

**MOCK TEST PAPER - 2**  
**INTERMEDIATE (IPC) COURSE**  
**PAPER – 4: TAXATION**

Time Allowed – 3 Hours

Maximum Marks – 100

**SECTION – A: INCOME TAX (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Question in Division A, working notes are not required.*

*Your answers should be based on the provisions of Income-tax law as amended by the Finance Act, 2018. The relevant assessment year is A.Y.2019-20.*

**Division A – Multiple Choice Questions**

**Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.**

1. Under the provisions of the Income-tax Act, 1961, the term "Person" would not include:
  - (a) A body corporate incorporated in a country outside India
  - (b) A Limited Liability Partnership (LLP)
  - (c) Indian branch of a foreign company
  - (d) A local authority **(1 Mark)**
  
2. Which of the following incomes is not deemed to accrue or arise in India under section 9(1)(i) of the Income-tax Act, 1961?
  - (a) Income from any business connection in India
  - (b) Income through or from any property in India
  - (c) Income arising from transfer of a capital asset situated in India
  - (d) Income relating to operations which are confined to purchase of goods in India for the purpose of export **(1 Mark)**
  
3. A member of parliament is entitled to salary, constituency allowance and daily allowance when the Parliament is in session. Which of the following statements are correct?
  - (a) His entire income is taxable under the head "Salaries".
  - (b) Only his salary component is taxable under the head "Salaries". Constituency allowance and daily allowance are exempt.
  - (c) Only his salary component is taxable under the head "Income from other sources". Constituency allowance and daily allowance are exempt.
  - (d) His salary component and constituency allowance is taxable under the head "Income from other sources". Daily allowance is exempt. **(1 Mark)**

4. Ms. Sheetal and her brother jointly own a bungalow. They had taken a housing loan to purchase the bungalow. The loan is sanctioned in the name of Ms. Sheetal and her brother in the year 2015. Interest on housing loan for the P.Y. 2018-19 amounted to Rs.4,50,000 which is paid by Ms. Sheetal (Rs.2,25,000) and her brother (Rs.2,25,000). The bungalow is used by them for their residence. In this case, what will be the amount of deduction available under section 24(b) to Ms. Sheetal and her brother?
- (a) Rs.30,000 each  
(b) Rs.2,00,000 each  
(c) Rs.2,25,000 each  
(d) Rs.4,50,000 each **(1 Mark)**
5. XYZ a partnership firm was dissolved on 30-6-2018. A machine acquired on 1-5-2016 for Rs.2,50,000 was distributed amongst the partners on dissolution for Rs.2,25,000. The value of machinery as per books of account and Fair Market Value on 30-6-2018 was Rs.2,00,000 and Rs.3,50,000, respectively. What will be the full value of consideration of this machine?
- (a) Rs.2,25,000  
(b) Rs.3,50,000  
(c) Rs.2,50,000  
(d) Rs.2,00,000 **(1 Mark)**
6. Mr. Kabir (a non-resident and aged 70 years) is a retired person, earning rental income of Rs.45,000 per month from a property located in Mumbai. He is residing in Canada. Apart from rental income, he does not have any other source of income. Is he liable to pay advance tax in India?
- (a) Yes, he is liable to pay advance tax in India as he is a non-resident and his tax liability in India exceeds Rs.10,000.  
(b) No, he is not liable to pay advance tax in India as his tax liability in India is less than Rs.10,000.  
(c) No, he is not liable to pay advance tax in India as he is a senior citizen and has no income chargeable under the head "Profits and gains of business or profession".  
(d) Both (b) and (c) **(2 Marks)**
7. Mr. Vikram sold his old residential house in May, 2017 for Rs.25,00,000. Long-term capital gain arising on transfer of old house amounted to Rs.8,70,000. In December, 2017 he purchased another residential house worth Rs.4,50,000. The new house was however, sold in May, 2018 for Rs.14,00,000 (stamp duty value of the new house was Rs.13,00,000). What will be amount of taxable capital gains in the hands of Mr. Vikram for the A.Y. 2018-19 and 2019-20?
- (a) Long term capital gain of Rs.4,20,000 in A.Y. 2018-19 and short-term capital gain of Rs.14,00,000 in A.Y. 2019-20  
(b) Long term capital gain of Rs.4,20,000 in A.Y. 2018-19 and long term capital gain of Rs.4,50,000 and short-term capital gain of Rs.14,00,000 in A.Y. 2019-20  
(c) Long term capital gain of Rs.4,20,000 in A.Y. 2018-19 and long term capital gain of Rs.4,50,000 and short-term capital gain of Rs.9,50,000 in A.Y. 2019-20

- (d) Long term capital gain of Rs.4,20,000 in A.Y. 2018-19 and long term capital gain of Rs.4,50,000 and short-term capital gain of Rs.8,50,000 in A.Y. 2019-20 **(2 Marks)**

8. M/s ABC & Co., a firm carrying on business, furnishes the following particulars for the P.Y. 2018-19.

<u>Particulars</u>	<u>Rs.</u>
Book profits (before setting of unabsorbed depreciation and brought forward business loss)	2,50,000
Unabsorbed depreciation of P.Y.2012-13	1,20,000
Brought forward business loss of P.Y.2017-18	2,00,000

Compute the amount of remuneration allowable under section 40(b) from the book profit.

(a) Rs. 2,25,000

(b) Rs.1,80,000

(c) Rs.1,50,000

(d) Rs.1,17,000

**(2 Marks)**

9. Mr. William, an Indian citizen and a Government employee, left India for the first time on 28.02.2018 on account of his transfer to High Commission in United Kingdom. During P.Y. 2018-19, he visited India only for a week on occasion of his brother marriage. During F.Y. 2018-19, his income composition includes salary, foreign allowances, rent from property in Singapore and interest earned from fixed deposits maintained with SBI. His taxable income for P.Y. 2018-19 will include:

(a) All of them, since Mr. William is a resident in India, hence his global income will be taxable

(b) Only interest earned from fixed deposits maintained in India

(c) No income shall be taxable since Mr. William is a non-resident in India for P.Y. 2018-19

(d) Salary and interest income of fixed deposits with SBI

**(2 Marks)**

10. Mr. Arjun, a businessman, whose total income (after allowing deduction under chapter VI-A except under section 80GG) for AY 2019-20 is Rs.5,50,000. He does not own any house property and is staying in a rented accommodation in Patna for a monthly rent of Rs.8,000. Deduction allowance under section 80GG for A.Y. 2019-20 is:

(a) Rs.41,000

(b) Rs.1,37,500

(c) Rs.60,000

(d) Rs.96,000

**(2 Marks)**

### **Division B – Descriptive Questions**

*Question No. 1 is compulsory*

*Attempt any **three** questions from the remaining **four** questions*

1. Mr. Ashwin, a resident individual aged 61, furnishes the following information pertaining to the year ended 31.3.2019:

(i) He is a working partner in ASC & Co. He has received the following amounts from the firm:

Interest on capital at 15% : Rs.3,00,000  
 Salary as working partner (at 1% of firm's sales) (allowed fully to the firm) : Rs.90,000

- (ii) He is engaged in a business of manufacturing. The Profit and Loss account pertaining to this proprietary business (summarised form) is as under:

Particulars	Rs.	Particulars	Rs.
To Salaries	1,20,000	By Gross profit	12,45,500
To Bonus	48,000	By Interest on Bank FD (Net of TDS)	49,500
To Car expenses	50,000	By Agricultural income	60,000
To Machinery repairs	2,34,000	By Pension from LIC Jeevan Dhara	24,000
To Advance tax	70,000		
To Depreciation on:			
- Car	3,00,000		
- Machinery	1,25,000		
To Net profit	<u>4,32,000</u>		
	<b><u>13,79,000</u></b>		<b><u>13,79,000</u></b>

Details of assets:

Particulars	Rs.
<b>Opening WDV of assets are as under:</b>	
Car	3,00,000
Machinery (Used during the year for 179 days)	6,50,000
<b>Additions to machinery:</b>	
Purchased on 15.9.2018 by cash in single payment	2,00,000
Purchased on 12.12.2018 by account payee cheque	3,00,000
Second hand machinery purchased on 30.4.2018 by bearer cheque in single payment	1,25,000

(All assets added during the year were put to use immediately after purchase)

One-fifth of the car expenses are towards estimated personal use of the assessee.

Salary includes Rs. 15,000 paid by way of a single cash payment to manager.

- (iii) In February, 2016, he had sold a house at Mumbai. Arrears of rent relating to this house amounting to Rs.75,000 was received in March, 2019.
- (iv) Details of his Savings and Investments are as under:

Particulars	Rs.
Life insurance premium for policy in the name of his major son employed in a multinational company, at a salary of Rs.10 lakhs p.a. (Sum assured Rs.2,00,000) (Policy taken on 1.07.2013)	30,000
Contribution to PPF	70,000
Medical Insurance premium for his mother aged 79, who is not dependent on him	52,000

You are required to compute the total income and tax liability of Mr. Ashwin for the assessment year 2019-20. **(14 Marks)**

2. Compute the total income of Mr. Rajesh, aged 45 years, an Indian citizen for A.Y. 2019-20. On 22.09.2018, he left India for the first time to work as an officer of a company in Canada. He earns the following income during the previous year 2018-19:

Sr. No.	Particulars	(Rs.)
1.	Interest on Canada Development Bonds (only 50% of interest received in India)	40,000
2.	Dividend from Canadian company received in Canada	20,000
3.	Short term capital gain on sale of shares of an Indian company received in India	90,000
4.	Interest on savings bank deposit in UCO Bank, Delhi	12,000
5.	Income from Profession in Canada (set up in India), out of which Rs.10,000 is received in India	15,000
6.	Agricultural income from a land situated in Gujarat	45,000
7.	Rent received in Canada in respect of house property at Canada	60,000

**(7 Marks)**

3. Mr. Satish, General Manager of Akon Ltd., Delhi, furnishes the following particulars for the financial year 2018-19:

- (i) Salary Rs.46,000 per month
- (ii) Value of medical facility in a hospital maintained by the company Rs.7,000
- (iii) Rent free accommodation owned by the company
- (iv) Housing loan of Rs.6,00,000 given on 01.04.2018 at the interest rate of 6% p.a. (No repayment made during the year). The rate of interest charged by State Bank of India (SBI) as on 01.04.2018 in respect of housing loan is 10%.
- (v) Gifts in kind made by the company on the occasion of wedding anniversary of Mr. Satish Rs.4,750.
- (vi) A four seater dining table was provided to Mr. Satish at his residence. This was purchased on 1.5.2015 for Rs.60,000 and sold to Mr. Satish on 1.8.2018 for Rs.30,000.
- (vii) Personal purchases through credit card provided by the company amounting to Rs.10,000 was paid by the company. No part of the amount was recovered from Mr. Satish.
- (viii) A Maruti Suzuki car which was purchased by the company on 16.7.2015 for Rs.2,50,000 was sold to the assessee on 14.7.2018 for Rs.80,000.

Other income received by the assessee during the previous year 2018-19:

	Particulars	Rs.
(a)	Interest on Fixed Deposits with a company	5,000
(b)	Income from specified mutual fund	3,000
(c)	Interest on bank fixed deposits of a minor married daughter	3,000

- (ix) Contribution to LIC towards premium under section 80CCC Rs.1,00,000  
 (x) Deposit in PPF Account made during the year 2018-19 Rs.40,000

Compute the taxable income of Mr. Satish for the Assessment year 2019-20. **(7 Marks)**

4. Compute the total income of Mr. Pratap (aged 48), a resident Indian, from the following information relating to the financial year ended 31.3.2019. Also, show the items eligible for carry forward.

Particulars	Rs.
Income from salaries	2,20,000
Loss from house property	2,50,000
Loss from toy business	1,30,000
Income from speculation business	40,000
Loss from specified business covered by section 35AD	20,000
Long-term capital gains from sale of urban land	2,50,000
Long-term capital loss from sale of listed shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,10,000
Loss from card games	32,000
Income from betting (Gross)	45,000
Life Insurance Premium paid (10% of the capital sum assured)	50,000

**(7 Marks)**

5. (a) Mr. Sailesh, a resident individual aged 54, furnishes his income & other details for the P.Y. 2018-19:

- (i) Income of Rs.8,10,000 from wholesale cloth business, whose accounts are audited u/s 44AB.  
 (ii) Income from other sources Rs.2,70,000.  
 (iii) Tax deducted at source Rs.25,000.  
 (iv) Advance tax paid Rs.1,03,000 during the P.Y. 2018-19.

Return of income filed on 11-12-2019. Calculate the interest payable under section 234B of the Income-tax Act, 1961. Assume that the return of income would be processed on the same day of filing of return. What are the consequences for delay in furnishing return of income under the Income-tax Act, 1961? Examine, making the required computations in this case. **(5 Marks)**

- (b) Who are the persons authorized to verify return of income in the case of following persons:

- (i) Local authority  
 (ii) Firm, having no managing partner

**(2 Marks)**

## SECTION B - INDIRECT TAXES (50 MARKS)

### QUESTIONS

- (i) Working Notes should form part of the answers. However, in answers to Question in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of note.
- (iii) All questions should be answered on the basis of the position of GST law as amended up to 31<sup>st</sup> October, 2018.
- (iv) 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.

### Division A - Multiple Choice Questions

**Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.**

**Total Marks: 15 Marks**

#### Question Nos. 1 and 2 carries 2 Marks each

1. A person having \_\_\_\_business verticals in a State \_\_\_\_obtain a separate registration for each business vertical.
  - (a) Single, shall
  - (b) Multiple, shall
  - (c) Multiple, may
  - (d) Single, may

**(2 Marks)**
2. Mr. Rahu is receiving legal services from a lawyer Mr. Ketu. The information regarding date of payment, invoice etc. is as follows-
  1. Invoice issued by Mr. Ketu on 15-Apr-20XX
  2. Payment received by Mr. Ketu on 5-May-20XX
  3. Date of payment entered in books of accounts of Rahu: 1-May-20XXWhat is time of supply of goods?
  - (a) 1-May-20XX
  - (b) 5-May-20XX
  - (c) 14-Jun-20XX
  - (d) 15-Apr-20XX

**(2 Marks)**

#### Question Nos. 3 to 13 are of 1 mark each.

3. Services by way of warehousing of \_\_\_\_\_is exempt from GST.
  - (i) processed tea
  - (ii) jaggery
  - (iii) processed coffee
  - (iv) rice
  - (a) (i) & (ii)
  - (b) (iii)

- (c) (iv)
- (d) all of the above **(1 Mark)**
4. Discount given after the supply is deducted from the value of taxable supply, if –
- (a) such discount is given as per the agreement entered into at/or before the supply
- (b) such discount is linked to the relevant invoices
- (c) proportionate input tax credit is reversed by the recipient of supply
- (d) all of the above **(1 Mark)**
5. Which of the following services are exempt from GST?
- (a) Services by an artist by way of a performance in folk or classical art forms of painting/sculpture making etc. with consideration therefor not exceeding Rs. 1.5 lakh.
- (b) Services by an artist by way of a performance in modern art forms of music/dance/ theatre with consideration therefor not exceeding Rs. 1.5 lakh.
- (c) Services by an artist by way of a performance in folk or classical art forms of music/dance/theatre with consideration therefor exceeding Rs. 1.5 lakh.
- (d) Services by an artist by way of a performance in folk or classical art forms of music/dance/ theatre with consideration therefor not exceeding Rs. 1.5 lakh. **(1 Mark)**
6. Which of the following services does not fall under reverse charge provisions as contained under section 9(3) of the CGST Act?
- (a) Services supplied by arbitral tribunal to business entity
- (b) Sponsorship provided to any partnership firm
- (c) Sponsorship provided to any body corporate
- (d) None of the above **(1 Mark)**
7. Registration certificate granted to casual taxable person or non-resident taxable person will be valid for:
- (a) Period specified in the registration application
- (b) 90 days from the effective date of registration
- (c) Earlier of (a) or (b)
- (d) Later of (a) or (b) **(1 Mark)**
8. Where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued:
- (a) before/at the time of supply.
- (b) 6 months from the date of removal.
- (c) Earlier of (a) or (b).
- (d) Later of (a) or (b). **(1 Mark)**
9. Which of the following statements is true under GST?
- (a) Grand-parents are never considered as related persons to their grandson/granddaughter
- (b) Grand-parents are always considered as related persons to their grandson/granddaughter
- (c) Grand-parents are considered as related persons to their grandson/granddaughter only if they are wholly dependent on their grandson/granddaughter
- (d) None of the above **(1 Mark)**



10. Mr. A has a tax invoice [dated 20-1-2018] of services received by him. Its input tax credit is lost if ITC is not availed on or before–
- 20-1-2019.
  - 31-12-2018.
  - 20-1-2020.
  - date of filing return of September, 2018 or date of filing of annual return for 2017-18, whichever is earlier. **(1 Mark)**
11. Which of the following services is exempt under health care services provided by clinical establishments?
- Chemist shop in the hospital selling medicines to public at large
  - Food supplied from an outsourced canteen to in-patients as per diet prescribed by the hospital dietitian
  - Advertisement services provided by the hospital to a pharmaceutical company for their asthma pump by displaying it prominently in the hospital building
  - All of the above **(1 Mark)**
12. Which of the following is not a supply of services?
- Renting of Commercial Office Complex
  - Payment of Non-Compete Fee by an ex-employee to his previous employer
  - Repairing of Mobile Phone
  - Permanent transfer of business assets on which ITC is availed **(1 Mark)**
13. Invoice shall be prepared in (i) \_\_\_\_\_ in case of taxable supply of goods and in (ii) \_\_\_\_\_ in case of taxable supply of services.
- (i) Triplicate, (ii) Duplicate
  - (i) Duplicate, (ii) Triplicate
  - (i) Duplicate, (ii) Duplicate
  - None of the above **(1 Mark)**

### Division B - Descriptive Questions

**Question No. 1 is compulsory.**

**Attempt any three questions out of remaining four questions.**

**Total Marks: 35 Marks**

1. Sungrow Pvt. Ltd. (a registered taxable person) having the gross receipt of Rs. 50 lakh in the previous financial year provides the following information relating to their services for the month of July, 2018.

Sr. No.	Particulars	Amount (Rs.)
(1)	Running a boarding school	2,40,000
(2)	Fees from prospective employer for campus interview	1,70,000
(3)	Education services for obtaining the qualification recognised by law of foreign country	3,10,000
(4)	Renting of furnished flats for temporary stay to different persons (Rent per day is less than Rs. 1,000 per flat)	1,20,000

(5)	Conducting Modular Employable Skill Course, approved by National Council of Vocational Training	1,40,000
(6)	Conducting private tuitions amount	3,00,000
(7)	Running martial arts academy for young children	55,000
(8)	Conducting career counselling session	1,65,000

Compute the value of taxable supply and the amount of GST payable. The above receipts don't include the GST amount. Rate of GST is 18%. **(8 Marks)**

2. (a) Laxmi Pvt. Ltd., a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of July, 2018:

Sr. No	Particulars	GST paid
(1)	Raw Material (to be received in September, 2018)	2,50,000
(2)	Membership of a club availed for employees working in the factory	1,45,000
(3)	Inputs to be received in 5 lots, out of which 3 <sup>rd</sup> lot was received during the month	80,000
(4)	Trucks used for transport of raw material	40,000
(5)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on that item is Rs. 80,000)	1,50,000

Determine the amount of tax credit available with Laxmi Pvt. Ltd. for the month of July, 2018 by giving the necessary explanation for treatment of various items. All the conditions necessary for availing the ITC have been fulfilled. **(5 Marks)**

- (b) Mr. Guneet is running a consulting firm and also a readymade garment showroom in Kolkata registered in same PAN. Turnover of the showroom is Rs. 70 lakh and receipt of consultancy firm is Rs. 15 lakh in the preceding financial year. You are required to answer the following:
- (1) Is Mr. Guneet eligible for composition scheme?  
(2) Is it possible for Mr. Guneet to opt for composition scheme only for showroom? **(4 Marks)**
3. (a) The aggregate turnover of Priyank Services Ltd. exceeded Rs.20 lakh on 12<sup>th</sup> August. He applied for registration on 3<sup>rd</sup> September and was granted the registration certificate on 6<sup>th</sup> September. You are required to advise Priyank Services Ltd. as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of Revised Tax Invoices. **(5 Marks)**
- (b) Determine the effective date of registration in following cases:
- (i) The aggregate turnover of Grand Industries of Delhi has exceeded Rs. 20 lakh on 1<sup>st</sup> September. It submits the application for registration on 20<sup>th</sup> September. Registration certificate is granted to it on 25<sup>th</sup> September.
- (ii) Mangal Teleservices is an internet service provider in Lucknow. Its aggregate turnover exceeds Rs. 20 lakh on 25<sup>th</sup> October. It submits the application for registration on 27<sup>th</sup> November. Registration certificate is granted to it on 5<sup>th</sup> December. **(4 Marks)**
4. (a) Mr. ABC & Co., a firm of Chartered Accountants, issued invoice for services rendered to Mr. X on 7<sup>th</sup> September, 2018. Determine the time of supply in the following independent cases:
- (1) The provision of service was completed on 1<sup>st</sup> August, 2018.  
(2) The provision of service was completed on 14<sup>th</sup> August, 2018.

- (3) Mr. X made the payment on 3<sup>rd</sup> August, 2018 where provision of service was remaining to be completed.
- (4) Mr. X made the payment on 15<sup>th</sup> September, 2018 where provision of service was remaining to be completed. **(5 Marks)**
- (b) Mr. P, a composition tax payer, did not render any taxable supply during the quarter July-September. Is he required to file any goods and service tax return? **(4 Marks)**
5. (a) State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of CGST Act:
- (i) Renting of immovable property
  - (ii) Transfer of right in goods without transfer of title in goods.
  - (iii) Works contract services
  - (iv) Temporary transfer of permitting use or enjoyment of any intellectual property right
- (4 Marks)**
- (b) State the persons who are not liable for registration as per provisions of Section 23 of Central Goods and Service Tax Act, 2017. **(5 Marks)**