,000**
Depreciation for P.Y.2018-19		
Depreciation@15% on Machineries X, Y and Z on ₹ 58 lakhs	8,70,000	
Depreciation@7.5% (50% of 15%) on ₹ 15 lakhs for Machinery M since it is put to use for less than 180 days	1,12,500	
	9,82,500	
Additional Depreciation@35% on ₹ 58 lakhs, since the machinery is acquired and installed for a manufacturing unit set up in a notified backward area in the state of Andhra Pradesh	20,30,000	
Additional depreciation is not allowable on second hand machinery	-	
Depreciation under section 32 for A.Y. 2019-20	**30,12,500**	

7. **Computation of income chargeable under the head "Capital Gains" for A.Y.2019-20**

Particulars	₹ (in lakhs)	₹ (in lakhs)
Capital Gains on sale of residential building		
Actual sale consideration ₹ 810 lakhs		
Value adopted by Stamp Valuation Authority ₹ 870 lakhs		
Gross Sale consideration		870.00
[Where the actual sale consideration declared by the assessee on the date is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 105% of the actual sale consideration then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C.		

However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is received by way of account payee cheque/bank draft or by way of ECS through bank account on or before the date of agreement. In this case, since advance of ₹ 80 lakh is received by cash, stamp duty value on the date of agreement cannot be adopted as the full value of consideration. Stamp duty value on the date of registration would be considered for determining the full value of consideration, since such value exceeds 105% of ₹ 810 lakhs]		
Less: Brokerage@1% of sale consideration (1% of ₹ 810 lakhs)		8.10
Net Sale consideration		861.90
Less: Indexed cost of acquisition		
- Cost of vacant land, ₹ 80 lakhs, *plus* registration and other expenses i.e., ₹ 8 lakhs, being 10% of cost of land [₹ 88 lakhs × 280/113]	218.05	
- Construction cost of residential building (₹ 100 lakhs x 280/122)	229.51	447.56
Long-term capital gains[3] before exemption		**414.34**
Less: **Exemption under section 54**		130.00
The capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of one residential house property in India one year before or two years after the date of transfer of original asset. Therefore, in the present case, the exemption would be available only in respect of the residential house acquired at Delhi and not in respect of the residential house in UK		
Less: **Exemption under section 54EC**		50.00
Amount deposited in capital gains bonds of NHAI within six months after the date of transfer (i.e., on or before 13.7.2019), of long-term capital asset, being land or building or both, would qualify for exemption, to the		

[3] *Since the residential house property was held by Mrs. Yuvika for more than 24 months immediately preceding the date of its transfer, the resultant gain is a long-term capital gain*

maximum extent of ₹ 50 lakhs, whether such investment is made in the current financial year or subsequent financial year. Therefore, in the present case, exemption can be availed only to the extent of ₹ 50 lakh out of ₹ 97 lakhs, even if the both the investments are made on or before 13.7.2019 (i.e., within six months after the date of transfer).		
Long term capital gains chargeable to tax		**234.34**

Note: Advance of ₹ 20 lakhs received from Mr. Johar, would have been chargeable to tax under the head "Income from other sources", in the A.Y. 2016-17, as per section 56(2)(ix), since the same was forfeited on or after 01.4.2014 as a result of failure of negotiation. Hence, the same should not be deducted while computing indexed cost of acquisition.

8. **Computation of Total Income of Mr. Raghav for A.Y. 2019-20**

Particulars	₹	₹	₹
<u>Profits and gains from business and profession</u>			
Income from chartered accountancy profession		15,00,000	
Less: Loss from house property (can be set-off to the extent of ₹ 2,00,000, as per section 71(3A).		<u>2,00,000</u>	13,00,000
<u>Capital gains</u>			
Long term capital gain under section 112		4,00,000	
Less: Short term capital loss set off against long-term capital gain as per section 74		<u>(4,00,000)</u>	Nil
<u>Income from other sources</u>			
Income of minor son Rahul			
Income from company deposit includible in the hands of Mr. Raghav as per section 64(1A)	1,75,000		
Less: Exemption in respect of income of minor child u/s 10(32)	<u>1,500</u>	1,73,500	
Income of minor daughter Riya			
- Income of ₹ 20,00,000 of minor daughter Riya (professional dancer) **not** includible in the	Nil		

hands of parent, since such income is earned on account of her special skills			
- Interest received on deposit with Canara Bank made out of amount earned on account of her special talent is includible as per section 64(1A), since interest income arises out of deposit made and not on account of her special skills	20,000		
- Gift of ₹ 45,000 received by her from friends of Mr. Raghav is not taxable under section 56(2)(x), since the aggregate amount from non-relatives does not exceed ₹ 50,000	Nil		
Less: Exemption in respect of income of minor child u/s 10(32)	1,500	18,500	1,92,000
Total Income			**14,92,000**

Losses to be carried forward to A.Y.2020-21

Particulars	₹
Loss from house property [₹ 2.50,000 – ₹ 2,00,000]	50,000
Short term capital loss under section 111A	10,00,000
Short term capital loss (other than above) [₹ 6,00,000 – ₹ 4,00,000]	2,00,000

Note – *Short-term capital loss under section 111A can also be set-off against long-term capital gains under section 112. In such a case, the losses to be carried forward to A.Y.2020-21 would be as under –*

Particulars	***₹***
Loss from house property [₹ 2.50,000 – ₹ 2,00,000]	50,000
Short term capital loss under section 111A [₹ 10,00,000 – ₹ 4,00,000]	6,00,000
Short term capital loss (other than above)	6,00,000

9. Computation of Total Income of Mr. Arihant for A.Y. 2019-20

Particulars	₹	₹	₹
Gross Total Income			7,50,000
Less: **Deduction under Chapter VI-A**			
Under section 80C	60,000		
- Life insurance premium of ₹ 70,000 (restricted to ₹ 60,000 i.e., 15% of ₹ 4,00,000, being the sum assured, since the policy has			

been taken on or after 01.04.2013, in respect of his handicapped son suffering from disability u/s 80U)			
- Tax saver deposit of ₹ 90,000 in the name of his major son does not qualify for deduction under section 80C, since such deposit has to be made in the name of the assessee himself to qualify for deduction u/s 80C	Nil	60,000	
Under section 80D			
- Medical insurance premium for self and his wife, pertaining to the previous year 2018-19 is ₹ 26,000, being 1/3rd of ₹ 78,000, the lumpsum premium, since the policy would be in force for three previous years. The said deduction would be restricted to	25,000		
- Deduction in respect of medical expenditure of ₹ 54,000 for his father, being a senior citizen would be allowable, since no insurance policy is taken in his name, to the extent of	50,000	75,000	
Under section 80G			
- Contribution by a resident towards the Clean Ganga Fund, set up by the Central Government would be eligible for 100% deduction without any qualifying limit.		25,000	1,60,000
Total Income			**5,90,000**

10. Computation of total income of Ms. Radhika for A.Y. 2019-20

Particulars	₹	₹
Income from house property		
Arrears of rent [Taxable, even if Ms. Radhika is no longer the owner of house property]	2,85,000	
Less: 30% of arrears of rent	85,500	1,99,500
Profits and gains of business or profession		
Interest on capital @12%, being the maximum allowable interest [₹ 4,50,000/15% x 12%] assuming interest@12% is authorized by the partnership deed and has been allowed as deduction while computing the income of the firm	3,60,000	
Share of profit from TVA & Co., a firm [Exempt]	-	

Amount received under Keyman Insurance Policy	4,35,000	7,95,000
Income from other sources		
Winning from a TV Game show (Gross) [₹ 77,000 x 100/(100-30)]	1,10,000	
Gift received from father's brother would be exempt, since father's brother falls within the definition of relative	-	
Gift received from her close friend would be taxable, since it exceeds ₹ 50,000	80,000	
Rent received for a vacant plot of land [₹ 3,03,300/90 x 100]	3,37,000	
Amount forfeited on cancellation of agreement for transfer of vacant plot	3,10,000	
Agricultural income from agricultural land at Dhaka, Bangladesh	5,20,000	
[not exempt, since such income is derived from land outside India]		
Interest credited in PPF account [Exempt]	-	13,57,000
Gross Total Income		**23,51,500**
***Less:* Deductions under Chapter VI-A**		
Section 80C		
PPF subscription in the name of minor daughter	1,25,000	
Section 80G		
Donation of ₹ 22,000 to a charitable trust registered u/s 12AA is not allowable as deduction since the same is made in cash in excess of ₹ 2,000	-	1,25,000
Total Income		**22,26,500**

Computation of tax liability of Ms. Radhika for A.Y. 2019-20

Particulars	₹	₹
Tax on winnings of ₹ 1,10,000 from TV game show @30%		33,000
Tax on balance income of ₹ 21,16,500		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000@5%	12,500	
₹ 5,00,001 - ₹ 10,00,000@20%	1,00,000	
₹ 10,00,001 - ₹ 21,16,500@30%	3,34,950	4,47,450
		4,80,450

Add: Health and Education cess@4%			19,218
Tax liability			**4,99,668**
Less: TDS			
Under section 194-I	33,700		
Under section 194B	33,000		66,700
Tax payable			**4,32,968**
Tax payable (rounded off)			**4,32,970**

11. Computation of interest payable under section 234B by Mr. Chandra Prakash

Particulars	₹
Tax on total income of ₹ 15,05,000 [Business income of ₹ 12,00,000 **(See Note below**) + Income from other sources of ₹ 3,05,000]	2,64,000
Add: Health and Education cess @4%	10,560
Tax on total income	**2,74,560**
Less: Tax deducted at source	55,000
Assessed Tax	**2,19,560**
90% of assessed tax	1,97,604
Advance tax paid on 14-3-2019	1,45,000
Interest under section 234B is leviable since advance tax of ₹1,45,000 paid is less than ₹1,97,604, being 90% of assessed tax	
Number of months from 1st April, 2019 to 15th December, 2019, being the date of payment of self-assessment tax	9
Interest under section 234B@1% per month or part of a month for 9 months on ₹ 74,500 [i.e., difference between assessed tax of ₹ 2,19,560 and advance tax of ₹1,45,000 paid being ₹ 74,560 which is rounded off to ₹ 74,500[4]]	6,705
Interest under section 234B rounded off	6,710
Note: *The presumptive income computed under section 44AD would be ₹ 12 lakhs, being 8% of ₹ 45 lakhs and 6% of ₹ 140 lakhs.*	

[4] *Rounded off under Rule 119A of Income-tax Rules, 1962*

12. Mr. Sharma has furnished his return of income for A.Y.2019-20 on 25.9.2019, i.e., after 31st July 2019, being the due date specified under section 139(1). Hence, the return is a belated return under section 139(4).

As per section 80 read with section 139(3), specified losses, which have not been determined in pursuance of a return of loss filed within the time specified in section 139(1), cannot be carried forward to the subsequent year for set-off against income of that year. The specified losses include, *inter alia*, business loss but does not include loss from house property and unabsorbed depreciation.

Accordingly, business loss of ₹ 9,80,000 of Mr. Sharma for A.Y. 2019-20, not determined in pursuance of a return of loss, filed within the time specified in section 139(1), cannot be carried forward to A.Y.2020-21.

However, the loss of ₹ 50,000 from house property and unabsorbed depreciation of ₹ 3,25,000 pertaining to A.Y.2019-20, can be carried forward to A.Y.2020-21 for set-off, even though Mr. Sharma has filed the return of loss for A.Y.2019-20 belatedly.

SECTION B: INDIRECT TAXES

QUESTIONS

(1)	**All questions should be answered on the basis of the position of GST law as amended up to 30.04.2019.**
(2)	**The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. Further, GST compensation cess should be ignored in all the questions, wherever applicable.**

1. Miss. Raksha is engaged in providing private coaching services in Noida, Uttar Pradesh and is not registered under GST till 25-Sep-20XX. Her aggregate turnover is ₹19,00,000/- on 30-Sep-20XX. She got GST registration on 30-Sep-20XX. Which of the following options are available to her?

   (a) She can pay tax @ 18%, charge it from customer and avail full input tax credit on procurements made.

   (b) She can pay tax @ 6% under exemption scheme for service providers but she cannot charge GST from customer and also cannot avail input tax credit.

   (c) She is not liable for registration since her aggregate turnover is less than ₹40,00,000/-

   (d) Either (a) or (b)

2. Mr. Arun, a registered supplier, is engaged in selling sweets. The sweets are sold in boxes and the cost of each sweet box is ₹ 500/-. In order to increase his turnover, he purchased certain juice cans @ ₹ 20/- each and added juice can with every sweet box as a gift. A sweet box along with free juice can is sold at ₹500/- each.

   Which of the statements is correct?

   (a) He is liable to pay tax on ₹520/- and eligible to claim input tax credit on purchase of juice cans

   (b) He is liable to pay tax on ₹500/- and not eligible to claim input tax credit on purchase of juice cans

   (c) He is liable to pay tax on ₹500/- and also eligible to claim input tax credit on purchase of juice cans

   (d) Either (a) or (b)

3. Which is not considered as supply under GST Law?

   (a) Stock transferred from one establishment in Delhi to another establishment in Gurgaon, Haryana registered under same PAN.

(b) CA Ram supplies accounting services to CA Radha in lieu of taxation services received from CA Radha.

(c) A Health club supplies lunch to its members at its annual meeting against a nominal charge.

(d) Mr. A sells a flat to Mr. B

(i)	Date of completion certificate	-	31/01/20XX
(ii)	Date of agreement with buyer	-	01/02/20XX
(iii)	Consideration received	-	05/02/20XX

4. With reference to the provisions relating to transaction value under section 15 of the CGST Act, 2017, which of the following is not correct?

(a) Central excise duty will not be included in transaction value for supply of tobacco.

(b) Municipal taxes paid by tenant will be included in transaction value for supply of renting service.

(c) Entertainment tax included in movie ticket will form part of transaction value.

(d) Customer makes payment of freight which is payable by the supplier, directly to the service provider. However, supplier does not include this amount in the invoice. Such amount will be included in transaction value of the supplier.

5. Which of the following services are notified under section 9(3) of CGST Act, 2017 or section 5(3) of IGST Act, 2017 the tax on which shall be paid on reverse charge basis by the recipient of such supply:

(i) Supply of security services provided by a person other than a body corporate to a composition taxpayer

(ii) Services supplied by an insurance agent to insurance company located in taxable territory

(iii) Supply of services by way of renting of hotel accommodation through e-commerce operator.

(iv) Supply of notified categories of goods or services or both by a supplier, who is not registered, to specified class of registered persons.

Choose from the following options:

(a) (i) & (ii)

(b) Only (ii)

(c) (i), (ii), (iii)

(d) (i) & (iv)

6. M/s. Comfortable (P) Ltd. is registered under GST in the State of Odisha. It is engaged in the business of manufacturing of iron and steel products. It has received IT engineering services from M/s. High-Fi Infotech (P) Ltd. for ₹ 11,00,000/- (excluding GST @ 18%) on 28-Oct-20XX. Invoice for service rendered was issued on 5-Nov-XX. M/s Comfortable (P) Ltd. made part-payment of ₹ 4,20,000/- on 30-Nov-XX. Being unhappy with service provided by M/s High-fi Infotech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by M/s High-Fi Infotech (P) Ltd. by 15-Feb-XY. M/s. Comfortable (P) Ltd. made payment of ₹ 3,00,000/- on 15-Feb-XY and balance payment was made on 6-June-20XY, i.e. after 180 days of issue of invoice.

   Input tax credit available in respect of IT engineering services received from M/s. High-Fi Infotech (P) Ltd. in financial year 20XX-XY:

   (a) ₹ 1,98,000/-

   (b) Nil

   (c) ₹ 64,068/-

   (d) ₹ 1,09,831/-

7. Mr. Dev Anand is engaged in providing services of facilitating sale and purchase of securities to various clients. He is also engaged in trading of securities. His turnover details are as follows:

Trading of securities	₹ 40,00,000/-
Brokerage on account of facilitating transactions in securities	₹ 30,00,000/-

   You are required to ascertain aggregate turnover of Mr. Dev Anand under GST:

   (a) ₹ 30,00,000/-

   (b) ₹ 40,00,000/-

   (c) ₹ 70,00,000/-

   (d) ₹ NIL.

8. Mr. Pappu Singh, commenced his business in Feb-20XX. He has established following units:

   1. Unit A (in SEZ) and Unit B (non-SEZ) in the State of Maharashtra

   2. Unit C in Delhi

   3. Unit D and E in the State of Goa

   Mr. Pappu Singh has approached you to help him in determining the States and number of registrations he is required to take under GST (presuming the fact that he is making taxable supply from each State and his aggregate turnover exceeds the threshold limit):

   (a) Maharashtra-2: Delhi-1, Goa–Optional 1 or 2

(b) Maharashtra-Optional 1 or 2: Delhi-1, Goa-Optional 1 or 2

(c) Maharashtra-1: Delhi-1, Goa-1

(d) Maharashtra-2: Delhi-1, Goa-2

9. A non-resident taxable person is required to apply for registration:

(a) within 30 days from the date on which he becomes liable to registration

(b) within 60 days from the date on which he becomes liable to registration

(c) at least 5 days prior to the commencement of business

(d) None of the above

10 Which of the following activity shall be treated neither as a supply of goods nor a supply of services?

(i) Permanent transfer of business assets where input tax credit has been availed on such assets

(ii) temporary transfer of intellectual property right

(iii) transportation of deceased

(iv) services by an employee to the employer in the course of employment

(a) (i) & (iii)

(b) (ii) & (iv)

(c) (i) & (ii)

(d) (iii) & (iv)

11. Examine whether the supplier is liable to get registered in the following independent cases:-

(i) Raghav of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 28 lakh. He has another showroom in Tripura with a turnover of ₹ 11 lakh in the current FY.

(ii) Pulkit of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh.

(iii) Harshit of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is ₹ 24 lakh.

(iv) Ankit of Assam is exclusively engaged in intra-State supply of taxable services. His aggregate turnover in the current financial year is ₹ 25 lakh.

(v) Sanchit of Assam is engaged in intra-State supply of both taxable goods and services. His aggregate turnover in the current financial year is ₹ 30 lakh.

12. Mr. Ajay has a registered repair centre where electronic goods are repaired/serviced. His repair centre is located in State of Rajasthan and he is not engaged in making any inter-State supply of services. His aggregate turnover in the preceding financial year (FY) is ₹ 45 lakh.

    With reference to the provisions of the CGST Act, 2017, examine whether Mr. Ajay can opt for the composition scheme in the current financial year (FY)? Is he eligible to avail benefit of concessional payment of tax under *Notification No. 2/2019 CT (R) dated 07.03.2019*? Considering the option of payment of tax available to Mr. Ajay, compute the amount of tax payable by him assuming that his aggregate turnover in the current financial year is ₹ 35 lakh.

    Will your answer be different if Mr. Ajay procures few items required for providing repair services from neighbouring State of Madhya Pradesh?

13. Advise regarding availability of input tax credit (ITC) under the CGST Act, 2017 in the following independent cases:-

    (i) AMT Co. Ltd. purchased a mini bus having seating capacity of 16 persons for transportation of its employees from their residence to office and back.

    (ii) Bangur Ceramics Ltd., a manufacturing company purchased two trucks for transportation of its finished goods from the factory to dealers located in various locations within the country.

    (iii) "Hans premium" dealing in luxury cars in Chankyapuri, Delhi purchased five Skoda VRS cars for sale to customers.

    (iv) Sun & Moon Packers Pvt. Ltd. availed outdoor catering service to run a canteen in its factory. The Factories Act, 1948 requires the company to set up a canteen in its factory.

14. M/s. Flow Pro sold a machine to BP Ltd. It provides the following particulars in this regard:-

S. No.	Particulars	₹
(i)	Price of the machine (excluding taxes and incidental charges)	30,000
(ii)	Machine was subject to third party inspection. The inspection charges have been directly paid by BP Ltd. to the inspection agency.	5,000
(ii)	Freight charges for delivery of the machine (M/s Flow Pro has agreed to deliver the goods at BP Ltd's premises)	2,000
(iv)	Subsidy received from State Government on sale of machine under skill Development Programme. [The subsidy is directly linked to the price].	5,000

(v)	Discount of 2% is offered to BP Ltd. on the price and recorded in the invoice	

Note: Items given in S. No. (ii) to (v) have not been considered in the price at S. No. (i).

Determine the value of taxable supply made by M/s Flow Pro to BP Ltd.

15. State with reasons, whether GST is payable in the following independent cases:-
    (i) Services provided to recognized sports body as curator of national team.
    (ii) Services provided by way of transportation of passenger in Metered Cab.
    (iii) Services by way of public conveniences such as provision of facilities of washrooms.
    (iv) Services provided by a player to a franchisee which is not a recognized sports body.

16. Mahak Sons is a registered supplier of electronic items and pays GST under regular scheme. On 15th July 20XX, Mahak Sons received an order from Sunder Trader for supply of a consignment of electronic items. Mahak Sons gets the consignment ready by 20th July 20XX. The invoice for the consignment was issued the next day, 21st July 20XX. Sunder Trader could not collect the consignment immediately. Sunder Trader collects the consignment from the premises of Mahak Sons on 30th July 20XX and hands over the cheque towards payment on the same date. The said payment is entered in the books of accounts of Mahak Sons on 31st July, 20XX and amount is credited in their bank account on 1st August 20XX.

    You are required to determine the time of supply of the electronic items for the purpose of payment of tax.

17. ABC Ltd., a registered supplier has made following taxable supplies to its customer Mr. P in the quarter ending 30th June, 20XX.

Date	Bill No.	Particulars	Invoice value (including GST) [₹]
5th April, 20XX	102	Notebooks [10 in numbers]	1,200
10th May, 20XX	197	Chart Paper [4 in number]	600
20th May, 20XX	230	Crayon colors [2 packets]	500
2nd June, 20XX	254	Poster colors [5 packets]	900
22nd June, 20XX	304	Pencil box [4 sets]	700

Goods in respect of bill no. 102, 230 and 254 have been returned by Mr. P. You are required to advise ABC Ltd. whether it can issue consolidated credit note against all the three invoices?

18. Mr. X, a supplier of goods, pays GST under regular scheme. The amount of input tax credit (ITC) available and output tax liability under different tax heads is as under:-

Head	Output tax liability	ITC
IGST	2,000	4,000
CGST	800	2,000
SGST/ UTGST	2,500	500

Compute the minimum GST payable in cash by Mr. X. Make suitable assumptions as required.

SUGGESTED ANSWERS/HINTS

1. **(d)**

2. **(c)**

3. **(d)**

4. **(a)**

5. **(b)**

6. **(a)**

7. **(a)**

8. **(a)**

9. **(c)**

10. **(d)**

11. As per section 22 of the CGST Act, 2017 read with *Notification No. 10/2019 CT dated 07.03.2019,* a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

(a) ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.

(b) ₹ 20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(c) ₹ 40 lakh for rest of India. However, the higher threshold limit of ₹ 40 lakh is not available to persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:-

(a) ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.

(b) ₹ 20 lakh for the rest of India.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:-

(i) Raghav is eligible for higher threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Raghav is engaged in supplying readymade garments from a Special Category State i.e. Tripura, the threshold limit gets reduced to ₹ 10 lakh. Thus, Raghav is liable to get registered under GST as his turnover exceeds ₹10 lakh. Further, he is required to obtain registration in both Assam and Tripura as he is making taxable supplies from both the States.

(ii) The applicable threshold limit for registration for Pulkit in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods. Thus, he is not liable to get registered under GST as his turnover is less than the threshold limit.

(iii) Harshit being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of ₹40 lakh. The applicable threshold limit for registration in this case is ₹20 lakh. Thus, Harshit is liable to get registered under GST.

(iv) Though Ankit is dealing in Assam, he is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusive supply of goods while he is exclusively engaged in providing services. Thus, the applicable threshold limit for registration in this case is ₹ 20 lakh and hence, Ankit is liable to get registered under GST.

(v) Since Sanchit is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in his case is ₹ 20 lakh. Thus, Sanchit is liable to get registered under GST as his turnover is more than the threshold limit.

12. Section 10 of the CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore (₹ 75 lakh in Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir), may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates. However, if, *inter alia*, such registered person is engaged in the supply of services other than restaurant services, he shall not be eligible to opt for composition levy.

In the given case, since Mr. Ajay is a supplier of repair services, he is not eligible for composition scheme even though his aggregate turnover in the preceding FY does not exceed ₹ 1.5 crore. Therefore, he has to discharge his tax liability under regular provisions at the applicable rates.

However, with effect from 01.04.2019, *Notification No. 2/2019 CT (R) dated 07.03.2019* has provided an option to a registered person whose aggregate turnover in the preceding financial year is upto ₹ 50 lakh and who is not eligible to pay tax under composition scheme, to pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] on first supplies of goods and/or services upto an aggregate turnover of ₹ 50 lakh made on/after 1st April in any FY, subject to specified conditions.

Thus, in view of the above-mentioned provisions, Mr. Ajay is eligible to avail the benefit of concessional payment of tax under *Notification No. 2/2019 CT (R) dated 07.03.2019* as his aggregate turnover in the preceding FY does not exceed ₹ 50 lakh and he is not eligible to opt for the composition scheme.

Thus, the amount of tax payable by him under *Notification No. 2/2019 CT (R) dated 07.03.2019* is ₹ 2,10,000 [6% of ₹ 35 lakh].

A registered person cannot opt for *Notification No. 2/2019 CT (R) dated 07.03.2019,* if *inter alia*, he is engaged in making any inter-State outward supplies. However, there is no restriction on inter-State procurement of goods. Hence, answer will remain the same even if Mr. Ajay procures few items from neighbouring State of Madhya Pradesh.

13. (i) Section 17(5) of the CGST Act, 2017, *inter alia,* blocks input tax credit in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for certain specified purposes.

Since in the given case, the mini bus has a seating capacity of 16 persons, the ITC thereon will not be blocked.

(ii) Section 17(5) of the CGST Act, 2017, *inter alia,* blocks input tax credit in respect of motor vehicles **for transportation of persons** with certain exceptions. Thus, ITC on motor vehicles for transportation of goods is allowed unconditionally.

Therefore, ITC on trucks purchased by Bangur Ceramics Ltd for transportation of its finished goods from the factory to dealers located in various locations within the country is allowed.

(iii) Section 17(5) of the CGST Act, 2017, *inter alia,* blocks input tax credit in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for making further supply of such motor vehicles.

Being a dealer of cars, “Hans Premium” has purchased the cars for further supply. Therefore, ITC on such cars is allowed even though seating capacity is less than 13.

(iv) Section 17(5) of the CGST Act, 2017 *inter alia,* blocks input tax credit in respect of outdoor catering services. However, ITC is available on such services, when the same are provided by an employer to its employees under a statutory obligation.

Thus, in view of the above- mentioned provisions, Sun & Moon packers Pvt. Ltd. can avail ITC in respect of outdoor catering services availed by it as the same is being provided under a statutory obligation.

14. Computation of value of taxable supply

Particulars	₹
Price of the machine (Price ₹ 30,000 - ₹ 5,000 subsidy) [Note-1]	25,000
Third party inspection charges [Note-2]	5,000
Freight charges for delivery of the machine value [Note-3]	2,000
Total	32,000
Less: Discount @ 2% on ₹ 30,000 being price charged to BP Ltd. [Note-4]	600
Value of taxable supply	31,400

Notes:-

1. Since subsidy is received from State Government, the same is deductible to arrive at taxable value under section 15 of the CGST Act, 2017.
2. Any amount that the supplier is liable to pay in relation to such supply but has been incurred by the recipient, is includible in the value of supply under section 15 of the CGST Act, 2017.
3. Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are added in the value of principal supply.
4. Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply under section 15 of the CGST Act, 2017.

15. **(i)** Services provided to a recognized sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST vide *Notification No. 12/2017 CT(R) dated 28.06.2017*. Thus, GST is payable in case of services provided to a recognized sports body as curator of national team.

(ii) Service of transportation of passengers, with or without accompanied belongings, *inter alia,* by metered cabs are specifically exempt from GST vide *Notification No. 12/2017 CT(R) dated 28.06.2017.* Thus, GST is not payable in this case.

(iii) Services by way of public conveniences such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets are not liable to GST as it is specifically exempt as per *Notification No. 12/2017 CT(R) dated 28.06.2017.* Thus, GST is not payable in this case.

(iv) Services provided by a player to a franchisee which is not a recognized sports body is taxable as it is not exempt under *Notification No. 12/2017 CT(R) dated 28.06.2017.* Thus, GST is payable in this case.

16. As per section 12(2) of the CGST Act, 2017, the time of supply in respect of goods shall be the earlier of the following two dates:-

(a) Date of issue of invoice/last date on which the invoice is required to be issued as per section 31 of the CGST Act, 2017

(b) Date of receipt of payment

Further, as per *Notification No. 66/2017 CT dated 15.11.2017,* a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

As per section 31(1), the invoice needs to be issued either before or at the time of removal (where supply involves movements of goods) of goods/delivery of goods/ making goods available to the recipient.

In this case, the invoice is issued before the removal of the goods and is thus, within the time limit prescribed under section 31(1). Therefore, time of supply for the purpose of payment of tax is the date of issue of invoice, which is 21^{st} July, 20XX.

17. Where **one or more** tax invoices have been issued for supply of any goods and/or services and

(a) the taxable value/tax charged in that tax invoice is found to exceed the taxable value/tax payable in respect of such supply, or

(b) where the goods supplied are returned by the recipient, or

(c) where goods and/or services supplied are found to be deficient,

the registered person, who has supplied such goods and/or services, may issue to the recipient **one or more** credit notes for supplies made in a financial year containing prescribed particulars.

Thus, one (consolidated) or more credit notes can be issued in respect of multiple invoices issued in a financial year without linking the same to individual invoices.

Hence, in view of the above-mentioned provisions, M/s ABC Ltd. can issue a consolidated credit note for the goods returned in respect of all the three invoices.

18. Mr. X can use the ITC to pay his output tax liability. The order of utilisation of ITC is as under:-

(i) IGST credit should first be utilized towards payment of IGST.

(ii) Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion.

(iii) Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.

(iv) ITC of CGST should be utilized for payment of CGST and IGST in that order.

(v) ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order. However, ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully.

CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST.

Computation of minimum GST payable in cash

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
GST payable	800	2,500	2,000
Less: ITC	-	(2,000)-IGST	(2,000)-IGST
	(800)-CGST	(500) – SGST	_____
Net GST payable in cash	Nil	Nil	Nil

Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, it is beneficial to use ITC of IGST to pay SGST (after paying IGST liability) to minimize cash outflow.

Note: GST law has been subject to frequent changes since its inception. Although many clarifications are continually being issued by way of FAQs or otherwise, many issues continue to arise on account of varying interpretations on several of its provisions. Therefore, alternate answers may be possible for the above questions depending upon the view taken.

Applicability of Standards/Guidance Notes/Legislative Amendments etc. for November 2019 Examination

Intermediate Level (New Course)

Paper 1: Accounting

List of Applicable Accounting Standards

AS 1: Disclosure of Accounting Policies

AS 2: Valuation of Inventories

AS 3: Cash Flow Statements

AS 4: Contingencies and Events occurring after the Balance Sheet Date

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

AS 10: Property, Plant and Equipment

AS 11: The Effects of Changes in Foreign Exchange Rates

AS 12: Accounting for Government Grants

AS 13: Accounting for Investments

AS 16: Borrowing Costs

AS 17: Segment Reporting

AS 22: Accounting for Taxes on Income

Applicability of the Companies Act, 2013 and other Legislative Amendments for November, 2019 Examination

The relevant notified Sections of the Companies Act, 2013 and legislative amendments including relevant Notifications / Circulars / Rules / Guidelines issued by Regulating Authorities up to 30th April, 2019 will be applicable for November, 2019 Examination.

Non-Applicability of Ind AS

The Ministry of Corporate Affairs has notified Companies (Indian Accounting Standards) Rules, 2015 on 16th February, 2015, for compliance by certain class of companies. These Ind AS do not form part of the syllabus and hence are not applicable.

Paper 2: Corporate and Other Laws

The provisions of Companies Act, 2013 along with significant Rules/ Notifications/ Circulars/ Clarification/ Orders issued by the Ministry of Corporate Affairs and the other laws, as amended by concerned authority, including significant notifications and circulars issued up to 30th April, 2019 are applicable for November, 2019 examination.

Inclusions /Exclusions from the syllabus

(1)	(2)	(3)
Chapters/ Topics of the syllabus	**Inclusions** **(Provisions which are included from the corresponding chapter/topic of the syllabus)**	**Exclusions** **(Provisions which are excluded from the corresponding chapter/ topic of the syllabus)**
Part I: Company Law		
Companies Act, 2013 (Sections 1 to 148)	The entire content included in the Revised July 2017 edition of the Study Material and the Legislative amendments given in the RTP for November, 2019, shall only be relevant for the said examinations.	**(i)** Sections 24, 30, 33, 38 & 41 [from chapter 3- Prospectus and Allotment of Securities] **(ii)** Sections 44, 45, 60, 65 & 72 [from chapter 4- Share capital and Debentures] **(iii)** Section 75 [from chapter 5- Acceptance of deposits by companies] **(iv)** Section 81 & 85 [from chapter 6- Registration of Charges] Also, except the Relevant rules as covered in the Revised July 2017 edition of the Study Material and the RTP for November 2019, all other Rules of the Companies Act, 2013 are excluded.
Part II: Other Laws		
1. The Indian Contract Act, 1872 (Specific contracts from section 123 onwards)	Content of this chapter of the Study Material covers the significant provisions of the said Act in a broad manner (not in entirety). The entire content included in the Revised July 2017 edition of the Study Material and the RTP for November, 2019, shall only be relevant for the said examinations.	Questions that involve the reference or questions entirely based on Sections 1 to 122 of the Indian Contract Act, 1872, may be avoided.

2. The Negotiable Instruments Act, 1881	Content of this chapter of the Study Material covers the significant provisions of the said Act in a broad manner (not in entirety). The entire content included in the Revised July 2017 edition of the Study Material and the Legislative amendments given in the RTP for November, 2019, shall only be relevant for the said examinations.	-
3. The General Clauses Act, 1897	Content of this chapter of the Study Material covers the significant provisions of the said Act in a broad manner (not in entirety). The entire content included in the Revised July 2017 edition of the Study Material and the RTP for November, 2019, shall only be relevant for the said examinations.	-
4. Interpretation of Statutes	Content of this chapter of the Study Material covers the significant rules and principles of interpretation in a broad manner. Thus, the content of the chapter as included in the study material may be taken into consideration.	-

Note: July 2017 edition of the Study Material is relevant for November, 2019 examinations. The amendments - made after the issuance of this Study Material - to the extent covered in the RTP for November, 2019 examinations shall also be relevant for the said examinations.

Paper 4: Taxation

Intermediate Course Paper 4: Taxation Section A: Income-tax Law

Applicability of the Finance Act, Assessment Year etc. for November, 2019 Examination

The provisions of income-tax law, as amended by the **Finance Act, 2018** including significant circulars and notifications issued upto **30th April, 2019**, are applicable for November, 2019 examination. The relevant assessment year for income-tax is **A.Y. 2019-20**.

List of topic-wise exclusions from the syllabus

<table>
<tr><th colspan="2">Topics of the Syllabus</th><th>Exclusions[1]
(Provisions which are excluded from the corresponding topic of the Syllabus)</th></tr>
<tr><td>1.</td><td>Basic Concepts</td><td>-</td></tr>
<tr><td>2.</td><td>Residential status and scope of total income</td><td>Section 9A - Certain activities not to constitute business connection in India</td></tr>
<tr><td>3.</td><td>Incomes which do not form part of total income (other than charitable trusts and institutions, political parties and electoral trusts)</td><td>
<table>
<tr><th>Clause of section 10</th><th>Particulars</th></tr>
<tr><td>6A</td><td>Tax on royalty or fees for technical services derived by foreign companies</td></tr>
<tr><td>6B</td><td>Tax paid on behalf of non-resident deriving income from Government or an Indian concern in pursuance of an agreement entered into with the Government of a foreign State or an international organization</td></tr>
<tr><td>6BB</td><td>Tax paid on behalf of foreign state or foreign enterprise on amount paid as consideration of acquiring aircraft, etc. on lease</td></tr>
<tr><td>6C</td><td>Income from projects connected with the security of India arising to a notified foreign company</td></tr>
<tr><td>8 & 9</td><td>Remuneration and certain income of individuals who are assigned duties in India in connection with any co-operative technical assistance programmes and income of any member of the family of such individual accompanying them to India.</td></tr>
<tr><td>8A & 8B</td><td>Any remuneration or fee received by a consultant, directly or indirectly, out of the funds made available to an international organisation (agency) under a technical assistance grant agreement with the agency and Government of a foreign State
Any remuneration received by an individual who is assigned to duties in India in connection with</td></tr>
</table>
</td></tr>
</table>

[1] *The excluded provisions do not form part of the July 2018 edition of the Study Material.*

				any technical assistance program from such consultant
			15A	Any payment made by an Indian company engaged in the business of operation of aircraft to acquire an aircraft on lease from the government of a foreign State or a foreign enterprise
			19A	Annual value of palaces of former rulers
			20 to 25A	• Income of local authorities [Section 10(20)] • Income of research associations approved under section 35(1)(ii)/(iii) [Section 10(21)] • Income of news agency [Section 10(22B)] • Income of professional associations [Section 10(23A)] • Income received on behalf of any Regimental Fund or Non-Public Fund established by armed forces [Section 10(23AA)] • Income of Funds established for welfare of employees of which such employees are members [Section 10(23AAA)] • Income of Fund set up by Life Insurance Corporation or any other insurer under pension scheme [Section 10(23AAB)] • Income of institution established for development of Khadi and Village Industries [Section 10(23B)] • Income of authorities set up under State or Provincial Act for promotion of Khadi and Village Industries [Section 10(23BB)] • Income of any body or authority set up to administer religious or charitable trusts [Section 10(23BBA) • Income of European Economic Community (EEC) [Section 10(23BBB)] • Income derived by the SAARC Fund for Regional Projects [Section 10(23BBC)] • Income of the IRDA [Section 10(23BBE)] • Income of Central Electricity Regulatory Commission [Section 10(23BBG)]

				• Income of Prasar Bharati (Broadcasting Corporation of India) [Section 10(23BBH)] • Income of certain funds or institutions [Section 10(23C)] • Income of Mutual Fund [Section 10(23D)] • Income of a securitization trust from the activity of securitization [Section 10(23DA)] • Income of Investor Protection Funds [Section 10(23EA)] • Specified income of Investor Protection Fund set up by commodity exchanges [Section 10(23EC)] • Income of Investor Protection Fund set up by depositories [Section 10(23ED)] • Specified income of Core Settlement Guarantee Fund (SGF) set up by a recognized Clearing Corporation [Section 10(23EE)] • Income of Investment Fund [Section 10(23FBA)] • Income of unit holder of an Investment Fund [Section 10(23FBB)] • Certain incomes of Business trust [Section 10(23FC)/(23FCA)] • Distributed income of unit holder of a business trust [Section 10(23FD)] • Income of trade unions [Section 10(24)] • Income of provident funds, superannuation funds, gratuity funds etc. [Section 10(25)] • Income of Employees State Insurance (ESI) Fund [Section 10(25A)]
			26AAB to 29A	• Income of an Agricultural Produce Market Committee or Board [Section 10(26AAB)] • Income of a corporation etc. for the promotion of interests of members of Scheduled Castes or Scheduled Tribes or both [Section 10(26B)] • Income of corporations established to protect interests of minority community [Section 10(26BB)]

				• Income of corporation established by a Central, State or Provincial Act for welfare of ex-servicemen [Section 10(26BBB)] • Income of a co-operative society formed for promoting the interests of Scheduled Castes or Schedules Tribes or both [Section 10(27)] • Incomes of certain bodies like Coffee Board, Rubber Board etc. [Section 10(29A)]	
			36	Long term capital gains on transfer of listed equity shares purchased on or after 1.3.2003 but before 1.3.2004, and held for a period of 12 months or more	
			37A	Any income chargeable under the head capital gains in respect of transfer of specified capital asset to an asseesee, being an individual or HUF under Land Pooling Scheme	
			39 to 42	• Specified income arising from any international sporting event in India [Section 10(39)] • Certain grants etc. received by a subsidiary from its Indian holding company engaged in the business of generation or transmission or distribution of power [Section 10(40)] • Specified income of certain notified bodies or authorities which have been established under a treaty or an agreement [Section 10(42)]	
			44	Income received by any person on behalf of NPS Trust [Section 10(44)]	
			46 to 50	• Specified income of notified entities not engaged in commercial activity [Section 10(46)] • Income of notified infrastructure debt funds [Section 10(47)] • Income received by certain foreign companies in India in Indian currency from sale of crude oil to any person in India [Section 10(48)]	

		• Income arising to a foreign company on account of storage of crude oil [Section 10(48A)] • Income arising to a foreign company on account of sale of leftover stock of crude oil [Section 10(48B)] • Income of the National Financial Holdings company Limited [Section 10(49)] • Income arising from any specified service chargeable to equalization levy [Section 10(50)].
4.	Heads of income and the provisions governing computation of income under different heads	
	Salaries	-
	Income from house property	-
	Profits and gains of business or profession	1. Income computation and disclosure standards (ICDSs) notified under section 145 and the related provisions in the Income-tax Act, 1961; 2. The provisions contained in the following sections given hereunder:

Section	Particulars
33AB	Tea Development Account/ Coffee Development Account/ Rubber Development Account
33ABA	Site Restoration Fund
35ABA	Expenditure for obtaining right to use spectrum for telecommunication services
35ABB	Expenditure for obtaining licence to operate telecommunication services
35DD	Amortisation of expenditure in case of amalgamation or demerger
35E	Deduction of expenditure on prospecting and development of certain minerals

			36(1)(viia)/ (viii)/(xii)/ (xiv)/ (xvii)	• Special provision for bad and doubtful debts made by Banks, Public Financial Institution, State Financial Corporation, State Industrial Investment Corporation [Section 36(1)(viia)] • Deduction for Special Reserve created and maintained by Specified Entities engaged in eligible business [Section 36(1)(viii)] • Deduction for expenditure incurred by entities established under any Central, State or Provincial Act [Section 36(1)(xii)] • Deduction of contribution by a public financial institution to Credit guarantee fund trust for small industries [Section 36(1)(xiv)] • Deduction of expenditure incurred by a co-operative society for purchase of sugarcane at price fixed by the Government [Section 36(1)(xvii)]	
			40(a)(ib)	Consideration paid or payable to a non-resident for specified service on which equalization levy is deductible under Chapter VIII of the Finance Act, 2016 and such levy has not deducted or after deduction has not been paid on or before the due date of filing return of Income.	
			42	Special provisions for deduction in case of business for prospecting etc. for mineral oil	
			43C	Special Provision for Computation of Cost of Acquisition of Certain Assets	
			43D	Special Provision in case of income of Public Financial Institutions, public companies etc.	
			44	Insurance Business	
			44A	Special provision for deduction in the case of trade, professional or similar association	

		44B to 44DB	• Special provision for computing the profits and gains of shipping business in case of non-residents [Section 44B] • Special provision for computing profits and gains in connection with the business of exploration etc., of mineral oils [Section 44BB] • Special provision for computing profits and gains of the business of operation of aircraft in the case of non-residents [Section 44BBA] • Special provision for computing profits and gains of foreign companies engaged in the business of civil construction etc. in certain turnkey power projects [Section 44BBB] • Deduction of head office expenditure in the case of non-residents [Section 44C] • Special provisions for computing income by way of royalties etc. in case of non-residents [Section 44DA] • Special provision for computing deductions in the case of business reorganisation of co-operative banks [Section 44DB]	
	Capital gains			

Section	**Particulars**
2(42A)	Sub-clauses consequent to excluded clauses of section 47 and sub-clause (he) of clause (i) of *Explanation 1* relating to period of holding of share(s) of a company acquired by non-resident on redemption of GDRs referred to in section 115AC(1)(b)
47(via)/(viaa)/(viab)/ (vic)/ (vica)/ (vicb)/ (vicc)/(viia)/ (viiab)/(xb)/ (xii)/(xiii)/ (xiiia)/(xiiib)	• Any transfer of a capital asset being a share or shares held in an Indian company, in a scheme of amalgamation, by amalgamating foreign company to the amalgamated foreign company [Section 47(via)] • Any transfer of a capital asset, in a scheme of amalgamation of a banking

			/ (xiv)/(xv)/ (xvii)	company with a banking institution [Section 47(viaa)] • Any transfer, in a scheme of amalgamation, of a capital asset, being a share of a foreign company [Section 47(viab)] • Any transfer in a demerger, of a capital asset, being a share or shares held in an Indian company, by the demerger foreign company to the resulting foreign company [Section 47(vic)] • Any transfer in a business reorganisation, of a capital asset by the predecessor co-operative bank to the successor co-operative bank [Section 47(vica)] • Any transfer by a shareholder, in a business reorganisation, of a capital asset being a share or shares held by him in the predecessor co-operative bank if the transfer is made in consideration of the allotment to him of any share or shares in the successor co-operative bank [Section 47(vicb)] • Any transfer in case of a demerger of a capital asset, being a share of a foreign company [Section 47(vicc)] • Any transfer of bonds of an Indian company or Global Depository Receipts purchased in foreign currency referred to in section 115AC(1) [Section 47(viia)] • Any transfer of a capital asset, being GDR, rupee denominated bonds or derivative by a non-resident in foreign currency on a recognized stock exchange located in any IFSC [Section 47(viiab)] • Any transfer of by way of conversion of Foreign Currency Exchangeable Bonds into shares or debentures of a company [Section 47(xb)] • Any transfer of land under a scheme prepared and sanctioned under section

				18 of the Sick Industrial Companies (Special Provisions) Act, 1985, by a sick industrial company which is managed by its workers' co-operative [Section 47(xii)] • Any transfer of a capital asset or intangible asset by a firm to a company, where a firm is succeeded by a company, or any transfer of a capital asset where an AOP or BOI is succeeded by a company consequent to demutualisation or corporatisation of a recognised stock exchange in India [Section 47(xiii)] • Any transfer of a membership right by a member of recognised stock exchange in India for acquisition of shares and trading or clearing rights in accordance with a scheme for demutualization or corporatisation approved by SEBI [Section 47(xiiia)] • Any transfer of a capital asset or intangible asset by a private company or unlisted public company to a LLP [Section 47(xiiib)] • Any transfer of a capital asset or intangible asset where a sole proprietary concern is succeeded by a company [Section 47(xiv)] • Any transfer in a scheme for lending of any securities under an agreement or arrangement which is subject to SEBI guidelines [Section 47(xv)]. • Any transfer of a capital asset being share of a SPV to a business trust in exchange of units allotted by the trust to the transferor [Section 47(xvii)]
			47A	Withdrawal of exemption in certain cases
			49	• Sub-sections consequent to excluded clauses of section 47 • Cost of acquisition of share(s) of a company acquired by a non-resident on redemption of GDRs referred under section 115AC(1)(b) [Section 49(2ABB)]

				• Cost of acquisition of shares in case of business reorganization of a co-operative bank [Section 49(2E)] • Cost of acquisition of capital asset transferred by holding to its 100% subsidiary Indian company or *vice versa* in case of attraction of section 47A [Section 49(3)] • Cost of acquisition of an asset declared under the Income Declaration Scheme, 2016 [Section 49(5)] • Cost of acquisition of specified capital asset to an assessee, being an individual or HUF under Land Pooling Scheme in case of transfer of reconstituted plot or land after the expiry of two years from the end of the financial year in which the possession was handed over to the assessee [Section 49(6)] • Cost of acquisition of capital asset of entities in case of levy of tax on accreted income under section 115TD. [Section 49(8)]
			54G	Exemption of Capital gains on transfer of assets in cases of shifting of industrial undertaking from urban area
			54GA	Exemption of capital gains on transfer of certain capital assets in case of shifting of an industrial undertaking from an urban area to any SEZ
			54GB	Exemption of capital gains on transfer of residential property if the sale consideration is used for subscription in equity of an eligible start-up to be used for purchase of new plant and machinery
			55(2)(ab)	Cost of acquisition in respect of capital asset, being equity share or shares allotted to a shareholder of a recognised stock exchange of India under a scheme for demutualization or corporatization

	Income from Other Sources	-
5.	Income of other persons included in assessee's total income	Section 65 : Liability of person in respect of income included in the income of another person
6.	Aggregation of income; Set-off, or carry forward and set-off of losses	

Section	Particulars
67A	Method of computing a member's share in income of association of persons or body of individuals
72A	Carry forward and set-off of accumulated business losses and unabsorbed depreciation in certain cases of Amalgamation/ Demerger, etc.
72AA	Provisions relating to carry forward and set-off of accumulated losses and unabsorbed depreciation of a banking company against the profit of a banking institution under a scheme of amalgamation
72AB	Provisions relating to carry forward and set off of accumulated loss and unabsorbed depreciation in business reorganisation of co-operative banks
78	Carry forward and set-off of losses in case of change in constitution of firm or succession
79	Carry forward and set-off of losses in case of certain companies

7.	Deductions from gross total income	**Deductions in respect of certain income:**

Section	Particulars
80-IA to 80-IE	Profit-linked deductions under Chapter VI-A
80JJA	Deduction in respect of profits and gains from business of collecting and processing of bio-degradable waste.
80LA	Deduction in respect of certain incomes of Offshore Banking units and International Financial Services Centers

<table>
<tr><td></td><td></td><td>80P</td><td>Deduction in respect of income of co-operative societies</td></tr>
<tr><td></td><td></td><td>80PA</td><td>Deduction in respect of certain income of Producer Companies</td></tr>
<tr><td>8.</td><td>Computation of total income and tax liability of Individuals</td><td colspan="2">Section 5A – Apportionment of income between spouses governed by Portuguese Civil Code
Provisions relating to Alternate Minimum Tax</td></tr>
<tr><td>9.</td><td>Advance tax, tax deduction at source and introduction to tax collection at source</td><td>Section</td><td>Particulars</td></tr>
<tr><td></td><td></td><td>194LB to 194LD</td><td>• Interest income from Infrastructure Debt Fund [Section 194LB]
• Income from units of business trust [Section 194LBA]
• Income in respect of units of investment fund [Section 194LBB]
• Income in respect of investment in securitization trust [Section 194LBC]
• Income by way of interest payable to non-residents by Indian company [Section 194LC]
• Income by way of interest on certain bonds and Government securities payable to a Foreign Institutional Investor or a Qualified Foreign Investor [Section 194LD]</td></tr>
<tr><td></td><td></td><td>195</td><td>Other sums (payable to non-residents)</td></tr>
<tr><td></td><td></td><td>196A to 196D</td><td>• Income in respect of units of non-residents [Section 196A]
• Income from units referred to in section 115AB [Section 196B]
• Income from foreign currency bonds or shares of Indian company [Section 196C]
• Income of Foreign Institutional Investors from securities [Section 196D]</td></tr>
<tr><td>10.</td><td>Provisions for filing return of income and self-assessment</td><td colspan="2">Sections 139(4A) to 139(4F) dealing with provisions for filing of return of charitable or religious trusts, research institutions, political party, university, college or other institution, business trust, investment fund.</td></tr>
</table>

Note – As far as the Income-tax Rules, 1962 are concerned, only the significant Rules included in the respective chapters of the July 2018 edition of the Study Material, which is the relevant study material for May, 2019 and November, 2019 examinations, as well as in the Statutory Update given in the Revision Test Paper (RTP) for November, 2019 examination are relevant at the Intermediate level.

Paper 4: Taxation Section B: Indirect Taxes

Applicability of the provisions of GST law for November, 2019 Examination

The provisions of **CGST Act, 2017 and IGST Act, 2017** as amended by the CGST (Amendment) Act, 2018 and IGST (Amendment) Act, 2018, including significant circulars and notifications issued upto **30th April, 2019,** are applicable for November, 2019 examination.

List of topic-wise exclusions from the syllabus

(1)	(2)	(3)
S.No. in the syllabus	**Topics of the syllabus**	**Exclusions** **(Provisions which are excluded from the corresponding topic of the syllabus)**
2(ii)(c)	Charge of tax including reverse charge	**CGST Act, 2017** (i) Rate of tax prescribed for supply of **goods*** (ii) Rate of tax prescribed for supply of **services*** (iii) Categories of supply of goods, tax on which is payable on reverse charge basis under section 9(3) **IGST Act, 2017** (iv) Rate of tax prescribed for supply of **goods** (v) Rate of tax prescribed for supply of **services** (vi) Categories of supply of goods, tax on which is payable on reverse charge basis under section 5(3) (vii) Determination of nature of supply – Inter-State supply; Intra-State supply; Supplies in territorial waters (viii) Special provision for payment of tax by a supplier of online information and database access or retrieval [OIDAR] services
2(ii)(d)	Exemption from tax	**CGST Act, 2017 & IGST Act, 2017** (i) Exemptions for supply of **goods**

2(iii)	Basic concepts of time and value of supply	**CGST Act, 2017 & CGST Rules, 2017** (i) Provisions relating to change in rate of tax in respect of supply of goods or services (ii) Chapter IV: Determination of Value of Supply [Rules 27-35] of CGST Rules, 2017
2(iv)	Input tax credit	**CGST Act, 2017 read with CGST Rules, 2017** (i) Input tax credit provisions in respect of inputs and capital goods sent for job work (ii) Input tax credit provisions relating to distribution of credit by Input Service Distributor [ISD] (iii) Manner of recovery of credit distributed in excess (iv) Manner of reversal of credit of additional duty of customs in respect of Gold dore bar (v) Manner of determination of input tax credit in respect of inputs, input services and capital goods and reversal thereof in respect of real estate projects
2(viii)	Returns	**CGST Act, 2017 read with CGST Rules, 2017** (i) Furnishing of GSTR-2, GSTR-1A, GSTR-3 (ii) Claim of input tax credit and provisional acceptance thereof (iii) Matching, reversal & reclaim of input tax credit (iv) Matching, reversal & reclaim of reduction in output tax liability
2(ix)	Payment of tax	**CGST Act, 2017** (i) Tax deduction at source (ii) Collection of tax at source

***Rates specified for computing the tax payable under composition levy and special rate of tax prescribed under *Notification 2/2019 CT (R) dated 07.03.2019* [Effective rate 6% - CGST 3% & SGST 3%] are included in the syllabus.**

Notes:

(1) Amendments made by the Central Goods and Services Tax (Amendment) Act, 2018 and Integrated Goods and Services Tax (Amendment) Act, 2018 [hereinafter referred to as CGST (Amendment) Act, 2018 and IGST (Amendment) Act, 2018 respectively] in the provisions of the CGST Act, 2017 and the IGST Act, 2017 which are covered in the syllabus of Paper 4B: Indirect Taxes, are applicable for November 2019

examination. Further, the provisions of the CGST (Amendment) Act, 2018 which are not effective as on 30.04.2019 namely, section 8(b), section 17, section 18 and section 20(a) shall not be applicable for November 2019 examination.

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

(3) In the above table, in respect of the topics of the syllabus specified in column (2) the related exclusion is given in column (3). Where an exclusion has been so specified in any topic of the syllabus, the provisions corresponding to such exclusions, covered in other topic(s) forming part of the syllabus, shall also be excluded. For example, since provisions relating to ISD and tax collection at source are excluded from the topics "Input tax credit" and "Payment of tax including reverse charge" respectively, the provisions relating to (i) registration of ISD and person required to collect tax at source and (ii) filing of returns by an ISD and submission of TCS statement by an electronic commerce operator required to collect tax at source are also excluded from the topics "Registration" and "Returns" respectively.

(4) September 2018 edition of the Study Material is relevant for May 2019 and November 2019 examinations. The amendments made by the CGST Amendment Act, 2018 and IGST Amendment Act, 2018 as also the notifications and circulars issued between 26.09.2018 and 30.04.2019, to the extent covered in the Statutory Update for November 2019 examination alone shall be relevant for the said examination. The Statutory Update have been hosted on the BoS Knowledge Portal.

(5) Amendments have been made with regard to GST rate on real estate sector in pursuance of the decisions taken by the GST Council in its 33rd and 34th meetings held on 24.02.2019 and 19.03.2019 respectively. In this regard, it may be noted that rate of tax prescribed for supply of services and manner of determination of input tax credit in respect of inputs, input services or capital goods and reversal thereof in respect of real estate projects have been excluded from the syllabus vide Study Guidelines. The remaining amendments made in relation to real estate sector to the extent covered in the Statutory Update for November 2019 examination alone shall be relevant for the said examination.

(6) The provisions of CGST Act, 2017 and the rules issued thereunder and IGST Act, 2017 and the rules issued thereunder, to the extent included in the September 2018 edition of the Study Material, **except** the exclusions mentioned in the table above, and the Statutory Update for November 2019 examination shall alone be relevant for the said examination.