

**MODEL TEST PAPER 2**  
**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**  
**QUESTIONS**

- (i) Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of notes.
- (iii) All questions should be answered on the basis of the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024.

**Division A - Multiple Choice Questions (MCQs)**

**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**

Ecotech Solutions Private Limited is engaged in manufacturing and supply of energy products and solutions across multiple States in India. The Company manufactures solar panels and also imports certain category of solar panels as per the customer orders. The company also provides installation services and annual maintenance contracts for its products.

The Company received an advance payment for a bulk order of goods in March 2024, but the delivery was completed in May 2024. The amount of advance received by the Company was ₹ 1 crore.

During the month of March 2024, the Company sold goods worth ₹ 5 crores and provided services amounting to ₹ 1 crore to its customers across India. The goods worth ₹ 1 crore sold under multiple invoices were returned by a customer due to defective quality in the month of March, 2024 which were originally sold by the Company in January, 2024. The Company issued a GST credit note against the returned goods in March, 2024.

The Company incurred an amount of ₹ 5 lakh on the repair of the returned goods to make them resalable in the market to customers other than a related party.

Further, the customers who returned the goods issued an invoice to Gujarat unit of the Company of ₹ 1 lakh for the expense related to return of goods. The goods were initially sold from the Gujarat unit of the Company but the same were returned to Maharashtra unit of the Company and subsequently moved by the Company from Maharashtra unit to Gujarat Unit i.e. the original place of supply. The Company is registered under GST in both the States i.e. Gujarat and Maharashtra.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 6 below:

1. At what point of time, tax will be payable in relation to the advance received by the Company of ₹ 1 crore?

- (a) The tax is payable at the time of receipt of advance.
  - (b) The tax is payable at the time of supply of goods.
  - (c) 50% of tax is payable at the time of receipt of advance.
  - (d) Tax is payable at the time of issuance of receipt voucher.
2. The total amount of supply during the month of March, 2024 to be reported in GSTR -1 by the Company is \_\_\_\_\_.
- (a) ₹ 1 crore
  - (b) ₹ 5 crores
  - (c) ₹ 6 crores
  - (d) ₹ 7 crores
3. Which of the following options is correct in relation to the returned goods of value ₹ 1 crore ?
- (a) Company has an option to issue single credit note against multiple invoices.
  - (b) Company has to mandatorily issue separate credit note against each invoice.
  - (c) The Company cannot issue credit note in any subsequent period after the supply is made.
  - (d) The Company can only issue a commercial credit note and GST adjustment cannot be made.
4. In case returned goods are sold by the Company to customers other than the related parties, the value of supply of such goods under GST shall be \_\_\_\_\_.
- (a) equivalent to original value of supply only.
  - (b) equivalent to original value of supply plus the cost incurred on making the goods reusable
  - (c) 110% of original value of supply plus the cost incurred on making the goods reusable.
  - (d) transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017.
5. Which of the following option(s) is correct in relation to the invoice of ₹ 1 lakh issued by the customer for the expenses relating to returned goods?
- (a) The Company shall be eligible to avail full input tax credit.
  - (b) The Company shall not be allowed to avail input tax credit.
  - (c) The Company shall not be allowed to avail input tax credit in excess of 50% of the tax amount charged on such invoice.
  - (d) The Company shall be allowed to claim input tax credit only if it has not issued any credit note to the customer against such returned goods.

6. While moving the goods from Maharashtra unit to Gujarat unit by the Company, goods shall be accompanied by \_\_\_\_\_.
- (a) Original invoice issued in January, 2024
  - (b) Invoice issued by the returning customer to the Gujarat unit of the Company
  - (c) Invoice by Maharashtra unit to the Gujarat unit of the Company
  - (d) Delivery challan issued by the Customer to the Company.

**(6 x 2 Marks = 12 Marks)**

7. Mr. Jambulal of Himachal Pradesh starts a new business and makes following supplies in the first month-
- (i) Intra-State supply of taxable goods amounting to ₹ 17 lakh
  - (ii) Supply of exempted goods amounting to ₹ 1 lakh
  - (iii) Inter-State supply of taxable goods amounting to ₹ 1 lakh

Whether he is required to obtain registration?

- (a) Mr. Jambulal is liable to obtain registration as the threshold limit of ₹ 10 lakh is crossed.
  - (b) Mr. Jambulal is not liable to obtain registration as he makes exempted supplies.
  - (c) Mr. Jambulal is liable to obtain registration as he makes the inter-State supply of goods.
  - (d) Mr. Jambulal is not liable to obtain registration as the threshold limit of ₹ 20 lakh is not crossed. **(2 Marks)**
8. Simmo Singh, a resident of Punjab, is having a residential property in Amritsar, Punjab which has been given on rent to a family for ₹ 72 lakh per annum for residence purposes. Determine whether Simmo Singh is liable to pay GST on such rent.
- (a) Yes, as services by way of renting is taxable supply under GST.
  - (b) No, service by way of renting of residential property is exempt.
  - (c) No, service by way of renting of residential property does not constitute supply.
  - (d) Simmo Singh, being individual, is not liable to pay GST. **(1 Mark)**

## Division B - Descriptive Questions

### Question No. 1 is compulsory.

Attempt any two questions out of remaining three questions.

**Total Marks:35 Marks**

1. (a) Mr. Nandan lal, registered under GST, is engaged in supplying services (as discussed in the table below) in Hyderabad. He has furnished the following information with respect to the services provided/ received by him, during the month of February:

S. No.	Particulars	Amount (₹)
(i)	Carnatic music performance given by Mr. Nandan lal to promote a brand of readymade garments	1,40,000
(ii)	Outdoor catering services availed for a marketing event organised for his prospective customers	50,000
(iii)	Services of transportation of students provided to HSMG College providing education as part of a curriculum for obtaining a recognised qualification	1,00,000
(iv)	Legal services availed for official purpose from an advocate located in Chennai (Inter-State transaction)	1,75,000
(v)	Services provided to IFMP Bank as a business correspondent with respect to accounts in a branch of the bank located in urban area	2,00,000
(vi)	Recovery agent's services provided to a car dealer	15,000
(vii)	General insurance taken on a car (seating capacity 5) used for official purposes	40,000

#### Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) The turnover of Mr. Nandan lal was ₹ 2.5 crore in the previous financial year.
- (v) All the transactions mentioned above are intra-State unless otherwise specified.

Compute the net GST payable in cash, by Mr. Nandan lal for the month of February. **(10 Marks)**

- (b) LSP Ltd., a registered supplier, sold a machine to Balwant Ltd. It provides the following information in this regard: -

S. No.	Particulars	Amount (₹)
(i)	Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	20,000
(ii)	Third party inspection charges [Such charges were payable by LSP Ltd. but the same have been directly paid by Balwant Ltd. to the inspection agency. These charges were not recorded in the invoice issued by LSP Ltd.]	6,000
(iii)	Freight charges for delivery of the machine [LSP Ltd. has agreed to deliver the goods at Balwant Ltd.'s premises]	1,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price]	5,000
(v)	Discount of 2% is offered to Balwant Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	

Note: Price of the machine is net of the subsidy received.

Determine the value of taxable supply made by LSP Ltd. to Balwant Ltd.

**(5 Marks)**

2. (a) State the person liable to pay GST in the following independent services provided:
- Sapna Builders, registered in Haryana, rented out 20 residential units owned by it in Jain Society to Anant Technologies, an IT based company registered in the State of Haryana, for accommodation of its employees.
  - M/s. Verma Consultants, a partnership firm registered in Delhi as a regular tax payer, paid sponsorship fees of ₹ 1,50,000 at a seminar organized by a private NGO (a partnership firm) in Delhi. **(4 Marks)**
- (b) "Little Smiles", a photography firm, has commenced providing photoshoot services in Delhi from the beginning of current financial year 2024-25. It has provided the following details of turnover for the various quarters till December, 2024 :-

S. No.	Quarter	Amount (₹ in lakh)
1	April,2024-June,2024	20
2	July,2024-September,2024	30
3	October,2024-December,2024	40

You may assume the applicable tax rate as 18%. Little Smiles wishes to pay tax at a lower rate and opts for the composition scheme. You are required to advise whether it can do so and calculate the amount of tax payable for each quarter? **(6 Marks)**

3. (a) Mr. Sohan, a trader registered under GST in Delhi is engaged in wholesale business of toys for kids. Mr. Roshan registered under GST in Patiala, a regular return filer supplies toys in bulk to Mr. Sohan for selling to end consumers.

Mr. Sohan paying tax in regular scheme in Delhi, has not filed GSTR-3B for last 2 months. Mr. Roshan wants to generate e-way bill for toys amounting to ₹ 5,00,000 to be supplied to Mr. Sohan. Also Mr. Mohan from Jammu approached Mr. Sohan for purchasing toys amounting to ₹ 75,000 for the purpose of return gift on his son's first birthday party. Sohan wants to generate an e-way bill in respect of an outward supply of goods to Mr. Mohan.

Examine with reference to the provisions under GST law, whether Mr. Roshan and Mr. Sohan can generate e-way bill? **(5 Marks)**

- (b) Mr. Raj of Rajasthan intends to start business of supply of building material to various construction sites in Rajasthan. He has taken voluntary registration under GST in the month of April. However, he has not commenced the business till December due to lack of working capital. The proper officer *suo-motu* cancelled the registration of Mr. Raj. You are required to examine whether the action taken by proper officer is valid in law?

Mr. Raj has applied for revocation of cancellation of registration after 40 days from the date of service of the order of cancellation of registration. Department contends that application for revocation of cancellation of registration can only be made within 30 days from the date of service of the order of cancellation of registration. You are required to comment upon the validity of contentions raised by Department. **(5 Marks)**

4. (a) Discuss briefly the place of supply of goods purchased over the counter in one State and transported to another State by the buyer. **(5 Marks)**

Or

- (a) What would be the place of supply of services provided by an event management company for organizing a sporting event for a Sports Federation which is held in multiple States? **(5 Marks)**

- (b) Discuss whether the amount available in the electronic credit ledger can be used for making payment of any tax under the GST Laws?

**(5 Marks)**