

Mock Test Paper - Series I: July, 2025

Date of Paper: 26th July, 2025

Time of Paper: 2 P.M. – 6 P.M.

FINAL COURSE: GROUP – II

PAPER – 6: INTEGRATED BUSINESS SOLUTIONS

*Attempt any **four** out of **five** case study based questions.*

Each Case Study carries 25 Marks.

Time Allowed – 4 Hours

Maximum Marks – 100

CASE STUDY 1

The Elites Hotels Limited

The hospitality industry is a dynamic and multifaceted sector that plays a pivotal role in the global economy, encompassing a wide range of services including lodging, food and beverage, tourism, and event management. Known for its emphasis on customer service and experience, the industry thrives on creating memorable and personalized experiences for guests, whether through luxurious accommodations, exceptional dining, or unique recreational offerings. Despite challenges like high job mobility and evolving consumer preferences, the hospitality industry continues to innovate through advancements in technology, sustainability practices, and the adoption of ESG (Environmental, Social, and Governance) principles.

The Elites Hotels Limited, the country's largest listed hospitality company, continues to demonstrate industry-leading growth with consistency and conviction. This is reflected in its exceptional financial and non-financial performance, including portfolio expansion and the scaling of new businesses. The company achieved this while aligning with its sustainability commitment and ESG initiative. These attributes accentuate its remarkable journey and the ways it creates value for all stakeholders. The Elites's consistency stems from its conviction in values and commitment to excellence.

With over 120 years of leadership in the industry, The Elites Hotels is renowned for its exclusive properties, flawless service, and distinctive brands. These, all embodying the cherished notion of 'The Elitesness,' create unforgettable experiences for guests. The company's deeply rooted values and rich legacy provide the confidence to re-imagine the future, enabling The Elites to grow its ecosystem with greater speed, synergy, and success, bringing delight to its customers and driving enhanced value for all stakeholders. The company has evolved from a branded house into a House of Brands, offering a portfolio that includes luxury, upscale, lean luxe segments, and budget stays. This hospitality ecosystem is further strengthened by innovation and service excellence.

Hotel food service has historically been an integral part of the hotel business. Food service provide guests with food for consumption, business related functions, entertainment and celebrating events, and for some hotels food acts as an attraction in its own right.

Food service production in hotels is primarily based on fresh produce. The perishable nature of this produce poses a challenge for hotels, further complicated by the presence of multiple food outlets and supply chain activities within each hotel. Additionally, hotel food is not designed to be stored for extended periods. Once prepared, it is expected to be consumed immediately or soon thereafter. The production of fresh food varies depending on the type of food services offered by individual hotels.

In terms of food sourcing, two main groups of food production are prevalent: 'push production' and 'pull production.'

Push production refers to services that have not been paid for in advance. These food services are available in restaurants, bars, guest rooms, or any other outlets where food can be ordered on demand. The number of these outlets varies depending on the hotel's designated food outlets and other areas where food may be served. Pull production caters to services such as functions, conferences, and other events that have been reserved in advance, with specific details provided (e.g., number of attendees, types of food required, and the venue). Payments for pull production services are typically made in advance, either partially or in full.

When it comes to food sourcing, push and pull productions have different conditions. Push production presents a greater challenge due to demand uncertainties. The data indicates that push production often involves a 'guessing game.' Accurately forecasting demand is considered difficult, and incorrect forecasts can result in either insufficient food to sell or excessive food wastage. In contrast, pull production is a more straightforward task in terms of planning for both the type and quantity of food to source.

The head chef plays a crucial role in hotel food service supply chains, being involved from the initial stage of product development through to the production stage. The extent to which the head chef influences supply chain activities depends on the configuration of the hotel's food service supply chain, which is shaped by the hotel's organizational characteristics. Head chefs are valuable resources of expertise and knowledge necessary for the smooth operation of the "production plant"—the kitchen—and all related activities. They function as creators, memory keepers, and processors who oversee production. Additionally, head chefs are responsible for key management areas beyond production, such as purchasing and inventory management.

The role of the head chef as a creator, stems from their responsibility for writing the menu. Menu writing is a form of product development, and in hotel food service, this development often appears to be intuitive. Several concepts emerged from the data that characterize the product development process. Menus not only serve as product offerings but also function as a tool to

achieve target gross profit. Chefs view menu writing as more than just a job requirement; they think about it even outside working hours and see it as a creative task. Menus were frequently changed, with some chefs updating their menus daily. These changes were not only based on inventory availability or the chef's imagination but were also adjusted according to the price of raw materials. The frequency of menu changes is based on the chef's judgment rather than following a fixed schedule, as is common in many hotel companies.

Another critical management area, inventory management, is often referred to as a "guessing game." The head chef's knowledge and experience are crucial for managing the hotel's food supply. The head chef is the person who holds the information regarding inventory management. Common practices in hotels include maintaining a minimum stock level, also known as "reserve" or safety stock, and using a "run out and replace" strategy, which involves replenishing stock when it runs low. Hotels that offer food service around the clock, such as restaurants, bars, and room service, must always have food in stock. If raw materials are unavailable in the market or deliveries are delayed, the hotels need to maintain a certain amount of food to ensure production continuity. Once the inventory drops below the level "guessed" by the head chef, an order is placed to restock to the minimum level. While some hotels can afford to use a "lean" strategy, which involves running out of stock and then ordering more, this approach is found in only a few hotels; most maintain a minimum stock level at all times.

Suppliers not only play a crucial role in providing raw materials, but some The Elites hotels also use their suppliers in menus and brochures to add value and differentiate their product offerings from competitors. It's interesting to note that The Elites hotels maintain both traditional arm's-length relationships and long-term cooperative relationships with their suppliers.

The Elites's foodservice outlets leveraged fresh produce and their supplier partnerships as key selling points. The company highlighted collaborations with local suppliers and producers, as well as those offering specialty, high-quality ingredients, to showcase the uniqueness of its offerings. The strong relationships between chefs and suppliers were communicated effectively to customers, reinforcing The Elites's commitment to sourcing excellence and supporting local communities.

While lower raw material costs were constantly pursued, mainly for dry goods, prices were compared across various suppliers, with the cheapest options often being selected. The Elites used a spreadsheet to track prices and select the best deals from different suppliers, which was seen as an advantage as the hotel was able to buy products at the lowest price.

In addition to making suppliers compete on price, The Elites employed a "two-supplier strategy" to ensure the quality and price of certain products remained consistent. For instance, The Elites had two suppliers for certain goods and alternated between them, as suppliers often raised prices or failed to maintain quality.

The exploitation of information technology in The Elites group hotels is minimal, with a high degree of manual-based supply chain activities. Pen and paper are the primary tools used for product planning. Although some The Elites hotels use electronic data interchange with their suppliers, it is limited to basic operational tasks, such as placing orders. The hotels rarely retain their point-of-sale data, and sharing such information with suppliers is almost non-existent. Demand forecasting for business volume may be supported by computer programs, but forecasting demand variants remains a "guessing game".

Additionally, stock checking for raw materials is manually performed by physically counting inventory items. While some larger hotels utilize online ordering channels, most rely on telephone communication for placing orders. The widespread use of telephone ordering in the hotel sector is attributed to the shorter ordering time, suppliers' lead times, and the fact that telephoning offers two-way communication, allowing for discussion of product availability.

Even though some hotels employ computer-generated demand forecasting, it only helps estimate the overall volume of food required by hotel guests and other markets related to push production. However, uncertainty remains regarding demand for restaurant food, which is further complicated by variations in food requirements.

While in-house production facilities offer many benefits, they also require significant investment in infrastructure, equipment, and skilled labour. Having a captive model makes it easier to implement design changes and customize products according to specific customer requirements. As a result, the company is less reliant on external suppliers and manufacturers, reducing risks associated with supply chain disruptions. Additionally, the company uses in-house teams of highly trained hotel staff for food preparation, which is a time- and labour-intensive process. However, rising staff costs and the increasing cost of high-volume food items are putting pressure on margins.

Several years ago, The Elites appointed Mr. Ramakrishnan as the company secretary, recognizing his extensive experience in the hotel industry and expertise in handling regulatory compliance. At the time of his appointment, the company promised him an annual salary hike ranging between 15% and 25% of his total compensation package (CTC). Over the past few years, Mr. Ramakrishnan's performance has been exceptional, consistently exceeding expectations and contributing significantly to the company's operational success, particularly in navigating complex compliance matters. His expertise has been instrumental in managing regulatory challenges and addressing cost pressures associated with labour.

During the audit planning meeting, the auditor was informed that the entity generates a substantial portion of its revenue through cash sales, with annual revenue amounting to ₹ 1,000

crores. Key managerial personnel and senior management often face intense pressure to meet or exceed financial targets set by investors or analysts, and their remuneration is based on achieving these performance targets. The internal auditor assessed the internal control system and did not observe any deficiencies in the revenue recognition process. Based on this assessment, the auditor concluded that revenue is not susceptible to fraud risk and, accordingly, did not associate any fraud risk with revenue in the audit strategy.

The Elites has a policy of providing loans to employees at a 5% annual interest rate, with the loan amount to be repaid in five equal annual installments. The market rate of interest (not a Level 1 input) for comparable loans is 10% p.a. On April 1, 2025, an employee took out a loan of ₹10 lakhs from The Elites, with an annual EMI of ₹2.31 lakhs. The Elites recognized the financial asset at ₹ 10 lakhs on April 1, 2025, accrued interest at 5% for the year, and received the EMI payment. The auditor raised concerns about the accounting treatment adopted by the entity for recognizing the financial assets.

The auditor also plans to communicate with the Audit Committee for several important reasons. Regular and open communication fosters a culture of transparency and builds trust between auditors and those charged with governance. This trust is crucial for the auditor to perform their duties without obstruction and for governance to have confidence in the audit process.

The Elites has an overseas subsidiary, Black Pearl LLC. Under the FEMA (Overseas Investment) Regulations, 2022, The Elites is required to file an Annual Performance Report (APR) with the Reserve Bank of India (RBI). The APR is part of the compliance framework to ensure that investments made by Indian entities abroad are monitored and reported accurately.

By adhering to these regulations and maintaining open communication with the Audit Committee, The Elites Hotels fosters a culture of transparency, building trust between auditors and those charged with governance. This trust is essential for the smooth functioning of the audit process and ensures confidence in the financial oversight of the company.

As of 31st March 2025, The Elites Hotels Limited has a share capital of ₹5 crores; reserves and surplus of ₹4 crores; long term debt of ₹16 crores; trade payables of ₹0.2 crores. THE ELITES HOTELS LIMITED has demonstrated strong financial performance by achieving a profit before interest and tax (PBIT) of ₹9 crores; Interest paid for the financial year is ₹1.12 crores. The corporate tax rate is 30%; the cost of equity is 12.50% and the cost of debt is 4.9%.

To effectively evaluate the company's financial performance and make informed investment decisions, The Elites Hotels Limited utilizes the weighted average cost of capital (WACC) as a key metric. At all times, the management wishes to keep the average cost of financing the company's operations across all sources of capital (debt and equity) to be below 10%.

ANNEXURE

Brand Portfolio of The Elites



Kings Korner

India's strongest across sector, spacious suites with premium furnishings and state-of-the-art technology

₹ 936 crores of revenue

110 hotels

17,000 keys



Hocus Pokus

Exclusive, agile upscale hotels

₹ 195 crores of revenue

96 hotels

11,200 keys



Stories

Simply better! Simple and functional design, focusing on practicality

₹ 48 crores of revenue

91 hotels

9,000 keys



Silverline

Exclusive wellness experiences such as organic spa treatments or nature immersion activities

₹ 90 crores of revenue

8 hotels

3,000 keys

The Elites Hotels Limited



PARTICULARS OF EMPLOYEES

Information under Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

- a. The ratio of the Remuneration of each Director to the median Remuneration of the employees of the Company for the financial year and percentage increase in Remuneration of each Director, Chief Executive Officer, Chief Financial Officer, or Manager, if any, in the financial year:

Name	% Increase of Remuneration in 2025 as compared to 2024	Ratio to median Remuneration
Non-Executive Directors		
Mr. Chandrasekaran T.®	-	-
Mr. Krishna Gupta	17%	21.95
Mr. Srinath Mehta	16%	18.96

Ms. Angel Gupta	15%	20.33
Mr. Sharad Aggarwal *	***	***
Mr. Ravi Gupta	32%	18.59
Executive Director		
Mr. Puneet Jaiswal – MD & CEO	28%	570.0
Chief Financial Officer		
Mr. Giridhar Krishnan – EVP & CFO	6%	-

@As a policy, Mr. Chandrasekaran T., Chairman, has abstained from receiving commission from the Company. *Retired as Director w.e.f. May 22, 2024. ***Since the remuneration is only for part of the year (either in CY or PY), percentage increase in remuneration and the ratio of their remuneration to median remuneration is not comparable and hence not stated.

b. The percentage increase in the median remuneration of employees in the past 6 months was 5.5%.

c. The number of employees as on March 31, 2025 was 5,756.

d. Average Percentile increase already made in the salaries of employees other than the Managerial Personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

- During FY 2024-25, the average percentage increase / (decrease) in salary of the Company's employees, excluding Key Managerial Personnel ('KMP') was 8.8%.
- During FY 2024-25, the average percentage increase / (decrease) in salary of the KMP was 42%.

e. It is affirmed that the Remuneration is as per the Remuneration policy for Directors, Key Managerial Personnel, and other employees adopted by the Company.

Multiple Choice Questions

1. Whether the engagement partner is correct in claiming the presumptive risk of revenue recognition?
 - (a) No. Risk of fraud risk exists in revenue. Remuneration based on achievement of performance targets can incentivize employees to manipulate revenue. Greater risks of fraud exist where a substantial portion of revenues are through cash sales.
 - (b) Yes. Risk of fraud risk does not exist since revenue is more than SEBI prescribed limit of ₹ 500 crores.
 - (c) Yes. Risk of fraud risk does not exist in revenue. Performance based service conditions are common in Indian industries. It does not necessarily lead to a fraud in revenue.

- (d) Yes. Risk of fraud risk does not exist in revenue. Performance based service conditions and concentration of cash sales are common in hotel industries. These conditions do not necessarily lead to a fraud in revenue.
2. Should The Elites obtain audited financial statements of Black Pearl LLC while filing its Annual Performance Report under FEMA (Overseas Investment) Regulations, 2022? Which is the MOST appropriate answer?
- (a) Filing of Annual Performance Report can be based only on unaudited financial statements of the Black Pearl.
 - (b) Filing of Annual Performance Report can be based only on reviewed financial statements of the Black Pearl.
 - (c) Filing of Annual Performance Report should be based on unaudited financial statements since the laws of the host country do not provide for mandatory audit.
 - (d) Filing of Annual Performance Report should be based on audited financial statements of the Black Pearl since Black Pearl is controlled by The Elites.
3. Whether giving of loans to employees is in accordance with the requirements of section 185 and section 186 of the Companies Act, 2013?
- (a) The Company should have obtained special resolution before giving loans since section 185 of the Companies Act, 2013 requires special resolution before giving loan to any person including employees. Section 186 of the Companies Act, 2013 permits charging concessional rate of interest for loans given to employees.
 - (b) Section 185 of the Companies Act, 2013 does not cover loans to employees (not being directors). Section 186 of the Companies Act, 2013 permits charging concessional rate of interest for loans given to employees.
 - (c) Section 185 of the Companies Act, 2013 does not cover loans to employees (not being managing or whole-time director). Section 186 of the Companies Act, 2013 does not cover loans to any employees (director or otherwise).
 - (d) The Company should have obtained special resolution before giving loans since section 185 of the Companies Act, 2013 requires special resolution before giving loan to any person including employees. Charging interest at concessional rate is specifically prohibited under Section 186 of the Companies Act, 2013.
4. Why has The Elites Hotels opted for different brands such as Kings Korner, Hocus Pokus, Stories, and Silverline within its portfolio?
- (a) To increase operational efficiency by standardizing services across all hotel brands

- (b) To focus solely on high-end customers and luxury travellers
 - (c) To minimize investment in the food and hospitality sector
 - (d) To target different customer segments by offering a variety of experiences ranging from luxury to budget accommodations
5. Which of the following information is NOT in line as required under Section 197 of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014? Refer with the extract.
- (i) The number of employees as on March 31, 2025
 - (ii) The percentage increase in the median remuneration of employees
 - (iii) The percentage increase in remuneration of each Director, if any, in the financial year
 - (iv) The percentage increase in remuneration of Company Secretary, if any, in the financial year
 - (v) The ratio of the remuneration of CFO to the median remuneration of the employees of the company for the financial year
 - (vi) Affirmation that the remuneration is as per the remuneration policy

Options

- (a) i, ii, iii
- (b) i, ii, iv
- (c) ii, iii, iv
- (d) iii, iv, vi

(5 × 2 = 10 Marks)

Descriptive Questions

- 6. RECOMMEND the correct accounting treatment (initial and subsequent) as per Ind AS 109 of the loans given to employees at concessional rate. **(4 Marks)**
- 7. EVALUATE the supply chain of The Elites, identifying its current weaknesses and recommendations to overcome them. **(7 Marks)**
- 8. EVALUATE The Elites Hotels Limited's financial performance based on the given data. **(4 Marks)**

CASE STUDY 2

Radiant Industries Limited (RIL)

Radiant Industries Limited (RIL) a multi-sector Indian corporation based in Chennai, has steadily grown over the past 20 years in fields ranging from textiles and specialty chemicals to IT services and health insurance. Led by Ms. Rathod, the company recently shifted part of its strategic focus toward consumer-driven ventures by exploring new verticals beyond its legacy businesses.

RIL's Vision is "To become India's most trusted and affordable retail brand by expanding our footprint across the country, owning our infrastructure, and continuously innovating to meet evolving customer needs."

RIL's Mission is "To make shopping economical for everyone by consistently offering the lowest prices on essential goods without compromising on quality or service."



Rather than expanding through existing product lines, RIL began exploring the rapidly growing lifestyle and wellness centres in India, marked by changing urban lifestyles and increased health awareness. This opportunity led to discussions with Symphony Inc., a Canada based wellness brand known for its high-end boutique stores in countries like Spain, Vietnam, Chile, and the UAE. Though Symphony had no previous presence in India, it had been conducting product trials via third-party e-commerce platforms without establishing physical stores.

After months of negotiations, Symphony Inc. decided to start a partially owned subsidiary company with RIL. Accordingly, a new company, Radiant Symphony Private Limited (RSPL) is formed by Symphony Inc. as its largest shareholder holding 75% of the paid up share capital. RSPL will have its head office and registered office in Chennai (Tamil Nadu). This partnership was designed not as a market entry experiment for Symphony but as a scalable retail chain model across India.

Headquartered in Chennai, RSPL's first strategic move will be to develop an urban concept store in Chennai, chosen over traditional launch cities like Delhi or Mumbai to test tier-1 cities with slightly lower cost bases. All the arrangements are being made to ensure that first visit of the customer in its first store should be a memorable one. The company's commitment to ethical business conduct, as reflected in its operational decisions, is also evident in a recent development outlined in **ANNEXURE I**. To support its store operations, RSPL decided to implement a retail operations management system (ROMS) designed to integrate inventory

tracking, customer data, sales analytics, and billing into one platform. The software aimed to enhance the customer experience by streamlining backend processes and improving staff efficiency and accordingly, new software has been purchased with the following details:

The company acquired software at a total cost of ₹ 7,50,000, with ₹ 5,00,000 payable immediately and the remaining ₹ 2,50,000 due after one year. In addition to the software cost, the company incurred related expenses including legal fees of ₹ 36,000 and consultancy fees for implementation amounting to ₹ 75,000. The cost of capital for the company is 10%.



The launch of the first center was successful and encouraging for the management. RSPL emerged as a one-stop lifestyle and wellness retailer, offering a wide range of health, fitness, and personal care products under one roof. Each RSPL center features a curated selection of wellness supplements, organic food products, skincare and beauty essentials, fitness equipment, and lifestyle

accessories. The company also provides value-added services such as nutrition consultations, fitness assessments, and wellness workshops to complement its product offerings. These are all made available at competitive pricing that customers value and trust.

With its mission to be the lowest priced retailer in the regions it operates, RSPL business continues to grow with new locations planned in more cities. As per plans, three new stores were opened in Coimbatore, Ranchi, and Jodhpur. It was decided that RSPL will buy all the immovable properties and no rent expenditure will be incurred. Given the significant capital outlay required for opening new stores amounting to several crores, RSPL borrowed ₹17.5 crore from its holding company, Symphony Inc., at an interest rate of 8% per annum.

During the financial year 2024–25, RSPL successfully opened a total of 25 stores throughout India. For the same period, the company reported a net profit before tax of ₹3 crore, while the EBITDA stood at ₹4.5 crore. Interest paid/ payable to Symphony Inc. on the borrowed funds amounted to ₹1.40 crore. For the same period Profit after tax was ₹ 2.25 Crore (Tax Rate 25%).

RSPL has decided to open a new store in Pune in April 2025. Land was purchased and establishment work was completed. Separate GST registration for Pune was taken in April 2025 and stock purchase for new store has also been done.



As per management projections, the new store at Pune will achieve good sales and accordingly it was decided to transfer some part of GST credit outstanding in electronic credit ledger of Chennai to electronic credit ledger of separate Pune registration. Further details regarding the company's assets and the accumulated Input Tax Credit (ITC) in the electronic credit ledger have been obtained from the GST portal and are presented in the form of a bar chart in Annexure II.

Accounts department has drafted a letter stating that credit of ₹ 1.25 Crore (on the basis of ratio of current assets) can be transferred to Pune registration.

Further, Accounts department of RSPL is also filing GSTR 3B for the month of September 2024 wherein total Taxable supplies reported are ₹ 25 Crore with output GST liability of ₹ 3.125 Crores. Input tax available in electronic credit ledger is ₹ 3.75 Crore and balance in electronic cash ledger is ₹ 37.5 Lakh.



Total current assets of RSPL as at 31.03.2025 were ₹ 250 Crore which included inventories amounting to ₹ 150 Crore. The carrying amount of inventories is after considering allowances for inventory shrinkages of ₹ 7.25 Crore. These inventories are held at the stores and distribution centres of the Company. Allowance for inventory shrinkage was an audit focus area since inventory counts were carried out at periodical intervals during the year and further

judgmental factors are involved in identifying the amount of provision for shrinkages. Audit team of the company addressed the issue by obtaining an understanding, evaluating the design and testing the operating effectiveness of controls that the company has in relation to allowance for inventory shrinkage.

In order to improve its profitability, RSPL is looking to buy securities of MNC Limited which is near bankruptcy. When the proposal came up for discussion in the meeting of board of directors, they unanimously decided to seek professional consultancy on investment in such securities. The appointed consultant did agree that such transactions can be profitable provided the strategy of investment followed involves the proper allocation of amount to be invested between debt and equity securities.

ANNEXURE I



DAILY NEWS

RIL Drops Major Client to Safeguard Employee Well-Being, Reinforces Ethical Business Values



Chennai, June 21: Radiant Industries Limited (RIL), a diversified company with interests in textile manufacturing, specialty chemicals, IT services, and health insurance, has ended its business relationship with a major client that accounted for approximately 30% of the revenue in its textile division.

According to statements issued by the company, the decision was based on operational challenges arising from the client's frequent placement of last-minute bulk orders with tight delivery deadlines,

forcing extended shifts and weekend operations on RIL's factory floor.

"They treated our production lines like an on-demand switch," said Ms. Rathod, Chairperson of RIL. "We value our clients, but we value our people more. No order is worth exhausting our workforce."

The company acknowledged the revenue impact but noted that it had taken steps to adjust operations and onboard new clients with what it described as "more structured engagements."

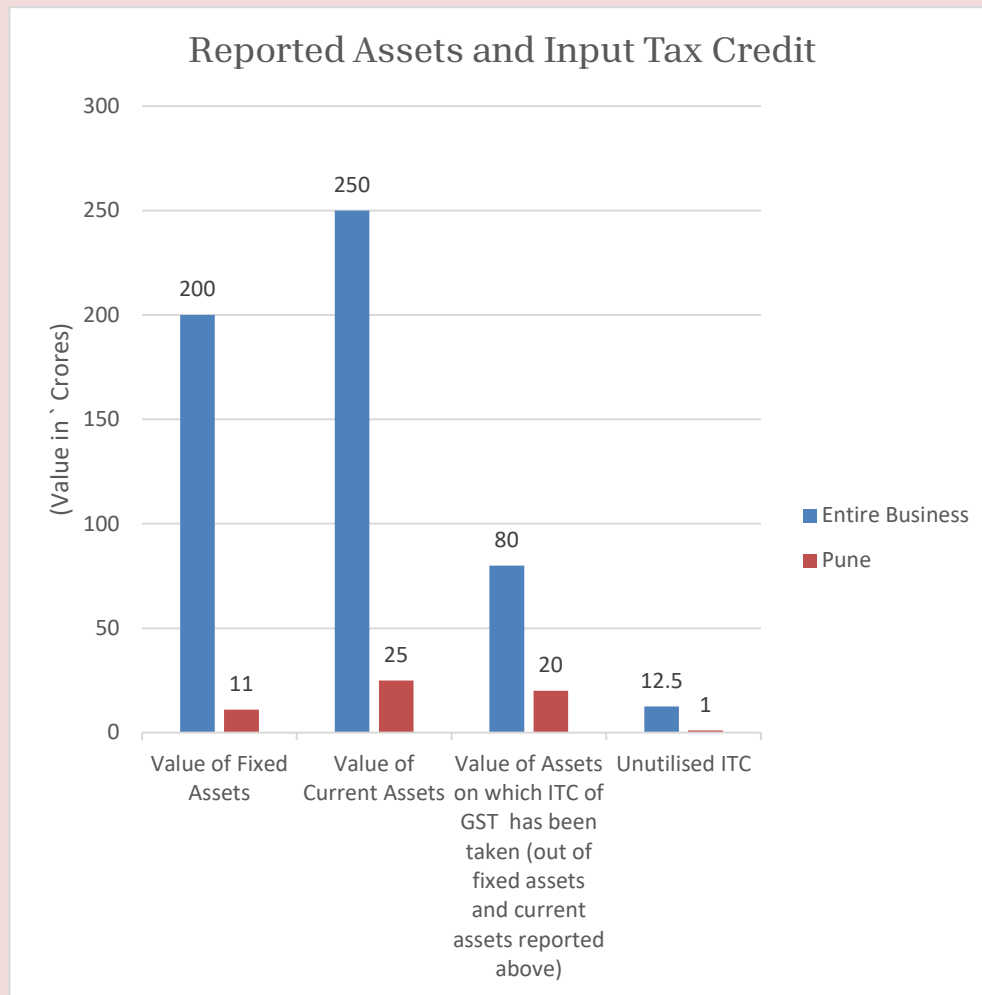
"Sustainable partnerships are built on respect, not pressure," Ms. Rathod emphasized. "This was a tough call, but it reaffirmed who we are as an organization."

Subsequent to the termination, RIL stated that the former client has returned with two new project proposals under fairer and more structured terms. Industry analysts have noted the development as part of a broader conversation around operational practices and business-client dynamics but have not issued any consensus on its long-term implications.

ANNEXURE II

Summary report on RSPL's Assets and Input Tax credit

This is a summarized report outlining the details of the company's assets and the accumulated Input Tax Credit (ITC) balance, on the date of Pune Store's GST registration, both at the entity level and specifically for the Pune Store. The report has been prepared by the Accounts Department with the purpose to determining the quantum of ITC to be transferred to the Pune Store in accordance with the applicable provisions of the GST laws. It is intended to serve as a reference document to facilitate compliance and ensure accurate allocation of credit between the company's units.



Multiple Choice Questions

1. Will RSPL be able to claim deduction of full amount of interest paid to Symphony Inc. under the provisions of Income-tax Act, 1961? If not, what will be the amount of disallowance as deduction during A.Y. 2025-26?
 - (a) No, amount of ₹ 0.05 cr. will be disallowed as deduction on account of excess interest
 - (b) No, amount of ₹ 0.20 cr. will be disallowed as deduction on account of excess interest
 - (c) No, amount of ₹ 0.90cr. will be disallowed as deduction on account of excess interest
 - (d) No, amount of ₹ 0.08 cr. will be disallowed as deduction on account of excess interest
2. What strategy should be followed by RSPL Management to ensure that proposed investment in securities MNC Ltd is profitable?
 - (a) Taking Short Position in Debt and Short Position in Equity
 - (b) Taking Long Position in Debt and Short Position in Equity
 - (c) Taking Long Position in Equity and Short Position in Debt
 - (d) Taking Long Position in Debt and Long Position in Equity
3. At what amount software purchased for ROMS should be capitalised initially using the principles of concerned Ind AS?
 - (a) Total Cost to be capitalised is ₹ 8,61,000
 - (b) Total Cost to be capitalised is ₹ 7,63,273
 - (c) Total Cost to be capitalised is ₹ 8,02,273
 - (d) Total Cost to be capitalised is ₹ 8,38,273
4. How the shrinkage in inventories should be reported in audit report, in case RSPL was the listed company?
 - (a) The auditor should report the issue of shrinkages in inventories in 'Key Audit matter paragraph' and also state how the matter has been dealt with by audit team

- (b) The auditor should report the issue of shrinkages in inventories in 'Emphasis of matter paragraph' and also state how the matter has been dealt with by audit team
 - (c) The auditor should report the issue of shrinkages in inventories in 'Other matter paragraph' and also state how the matter has been dealt with by audit team
 - (d) The auditor should report the issue of shrinkages in inventories in 'Other matter paragraph'
5. What will be your comments on draft letter of accounts department stating that GST input credit of ₹ 1.25 Crores can be transferred to Pune registration?
- (a) The amount calculated is correct as output liability will arise on sales and stock is a part of current assets
 - (b) The amount calculated is incorrect as the amount which can be transferred to Pune registration is ₹ 0.6875 Crores
 - (c) The amount calculated is incorrect as the amount which can be transferred to Pune registration is ₹ 1 Crores
 - (d) The amount calculated is incorrect as the amount which can be transferred to Pune registration is ₹ 3.125 Crores **(5 × 2 = 10 Marks)**

Descriptive Questions

6. ANALYSE whether RSPL is mandatorily required to utilize the balance in the electronic cash ledger while paying GST liability for the month of September 2024? Also DISCUSS the nature of documents on the basis of which ITC would have been taken by RSPL. **(2 Marks)**
7. DISCUSS how RSPL will be able to earn profit by taking position in debt and equity securities of MNC Limited? **(5 Marks)**
8. DISCUSS the reasons behind dropping of a profitable client by RIL. **(3 Marks)**
9. RSPL is having intangible assets (including software purchased for ROMS). GUIDE the accounts department about the general disclosures to be made in financial statements relating to such intangible assets. Also DISCUSS the conditions, if any, for derecognition of intangible assets. **(5 Marks)**

CASE STUDY 3

Eco Solution Ltd.

Eco Solution Ltd. (ESL), headquartered in Bengaluru, operates in the manufacturing and export of energy-efficient electrical components. Founded in August 2010, ESL was born out of a strategic collaboration between Jaynam and Ritik, who first crossed paths during an international sustainability summit hosted by the Confederation of Indian Industry (CII). Their discussions led to a shared realization: India's energy infrastructure required not just innovation, but a commercially viable green-tech backbone. This meeting of minds became the catalyst for the formation of ESL. The company's vision is to "enable a greener tomorrow through responsible innovation," and its mission is to "design and deliver energy solutions that enhance efficiency, reduce carbon dependency, and empower industry transitions to clean power."



With a technology-driven business model grounded in engineering and automation, ESL strategically aligned itself with Government of India's growing thrust on green energy. The firm began developing smart grid components and hybrid energy storage solutions-areas identified as critical to reducing the environmental footprint of conventional coal-based power generation.

ESL's product portfolio offers scalable support to firms migrating to renewable power, enabling reliable and cost-effective long-term energy storage. However, the company's business cycle remains relatively long. The time period between the purchase of raw materials and completion of final product to make the buyers ready for power storage would take 12 months for ESL. Customers purchased them immediately once they were ready for installation but the payment was made with a credit period of 6 months. The company took a long-term loan from Dena Ltd. for managing capital expenditure pertaining to new project. However, the installments due in the financial year 2024-2025 could not be paid on time and as a consequence the loan became repayable on demand on 31st day of March 2025. In June 2025, ESL engaged in renegotiations with Dena Ltd. Following a review of ESL's growth potential and consistent managerial commitment- well documented and appreciated across industry platforms and media (refer **ANNEXURE I**) - the lender agreed not to invoke the repayment-on-demand clause. It was decided between the borrower and the lender before approval of audited financial statements of ESL, such that the lender Dena Ltd. will not demand repayment of loan in spite of the breach of repayment terms by ESL.

Faced with short-term liquidity challenges, the management at ESL began evaluating strategic funding options that would align with their long-term growth vision. After internal deliberations



and consulting with financial advisors, they opted to raise capital through External Commercial borrowing (INR denominated) by issuing Non-Convertible Debentures with maturity period of 7 years. The foreign investors who will be subscribing to the said debentures requested for interim financial report (to be prepared as per IND AS). ESL's Chief Financial Officer (CFO) was tasked with overseeing the preparation of this report and

coordinating its internal review before submission. Upon reviewing the interim financial report, Merbin, a senior member of the corporate accounting team, identified several discrepancies in its treatment and disclosures, which he believes are not in compliance with the guidelines prescribed under IND AS. Specifically, he noted that: (I) One item of extraordinary nature has not been shown (II) Reversal of impairment loss recognized in a previous interim period in respect of goodwill (III) disclosure of only basic earnings per share has been made. (IV) Insignificant changes in contingent liabilities has not been disclosed.

Despite these Issues, ESL submitted the same interim financial report to investors and proceeded with the issuance of External Commercial Borrowings (ECB).

Proceeds from issue (INR 8 Crores) will be used for repayment of outstanding balance of Loan of Dena Ltd. (INR 5 Crores and working capital purposes INR 3 Crores). ESL however did not hedge the exposure of ECBs (principal as well as the coupon) and used the exchange rate prevailing on the date of settlement (01.06.2025) for conversion to rupee as against the exchange rate on the date of agreement (20.05.2025).

ESL has been actively exploring ways to enhance its operational efficiency in response to increasing competition in the green technology market. One of its flagship offerings, the "TBU" unit, initially gained significant traction due to its novel design and alignment with sustainability trends. Over time, however, the entry of similar products by competitors in both domestic and international markets created pricing pressures, limiting ESL's ability to raise prices despite rising input costs. To sustain profitability and retain market share, ESL adopted change in technology resulting in a 25% increase in standard labour efficiency. While implementing new technology, ESL availed the technical services of Click Ltd., UK on 20th December, 2024. ESL raised the self invoice for ₹ 2,00,000 on 28th December, 2024 in respect of such technical services. ESL made payment on 22nd January, 2025.

After achieving improved production efficiency and cost optimization for its product "TBU," ESL began actively bidding for public sector tenders across various states. The company aimed to expand its institutional customer base and leverage economies of scale by targeting large-

volume contracts. As part of this effort, ESL participated in a competitive bidding process initiated by the Tamil Nadu Electricity Board (TNEB) for the supply of product "TBU". After completing the technical evaluation and pricing scrutiny, ESL's proposal was shortlisted, and the company was awarded a contract for the supply of 20 lakh units of "TBU" at a total contract value of ₹ 25 Crores. ESL supplied the product as per terms and conditions of the purchase order and that too before the deadline. TNEB withheld ₹ 2.5 Crores which is payable after 12 months and paid the balance after deducting TDS under the Income-tax Act and under GST. ESL earned net profit of ₹ 4 Crores from this supply.



Despite being fully immersed in ESL's operational responsibilities, Jaynam began exploring alternate avenues to diversify the company's financial strategies. During a business leadership seminar, he participated in a roundtable discussion on strategic asset allocation for companies with surplus cash flow. Inspired by insights from global CFOs, he decided to apply some of those principles to ESL's own finances.

Around the same time, ESL had generated substantial profits from various contracts, and the finance team had been exploring how to deploy surplus funds without compromising liquidity. Seeing an opportunity to blend risk-managed investing with return maximization, Jaynam began to personally experiment with stock and commodity transactions on recognized exchanges during the financial year 2024–25, as detailed in ANNEXURE II.

However, after getting some experience of stock and commodity market, Jaynam formed a view that professionals only could handle the investments and there is no point in wasting the hard earned money through unprofessional techniques. Accordingly, He discussed the idea with Ritik and suggested that a portfolio could be created using the reserve funds from the profits earned by ESL through its supplies to TNEB. He also proposed that CA Kailash, an expert in managing such portfolios, should be appointed to handle it. All legal and other formalities have been duly fulfilled by ESL related to Portfolio management business. The terms of his remuneration will be that CA. Kailash is eligible for 0.20% of portfolio as fee. Also, he will be paid for a fee incentive @ 1% which will be linked to gross return in excess of the portfolio maximum value since its inception. The Maximum value of the portfolio reached ₹ 4.40 Crores in last 6 months.

ANNEXURE I



DAILY NEWS

ESL Leads the Way in Green Energy Innovation Aligned with Government's Sustainability Push



Bengaluru, April 2024 - As India progresses toward its long-term clean energy targets, Energy Solutions Limited (ESL), a Bengaluru-based company, continues to expand its presence in the renewable technology space. Founded in August 2010 by Jaynam and Ritik, ESL operates in areas such as hybrid energy storage systems and smart grid components—segments that are gaining attention in line with national sustainability policies.

Began the manufacturing of smart grid components and hybrid energy storage solutions, even before any legislative compulsion. Commenting on this early move, co-founder Jaynam stated, “We didn’t wait for a law to tell us what’s right. We believe in creating a cleaner, smarter future and business should lead the way.”

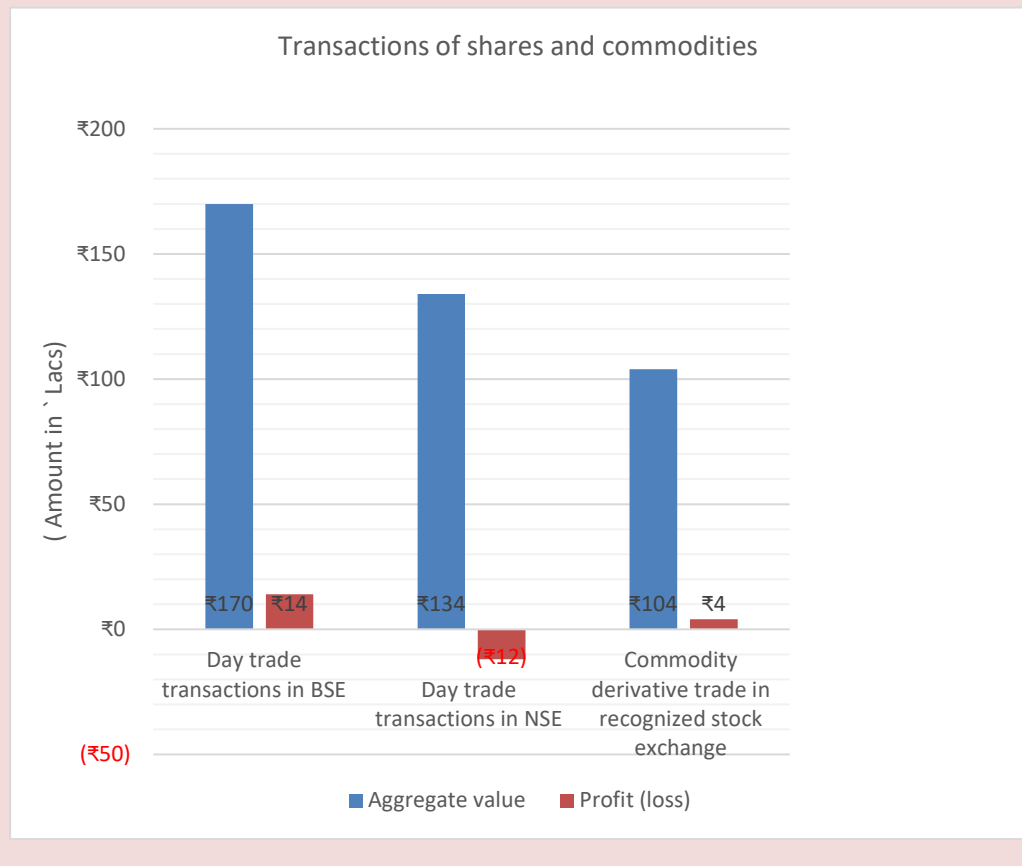
ESL also reports environmental data annually to the Ministry of Environment and Forests, including figures related to collection, recovery, and recycling of packaging waste, target fulfillment, and tax declarations. These reports form part of the statutory requirements for companies engaged in product manufacturing and distribution.

Internally, ESL has launched an energy efficiency initiative branded “Go Eco,” which, according to the company, resulted in a 20% reduction in its energy usage and cost savings of approximately ₹35 lakh. Co-founder Ritik noted, “We wanted to walk the talk, not just produce for a greener world but also operate like one. Clean energy is not just ethical, it’s efficient.”

As India’s energy landscape continues to diversify, ESL represents one of several private sector firms adapting to a policy environment increasingly focused on sustainability, energy efficiency, and reduced carbon dependency.

Annexure II

A personalized report detailing transactions in shares and commodities for FY 2024–25 was downloaded from Jaynam's Demat account using his credentials.



Multiple Choice Questions

1. Which of the following statements is/are correct in relation to ECBs raised by ESL?
 - I. Use of ECB proceeds for repayment of Loan of Dena Ltd. is not permitted.
 - II. Use of ECBs proceeds for working capital is not permitted.
 - III. ESL has not followed the guidelines by not hedging the ECB exposure.
 - IV. Exchange rate as on 20.05.2025 should have been used for conversion.

Options

- (a) Statement I, II and IV

- (b) Only Statement I
 - (c) Statement I and III
 - (d) Only Statement II
2. How income of Jaynam from day trade in shares and commodity derivatives trade is liable to tax under the Income-tax Act, 1961?
- (a) Non-speculation business income from day trade in shares ₹ 2,00,000 and business income being speculation income from commodities derivative ₹ 4,00,000
 - (b) Regular business income (non-speculation income) ₹ 6,00,000
 - (c) Business income (non-speculation) from commodities derivative ₹ 4,00,000 and speculation business income from day trade in share ₹ 2,00,000
 - (d) ₹ 6,00,000 being speculation income consisting of both day trade in shares and commodities derivative trade
3. If returns on the portfolio for the specified period is 20%, how much fee is payable by ESL to CA. Kailash?
- (a) ₹ 1,72,000
 - (b) ₹ 1,20,000
 - (c) ₹ 4,08,000
 - (d) ₹ 1,36,000
4. Whether the issues raised by Merbin on interim financials submitted were valid and required changes in such interim report?
- (a) Only Issue (I) have been validly raised and required changes in interim financial report
 - (b) Only Issue (I) and (IV) have been validly raised and required changes in interim financial report
 - (c) All the issues raised were valid and the effect of all four issues required changes in interim financial report
 - (d) Only Issue (II) and Issue (III) have been validly raised and required changes in interim financial report

5. ESL is now considering appointing CA Kailash as its statutory auditor. Which of the following is the most appropriate course of action?
- (a) CA Kailash can perform both roles as long as the portfolio management services are not rendered to any holding or subsidiary of ESL.
 - (b) CA Kailash may accept the audit, provided he discloses the portfolio management services in the engagement letter and obtains consent from ESL's Board.
 - (c) CA Kailash can accept the audit engagement only if he discontinues the portfolio management services.
 - (d) CA Kailash may accept the audit, provided he appropriately discloses the dual role in the audit report.
- (5 × 2 = 10 Marks)**

Descriptive Questions

6. ANALYSE whether the transaction between ESL and Click Ltd. attracts any GST under Goods and Service Tax law? If Yes, then who is liable to pay GST and in which month? If no, state the relevant legal provision for the same. **(3 Marks)**
7. EVALUATE:
- (i) Will you classify the inventory and trade receivables of ESL as current assets?
 - (ii) Would your answer be different if the production time is 15 months and the credit period allowed to the customers is 17 months?
 - (iii) How would you classify the liability due to Dena Ltd. as on 31st March, 2025 in spite of the default in repayment of installment of loan? **(5 Marks)**
8. ANALYSE
- (i) Why did ESL engage in the business of manufacturing smart grid components and hybrid energy storage solutions despite there being no government mandate?
 - (ii) The risk exposure of ESL.
 - (iii) How does focusing on environmental sustainability provide an opportunity to ESL for reducing costs? **(5 Marks)**
9. How much of the amount would have been deducted by TNEB as TDS under Income-tax Act and under the applicable GST law? **(2 Marks)**

CASE STUDY 4

Founded in 1993 by Mr. Prakash Das, Bengali Brew Ltd. (BBL) operates as an unlisted public company out of Siliguri, West Bengal. Mr. Das initiated BBL, recognizing both the growing market for premium coffee and tea across India and the strategic benefits of Siliguri's location within a prominent tea-growing region.

The Early Years and Vision

Mr. Prakash Das envisioned a company that would not only supply premium beverages but also elevate the daily coffee and tea experience for Indian consumers. He recognized the rich heritage of tea cultivation in West Bengal, particularly in and around Siliguri, which has a long history dating back centuries. While coffee was less prevalent in the region's historical agricultural landscape, Mr. Das saw an opportunity to introduce and popularize high-quality coffee products alongside the well-established tea market.

BBL was established with a clear and inspiring vision, To be the most cherished and widely recognized purveyor of exceptional coffee and tea experiences, enriching lives across India and beyond. This vision guided the company from its earliest days, emphasizing quality, customer satisfaction, and a commitment to expand beyond regional boundaries.

Foundational Principles and Growth

The company's Mission was defined as, to meticulously source the finest coffee beans and tea leaves globally, craft premium quality products through innovative processes, and deliver unparalleled taste and satisfaction to our customers, while fostering sustainable practices and expanding our reach.

From its foundation, BBL placed immense pride in its state-of-the-art processing and packaging facility. Mr. Das ensured that the company meticulously selected the finest coffee beans and tea leaves from around the world, prioritizing quality and freshness above all else. This rigorous production process, adhering to stringent quality control measures, was a cornerstone of BBL's initial success, quickly earning customer trust and loyalty. This unwavering commitment to quality enabled BBL to establish itself as a leading brand in the competitive Indian coffee and tea industry.

Understanding evolving customer preferences, BBL, under Mr. Das's guidance, developed a comprehensive range of coffee and tea products from the outset. This portfolio included classic instant coffee blends, aromatic loose leaf teas, and a delightful selection of flavored varieties, catering to diverse palates and brewing preferences. The emphasis on continuous innovation and expansion of offerings allowed BBL to keep pace with current trends and consumer demands.

BBL pursued national expansion by building strong distribution ties with top retailers and exploring global trade partnerships. The media (Annexure 1) has widely covered this strategic growth. Its long-standing sourcing expertise ensured high-quality products at competitive costs, reinforcing its market position.

However, Mr. Das was also acutely aware of buyer bargaining power. Despite BBL's reputation for exceptional taste and diverse products, he recognized that buyers wield influence, especially with alternative suppliers. Therefore, BBL consistently balanced its pricing strategies and value propositions to maintain customer loyalty while safeguarding profitability. By continuously monitoring and adapting to changes in supplier and buyer dynamics, BBL aimed to optimize its supply chain relationships and enhance its competitive edge.

In the competitive coffee and tea industry, Bengali Brew Ltd. (BBL) faced significant rivalry from both local and international players from its very beginning. Mr. Das understood that with numerous competitors vying for market share, the intensity of competition would be palpable. Established brands and emerging players constantly strive to differentiate themselves through product innovation, pricing strategies, and marketing initiatives. BBL's strong brand reputation, diverse product range, and commitment to quality, all built upon its foundational principles, positioned it well amidst this competitive environment. The awareness of potential price wars and aggressive marketing tactics ensured that BBL leveraged its strengths, such as its advanced processing facility and customer-centric approach, to continuously enhance its offerings and brand value, staying attuned to market trends, consumer preferences, and competitor actions to proactively adapt its strategies and sustain its competitive advantage.

On July 1st, 2024, BBL imported a consignment of coffee beans from Brazil, through establishing contact with such coffee bean supplier situated in Brazil and negotiating the purchase agreement, including price, quality specifications, and delivery terms. Both parties prepared necessary documents, such as a commercial invoice, packing list, bill of lading (ocean freight), and certificate of origin.

BBL has a customs broker, Mr. Hardik Kali, to handle the clearance process in India, ensuring compliance with import regulations and duties. The bill of entry for warehousing of goods was presented on 5th July, 2024 and the goods were duly warehoused. The goods were subject to duty @ 50% ad valorem.

In the meanwhile, on 1st August, 2024, an exemption notification was issued reducing the effecting customs duty @ 30%, ad valorem. Mr. Hardik on behalf of BBL filed bill of entry for home consumption on 1st September, 2024 claiming duty @ 30% ad valorem. However, Customs Department charged duty @ 50% ad valorem being the rate on the date of clearance into the warehouse. Also the proper officer raised some queries on the accuracy of the declared value.

Further, the cost of insurance was not ascertainable from the documents submitted before the customs authorities by Mr. Hardik on behalf of BBL relevant for determining the CIF price of the imported goods which is obtained by making certain additions to the value of imported goods as prescribed.

BBL is an Ind AS compliant company. It has a paid-up capital of ₹ 5 crores and turnover of ₹ 400 crores. It presents financial results for three years (i.e., one for current year and two comparative years) internally for the purpose of management information every year in addition to the general-purpose financial statements. The aforesaid financial results are presented

without furnishing the related notes because these are not required by the management for internal purposes.

During the current year, management thought why not they should present third year statement of profit and loss also in the general-purpose financial statements. It will save time and will be available easily whenever management needs this in future.

BBL is required to file its financial statements through XBRL which enables producers and consumers of financial data to switch resources away from costly manual processes, typically involving time-consuming comparison, assembly and re-entry of data, making the data readable, with the help of two documents: Taxonomy & Instance Document.

The management of BBL on analysis of such additional information, inter-alia, observed that there were variances which arise because of inaccurate or faulty standards, not in control of management, and they should not be held responsible for it.

Further on analysis of such third year statement of profit and loss pertaining to F.Y. 2022-23, it was observed that BBL had issued debentures in the previous year 2022-23, which were to be matured at the end of 5 years. The debenture holder was given an option of one time upfront payment of ₹ 50 per debenture on account of interest which was to be immediately paid by the company. As per the option exercised by the debenture holders, company paid interest upfront to them in the first year itself and the same was claimed as deduction in the return of the company.

However, the company's accounts treated this interest as deferred expenditure, to be written off over the debentures' five-year term. During the assessment for the previous year 2022-23, the Assessing Officer (AO) concurred with this accounting treatment, allowing only one-fifth of the upfront interest paid as a deduction. This order was issued on May 20, 2024.

DRC & Co., are the Auditors of BBL, for the year ended on 31st March, 2025. The Audit Report for that year was signed by the Auditors on 4th May, 2025. The Annual General Meeting was decided to be held during the month of August 2025. On 6th May, 2025, the Company had received a communication from the Central Government that an amount of ₹ 300 crore kept pending on account of incentives pertaining to Financial Year 2024-25 had been approved and the amount would be paid to the Company before the end of May 2025.

To a query to Chief Financial officer of the Company, Mr. Sarabjeet Singh, by the management, it was informed that this amount had not been recognised in the Audited Financial Statements in view of the same not being released before the close of the Financial Year and due to uncertainty of receipt. Now, having received the amount, the management wished to include

this amount in the Financial Statements of the Company for the Financial Year ended on 31st March, 2025.

On 8th May, 2025, the management amended the accounts, approved the same and requested the auditor to consider this event and issue a fresh Audit Report on the Financial Statements for the year ended on 31st March, 2025.

Additionally, the auditor had also identified a potential non-compliance with GST regulations concerning sitting fees paid to a director. The information provided herein has been gathered based on the minutes of the board meeting, as documented in the attached Annexure II.

Annexure I



The Biz Outlook

BBL EXPANDS NATIONAL FOOTPRINT AND EYES GLOBAL MARKET WITH STRATEGIC PARTNERSHIPS AND PREMIUM

Kolkata, May 11, 2024: With a strategic vision for national expansion, BBL actively started growing its distribution network early on. Forging partnerships with leading retailers and supermarkets was crucial in making their products accessible to a wider customer base nation-wide.



Furthermore, Mr. Prak-ash Das, Chairman, always looked towards strategic collaborations and international trade opportunities to broaden BBL's

market reach and solidify its position as a prominent player in the global coffee and tea market.

BBL's ability to source the finest coffee beans and tea leaves globally, a strength cultivated since its foundation, granted it leverage in negotiating favourable terms with suppliers. This meticulous

selection process further strengthened its bargaining position, enabling cost savings and consistent product quality.

As BBL continues to scale new heights, its commitment to quality, innovation, and strategic growth remains at the heart of its journey.

~ Dr. Jyoti Batra, Editor

Annexure: II

EXTRACT OF MINUTES OF THE BOARD OF DIRECTORS' MEETING OF BENGALI BREW LTD. (BBL)

Date: 15th January 2025

Time: 2:00 pm

Venue: Siliguri

ITEM NO. [X]: INDEPENDENT DIRECTOR REMUNERATION

The Board noted that Mr. Ravish Soni, an Independent Director, was to be paid sitting fees of ₹ 34,000/- for meetings held in December, 2024. This payment adheres to the Companies Act, 2013, and company policy.

RESOLVED THAT the Independent Director sitting fees, as noted, be approved.

Mr. Prakash Das

Chairman, Bengali Brew Ltd.

Multiple Choice Questions

1. In the coffee and tea industry, which factor represents the potential challenge of existing competitors intensifying their rivalry by innovating and differentiating their products, thereby posing a threat to Bengali Brew Ltd.'s (BBL) market share?
 - (a) Bargaining Power of Suppliers
 - (b) Competitive Rivalry
 - (c) Bargaining Power of Buyers
 - (d) Threat of New Entrants
2. Which of the following is the correct statement with respect to the GST liability in case of the fees paid to Mr. Ravish?
 - (a) GST shall be payable by Mr. Ravish, an Independent director under the forward charge.
 - (b) Sitting fees paid to the director of a company is exempt under GST, regardless of the nature of services provided.
 - (c) Sitting fees paid to the director of a company is treated as salary paid to the director and is not chargeable to GST and is subject to deduction of TDS under section 192 of the Income Tax Act, 1961.
 - (d) GST on the sitting fees paid to a director, who is not an employee of the company, shall be paid by the company (BBL) under the reverse charge mechanism.

3. Can BBL's management include a third statement of profit and loss as an extra comparative in its general-purpose financial statements?
- (a) Yes, but a company must provide comparative information from the start of the prior period in addition to the minimum required comparative financial statements.
 - (b) No, a company is prohibited from presenting additional comparative information beyond the minimum financial statements stipulated by Ind AS.
 - (c) Yes, a company is permitted to provide more comparative data than the minimum financial statements mandated by Ind AS, provided such data adheres to Ind AS. Nevertheless, the company must also furnish corresponding explanatory notes for these supplementary statements.
 - (d) Yes, a company may include additional comparative information beyond the minimum financial statements required by Ind AS, as long as it complies with Ind AS. The company is not obligated to provide related explanatory notes for these extra statements.
4. Is BBL's management permitted to present only such a third statement of profit and loss as an additional comparative in the general-purpose financial statements, without providing other components (like balance sheet, statement of cash flows, statement of changes in equity) of the financial statements?
- (a) Yes, such comparative data can consist of one or more specified statements but does not necessarily have to be a complete set of financial statements.
 - (b) No, in such a scenario, a full set of financial statements must be presented for that third statement of profit and loss, in addition to the minimum comparative financial statements mandated by Ind AS, provided the information complies with Ind AS. However, the entity is only required to present related note information for complete set of financial statements.
 - (c) No, a company is initially not permitted to present only such comparative information in addition to the minimum comparative financial statements required by Ind AS. Therefore, the question of providing other components (like balance sheet, statement of cash flows, statement of changes in equity) of financial statements does not even come into consideration.
 - (d) No, in such a case, a complete set of financial statements must be presented for that third statement of profit and loss, in addition to the minimum comparative financial statements required by Ind AS, as long as the information is prepared in accordance with Ind AS. However, the entity is only required to present related note information for that specific third statement of profit and loss.

5. In the case of BBL, amount of cost of insurance would be determined as:
- (i) The actual cost of insurance as per the insurance policy or invoice, provided such cost is ascertainable and verifiable.
 - (ii) Where the actual cost of insurance is not ascertainable, and none of the values in (iii), (iv), (v), or (vi) below can be applied, and no other reasonable means of determination exist, then the cost of insurance shall be deemed to be nil or may be determined by the appropriate authority based on available information.
 - (iii) 20% of free on board value of imported goods
 - (iv) 1.125% of free on board value of imported goods
 - (v) Where free on board value is not ascertainable, but sum of free on board value and cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to place of importation is ascertainable; then 1.125% of such sum
 - (vi) Where free on board value is not ascertainable, but sum of free on board value and cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to place of importation is ascertainable; then 20% of such sum.

Options

- (a) (ii) or (v)
- (b) (i) or (iv)
- (c) (iv) or (v)
- (d) (iv) or (vi) **(5 × 2 = 10 Marks)**

Descriptive Questions

6. (i) DETERMINE the rate of duty applicable for clearance for home consumption.
- (ii) Whether the rate of exchange on 1st September could be adopted for purpose of conversion of foreign currency into local currency?
- (iii) EXPLAIN briefly the chief reasons on the basis of which the proper officer can raise doubts on the truth or accuracy of the declared value as happened in the case of BBL. **(3 Marks)**
7. ANALYSE the issues involved and give your views as to whether or not the auditor, DRC & Co., could accede to the request of the management. **(5 Marks)**

8. How do external market dynamics impact Bengali Brew Ltd.'s (BBL) strategic choices and competitive stance within the coffee and tea industry? Consider aspects such as the level of competition among industry players, the influence of suppliers and buyers on BBL's operations, the potential threat posed by new market entrants, and the availability of alternative products or substitutes. EVALUATE how these factors shape BBL's market positioning and strategic decisions in response to industry challenges and opportunities.

(2 Marks)

9. EXAMINE the correctness of the action of the Assessing Officer.

(5 Marks)

CASE STUDY 5

Sparkle Private Limited

Mr. Pawan: From Corporate Professional to Entrepreneur

Before founding Sparkle Private Limited, Mr. Pawan P. had a distinguished career in the textile industry, working for over two decades in a leading multinational corporation. Starting as an entry-level employee, he rose through the ranks due to his expertise in manufacturing, international trade, and operational management. His experience gave him deep insights into the textile market, both domestically and globally. With a vision to build a brand of his own and tap into the booming textile exports market, Mr. Pawan ventured into entrepreneurship. He brought with him not just years of industry knowledge but also an entrepreneurial spirit, leading to the incorporation of Sparkle Private Limited in May 2024.

Sparkle Private Limited's Journey

Incorporated in May 2024, Sparkle Private Limited has quickly made significant strides in the textile industry. Headquartered in New Delhi, the company embarked on the construction of a state-of-the-art factory building in NOIDA using prefabricated structure, which is common and prevalent in modern times. The building, comprising about 1,00,000 square ft. of covered area, was ready to use by the end of July 2024 at a cost of ₹ 6.50 crores. The company also obtained GST registration the state of Uttar Pradesh in May 2024.

In anticipation of launching production quickly, the company had placed advance orders for new textile machinery from South Korea, costing ₹ 8.65 crores. Additionally, it planned to install previously used indigenous machinery valued at ₹ 2.00 crores. By the first week of August 2024, both imported and indigenous machinery were brought at the NOIDA premises, enabling Sparkle to kick-start commercial production of textile made-ups by September 1, 2024.

The early success of Sparkle's made-up textiles became evident when they quickly gathered attention in the U.S. market. Operating under the "Sparkle" brand, the company skillfully leveraged digital and online marketing platforms to secure export orders, effectively competing

with and surpassing Chinese rivals in terms of quality and innovation. The company's strategic focus on digital outreach helped it capture a significant chunk of the export market, further fueling its rapid growth.

To further optimize its operational efficiency, in February 2025, Sparkle outsourced 20% of its production to factories in countries with lower operational costs. These factories cater exclusively to Sparkle's procurement demands but operate independently, with no direct involvement from Sparkle. Products from these suppliers are stored at Sparkle's distribution centers and dispatched for sales as needed.

The company's rapid production ramp-up, combined with Managing Director Mr. Pawan's strategic vision, and its successful penetration of international markets, led to significant profitability during the financial year 2024-25. This success reflects Sparkle's ability to swiftly scale operations, utilize cost-effective solutions, and establish a strong foothold in the global market.

Sparkle Private Limited's **mission** is to *become a globally recognized textile brand by delivering innovative, high-quality products, while maintaining integrity and placing sustainability at the forefront of its operations.* The company's **vision** is to *lead the global textile industry by setting new standards in quality, innovation, and ethical practices, ensuring sustainable growth and contributing positively to the community.* Sparkle's **long-term goals** include *achieving global market leadership by expanding into key international markets, sustaining 20% annual growth while maintaining operational excellence, investing in cutting-edge technology and research for continuous innovation, and ensuring ethical supply chain practices by maintaining transparency across operations.*

GST Compliance Challenges

During the fiscal year ended March 31, 2025, Sparkle achieved an impressive export turnover of ₹ 50 crores. The company opted to export with the payment of IGST and benefited from duty drawbacks, amounting to ₹ 2.00 crores, credited to its statement of profit and loss. By the end of the year, Sparkle's financial statements reflected a net profit before tax of ₹ 7.50 crores. Additionally, the company invested ₹ 10 lakhs in research and development, further strengthening its innovative edge in the market.

Despite its commercial success, the company's in-house GST team faced challenges in navigating GST liability on IGST payments and refunds, particularly concerning the export sales that began in Oct 2024. The made-ups valuing ₹5 crores were exported during Oct 2024, carrying a GST rate of 5%. The break-up of Input Tax Credit (ITC) for the month of October 2024 is as follows, Eligible ITC on inputs amounts to ₹0.15 crores, eligible ITC on capital goods stands at ₹0.03 crores, and eligible ITC on input services is ₹0.02 crores.

There were divergent opinions among team members pertaining to discharge of tax liability and refund issues given below before they could approach their tax consultant.

Opinion I - The overall IGST liability of the company pertaining to supplies in relation to export in Oct 2024 is ₹ 0.25 crores and it would be discharged by the company by availing ITC on inputs of ₹ 0.15 crores and balance of ₹ 0.10 crore would be discharged by company in cash. After discharge of liability and filing of periodical returns consisting of GSTR- 3B and GSTR-1, the above said amount of ₹ 0.25 crore would be refunded/refundable directly by customs in bank account of company.

Opinion II - The overall IGST liability of the company pertaining to supplies in relation to export in Oct 2024 is ₹ 0.25 crores and it would be discharged by the company by availing ITC on inputs of ₹ 0.15 crores, ITC on capital goods of ₹ 0.03 crore and ITC on services of ₹ 0.02 crores and balance of ₹ 0.05 crore would be discharged by company in cash. After discharge of liability and filing of periodical returns consisting of GSTR- 3B and GSTR-1, the above said amount of ₹ 0.25 crore would be refunded /refundable directly by customs in bank account of the company.

Opinion III - The overall IGST liability of the company pertaining to supplies in relation to export in Oct 2024 is ₹ 0.25 crores and it would be discharged by the company by availing ITC on inputs of ₹ 0.15 crores, ITC on capital goods of ₹ 0.03 crore and ITC on services of ₹ 0.02 crores and balance of ₹ 0.05 crore would be discharged by company in cash. After discharge of liability and filing of periodical returns consisting of GSTR- 3B, GSTR-1, and GSTR-9, the above said amount of ₹ 0.25 crore would be refunded/refundable directly by customs in bank account of the company.

Opinion IV - The overall IGST liability of the company pertaining to supplies in relation to export in Oct 2024 is ₹ 0.25 crores and it would be discharged by the company by availing ITC on inputs of ₹ 0.15 crores, ITC on capital goods of ₹ 0.03 crores and ITC on services of ₹ 0.02 crores and balance of ₹ 0.05 crore would be discharged by company in cash. After discharge of liability and filing of periodical returns consisting of GSTR- 3B and GSTR-1, the above said ITC amounting to ₹ 0.20 crore would be refunded/refundable directly by customs in bank account of the company.

The GST team's uncertainty highlighted the complexities of navigating export-related tax laws.

Capital Investments and Other Costs

The company imported machinery worth ₹ 8.65 crores from South Korea, with the cost being CIF at Mundra port. However, the company incurred ₹ 2.36 lakhs as clearing charges paid to DK Services Private Limited (including ₹ 0.36 lakhs on account of IGST) for availing services for getting consignments cleared from port.

Further, the company incurred ₹ 3.00 lakhs for freight services paid to D Transport Services, a proprietary concern that is not registered under GST and owning 15 goods carriage. As a result, the company deposited ₹ 0.15 lakhs in IGST under the reverse charge mechanism.

Moreover, the company paid ₹1.77 crores to another company providing building construction services during the financial year 2024-25, which included ₹ 27 lakhs of IGST.

Rapid Growth and Strategic Leadership Under Mr. Pawan

Under the visionary leadership of Mr. Pawan, Sparkle Private Limited has rapidly established itself as a competitive force in the textile industry. The company's early success in penetrating the U.S. market, combined with its strategic investments in modern infrastructure, innovative marketing approaches, and capital expansion, has paved the way for sustained growth. Despite facing some challenges in GST compliance, Sparkle's strong performance and rapid export expansion reflect Mr. Pawan's entrepreneurial acumen, strategic foresight, and unwavering determination to drive the company forward.

The Board of Directors of Sparkle Private Limited has decided to delegate the authority to borrow monies and to issue securities, including debentures, to the Managing Director. This delegation is intended to facilitate the smooth functioning of business operations and ensure timely decision-making in financial matters. By empowering the Managing Director with these responsibilities, the Board aims to enhance operational efficiency and support the company's ongoing growth and funding requirements.

ANNEXURE



The Time

The New Age Sparkle Faces Scrutiny Over Child Labour and Unethical Practices in Overseas Supply Chain

Recent reports from several Third World countries have uncovered alarming instances of child labor within factories linked to global supply chains, including those associated with Sparkle, a leading global apparel brand. Despite child labor being illegal in these nations, it has been reported that factories outsource work to contractors who, in turn, illegally hire children, bypassing local law enforcement.

Although Sparkle itself has not directly engaged in these practices, acting only as a customer for these factories, its lack of initial intervention has drawn criticism. Working conditions in many of these factories are described as unhygienic and oppressive, with the exploitation of vulnerable workers being a widespread issue.



Multiple Choice Questions

1. Regarding tax liability of the said company for the month of Oct 2024 under provisions contained in GST laws and rules, which statement is correct?
 - (a) Opinion II is correct.
 - (b) Opinion III is correct.
 - (c) Opinion I is correct.
 - (d) Opinion IV is correct.
2. In context of the information given in under “**Capital Investments and Other Costs**” of the case study, consider the following table of compliances under income tax law as well as under GST law:

<i>Nature of Compliances</i>	<i>Appropriate response of company in accordance with law</i>
(1) Deduction of TDS under income tax law and availing of eligible ITC under GST law	(i) TDS of ₹ 3,07,000/- is deducted on account of above three transactions and company is availing ITC of ₹ 51,000/- in respect of these transactions
(2) Deduction of TDS under income tax law and availing of eligible ITC under GST law	(ii) TDS of ₹ 2,30,250/- is deducted on account of above three transactions and company is availing ITC of ₹ 36,000/- in respect of these transactions
(3) Deduction of TDS under income tax law and availing of eligible ITC under GST law	(iii) TDS of ₹ 2,30,250/- is deducted on account of above three transactions and company is availing ITC of ₹ 27,51,000/- in respect of these transactions
(4) Deduction of TDS under income tax law and availing of eligible ITC under GST law	(iv) TDS of ₹ 3,07,000/- is deducted on account of above three transactions and company is availing ITC of ₹ 27,36,000/- in respect of these transactions

Which of the following forms appropriate response by the company in accordance with law?

- (a) Combination (1) and (i)
- (b) Combination (2) and (ii)
- (c) Combination (3) and (iii)
- (d) Combination (4) and (iv)

3. Given this scenario, in which stage of the product life cycle is Sparkle's made-up products most likely positioned?
- (a) Shakeout
 - (b) Maturity
 - (c) Growth
 - (d) Introduction
4. Why should Sparkle address the issue of child labour in its supply chain? Select the **most appropriate** statements:
- i. Sparkle is directly responsible for any faulty practices of its suppliers.
 - ii. Sparkle has a moral duty of care towards a broad range of stakeholders, even if they are not directly related to the company.
 - iii. Sparkle has a responsibility to ensure the well-being of employees working within its supply chain. The issue involves child labour exploitation by subcontractors.
 - iv. Sparkle has a responsibility to ensure the well-being of employees working within its factory only. The issue involves child labour exploitation by subcontractors.
 - v. Even though Sparkle hasn't done anything illegal, it has a moral obligation to protect the rights of these children. Child labour is prohibited in most countries because children have a right to education.
 - vi. Negative publicity regarding unethical production practices could damage Sparkle's business reputation.

Options

- (a) ii, iii
 - (b) i, ii, iii, iv
 - (c) ii, iii, v, vi
 - (d) iii, iv, v, vi
5. Which of the following are the **most proactive steps** Sparkle can take to address the unethical practices in its supply chain?
- i. Sparkle can develop a Code of Conduct that details the acceptable standards for conducting business.
 - ii. Sparkle can set up an audit team to regularly audit factories in both pre-sourcing and follow-up stages.

- iii. Sparkle can list location-wise suppliers on its website, from whom it procures its products.
- iv. The Board must take immediate action to address unethical practices in the supply chain by implementing strict measures to eliminate child labour and ensuring transparent communication of this commitment to all stakeholders.
- v. Close production in countries with unethical practices.
- vi. Play an active role in managing the business operations of its suppliers.

Options

- (a) ii, iv
- (b) i, ii, iii, iv
- (c) i, iii, iv, vi
- (d) i, ii, v, vi

(5 × 2 = 10 Marks)

Descriptive Questions

- 6. ADVISE whether delegation of powers of board to Managing Director is possible? Would your answer be different, if the delegation is made to the manager or any other principal officer including a branch officer of the company? **(7 Marks)**
- 7. The company has exported made ups of ₹ 50 crores on payment of IGST during year 2024-25 carrying a GST rate of 5%. Further, the company had availed ITC of ₹ 2.00 crore during year 2024-25. The details of same are as under:

Eligible ITC on inputs	₹ 1.50 crore
Eligible ITC on capital goods	₹ 0.36 crore
Eligible ITC on services	₹ 0.14 crore

DISCUSS whether there was any other legally permissible way to export its goods keeping in view provisions of GST law assuming that there are no domestic sales. Also make a cross comparison of export on payment of IGST vs. other legally compliant way in terms of financial burden/benefit and procedural requirements to the taxpayer company. Make suitable assumptions. **(8 Marks)**