SZ Ltd. is a company listed at Bombay Stock Exchange. Company is engaged in manufacturing and selling of Cars. Company was established in the year 2000. Since its establishment till March 2018, company has a strong track record and achieved its targets in consistent manner.

SZ Ltd felt that automatic transmission was the need of the hour for India. There were numerous constraints in offering this feature in small and price sensitive cars. Nevertheless, it made all efforts to offer a cost-engineered product to fulfil customer expectations. This path-breaking technology enhanced convenience for Indian consumers. Traditional auto transmissions are not only expensive to own, but have a high running cost as well. AGS technology overcame both these disadvantages.

At the core of SZ’s strategy is the desire to meet customer expectations and delight them with exciting products, features and technology relevant to market conditions. During the year 2017-18, there was continued progress on product development. The Company was able to launch 3 new vehicles, all in new segments, pioneering new technologies and a disciplined focus on cost efficiency.

In hindsight, the decision to develop a state-of-the-art R&D centre in India, taken in 2012, has proved to be a pivotal step in augmenting the Company’s capability in vehicle design and development. It would help SZ Ltd meet the specific needs of Indian customers. The Karnal centre is now an integrated facility with different test tracks, requisite testing and safety labs, which help the Company conceptualise, design and develop new products and upgrade the existing portfolio at a faster pace.

The R&D centre is also helping the company test and validate products to meet newer regulations. While India will move to new safety and emission regulations over the next two to three years, two of the company’s models are already certified and approved for advanced vehicle safety regulations, ahead of the deadline.

With regard to production, the situation became challenging due to limited capacity on the one hand and the popularity of certain models on the other. To meet unserved demand, the Company needed to manufacture beyond planned capacity. Through various innovations at the shop-floor and strong team work, the Company could achieve a production volume beyond the combined production capacity of Nagpur and Pune plants.

SZ Ltd owned eight different units for manufacturing of cars. Due to labour problems the company closed down two units and in this process incurred an expenditure of Rs. 15 Lakhs on additional wages which was debited to Statement of profit or loss.

SZ suffered a grievous loss when Mr. G passed away in May this year. He had joined the Board in September 2007 and was the Audit Committee Chairman since then. His depth of knowledge, wisdom and commitment to the Company was a source of huge strength to the entire Board. Mr. B has replaced him as Chairman of the Audit Committee.
Company’s Articles empower the Board of Directors to appoint additional director. The Board of Directors, therefore, appointed Mr. K as the additional director. It may, however, be pointed out that earlier, the proposal to appoint Mr. K, as a director on the Company’s Board was rejected by the members at the company’s Annual General Meeting. His wealth of experience and knowledge would be of immense benefit to the Company.

Mr. A is one of the directors of the company. He intends to construct a residential building for his own use. The cost of construction is estimated at Rs. 1.50 Crores, which Mr. A proposes to finance partly from his own sources to the tune of Rs. 60 lacs and the balance Rs. 90 lacs from housing loan to be obtained from a housing finance company. For the purpose of obtaining the loan, he has approached the housing finance company which has in principle agreed to grant the loan, but has put a condition. The condition put by the housing finance company is that the Company SZ Ltd. of which Mr. A is a director should provide the guarantee for repayment of the loan and interest as per the terms of the proposed agreement for granting the loan to Mr. A.

The total revenue is Rs 5000 Lakhs as against 4500 Lakhs and 4000 Lakhs in the immediately preceding previous year showing an increase of 11 percent in the current year. Sale of vehicles in the domestic market was 1015 units as compared to 925 units in the previous year showing an increase of 10 percent.

A calendar of meetings is prepared and circulated in advance to the Directors. During the year, five board meetings were held, the details of which are given in the Corporate Governance Report.

The Company was awarded the highest financial credit rating of AAA on its bank facilities by CRISIL. The rating underscores the financial strength of the Company in terms of the highest safety with regard to timely fulfillment of its financial obligations.

The Company was awarded ISO/IEC 27001:2005 certification by STQC Directorate (Standardization, Testing and Quality Certificate), Ministry of Communications and Information Technology, Government of India after re-assessment. In 2015, the certification has been upgraded to 27001: 2013.

Provision for warranty is made for all vehicles sold on scientific and reliable basis for replacement of some spares, free of cost. The statistical data indicates that without such warranty, no customer is prepared to buy a vehicle.

2017-18 is in many ways an important year for the Company. The implementation of the GST started from the 1st of July and it expected it to be a game changer for Indian industry and the economy. The company hired a team of professionals for the purpose to guide it on the matters concerned with the GST.

The Company’s outward taxable supplies in the month of October,2017 (a tax period) are:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>(Rs. In Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intra-State supply of Cars</td>
<td>400</td>
</tr>
<tr>
<td>Inter-State supply of Cars</td>
<td>150</td>
</tr>
</tbody>
</table>
It has also furnished the following information in respect of purchases made by it in that tax period:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>(Rs. In Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intra-State purchases of Spare parts</td>
<td>150</td>
</tr>
<tr>
<td>Inter-State purchases of spare parts</td>
<td>25</td>
</tr>
</tbody>
</table>

ITC with the company at the beginning of the tax period:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>(Rs. In Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>15</td>
</tr>
<tr>
<td>SGST</td>
<td>15</td>
</tr>
<tr>
<td>IGST</td>
<td>35</td>
</tr>
</tbody>
</table>

Note:
(i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.
(ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
(iii) All the conditions necessary for availing the ITC have been fulfilled.

The net profit of the company as per Statement of Profit and loss for the year ending 31-3-2018 is Rs. 150 lakhs after debiting or crediting the following:

(i) One time licence fee of Rs. 20 lakhs paid to TEESLA INC., a foreign company for obtaining know how on 20.07.2017.

(ii) Dividend of Rs. 12 lakhs received from ALFA INC., a foreign company in which the company holds 32% of equity share capital of the company. Rs. 50,000 was also expended on earning this income.

(iii) The company had provided an amount of Rs. 25 Lakhs being sum estimated as payable to workers based on agreement to be entered with the workers union towards periodical wage revision once in 3 years. The provision is based on a fair estimation on wage and reasonable certainty revision.

(iv) Company used railway platforms for advertising different models of cars by way of hoardings, banners etc. and the company is likely to make payment in the month of June, 2018 Rs. 5 Lakhs

Also, Payments due to railways for use of the assets for transportation of cars during F.Y 2017-18, the company is likely to make the payment in the month of December 2018 Rs. 2 lakhs.

(v) Contributions made to an approved research association used for the purpose of research in social science or statistical research under section 35(1)(iii) Rs. 5 Lakh.
Depreciation charged to the statement of profit and loss account Rs.20 lakhs.

The opening and closing stock for the year were Rs. 90 lakhs and Rs. 68 lakhs, respectively. They were overvalued by 10%.

Payment of Rs. 8,000, Rs. 9,000 Rs. 9,000 and Rs. 4,000 by cash on 15th September, 2018 by four separate vouchers to a contractor who carried out work at office premises.

Legal fees incurred in defending title of factory premises of the company Rs. 3 lakhs.

Profit of Rs. 3 lakhs from hedging contracts entered into for meeting out the loss in foreign currency payment towards an imported machinery purchased from Germany for Rs. 90 lakhs, which was installed on 20.12.2017.

The company, during the year, employed 100 new workers in the factory which was 15% of the existing work force employed on the last day during the earlier year. It paid Rs. 15 lakhs as additional wages. The workmen were employed from 01.05.2017.

Profit on sale of land Rs. 20 lakhs.

Rs. 6 lakhs paid to H Ltd. towards feasibility study conducted for examining proposals for technological advancement relating to existing business; however, the project was abandoned without creating a new assets.

Additional Information:

(a) Normal depreciation allowable as per the Income-tax Act, 1961 Rs. 22 lakhs.

(b) Additional depreciation on plant and machinery imported and installed during December 2017 has not been considered while calculating depreciation as per the Income-tax Act, 1961 as above. The company is not eligible for any deduction under section 35AD of the Income-tax Act, 1961.

(c) The land said during the year for Rs.70 lakhs (Guideline value as per stamp valuation authority Rs. 60 lakhs) was purchased by the company during F.Y. 2013-14. This was the only land available with the company as on 01.04.2017.


(e) TDS on receipts as reflected in Form No. 26 AS is Rs 500000

(f) Advance Tax paid by the company is as under:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-06-2017</td>
<td>750000</td>
</tr>
<tr>
<td>15-09-2017</td>
<td>1500000</td>
</tr>
<tr>
<td>15-12-2017</td>
<td>1500000</td>
</tr>
<tr>
<td>15-03-2018</td>
<td>900000</td>
</tr>
</tbody>
</table>
QUESTIONS

A. Multiple Choice Questions (2 Marks each).

1. A taxable person received goods in his factory on 01-12-2017. Tax invoice for said goods has been issued on 15-12-2017. He took the Input Tax Credit pertaining to said goods as his supplier uploaded this invoice in his GSTR 1. The supplier has paid the tax to the Government. In which of the following circumstances, the taxable person is required to reverse the Input Tax Credit?

   (a) If the taxable person does not make payment to supplier on or before 13-6-2018.
   (b) If the taxable person does not make payment to supplier on or before 15-6-2018.
   (c) If the taxable person does not make payment to supplier on or before 01-6-2017.
   (d) He is not required to reverse the input tax credit as supplier has paid tax to the Government.

2. A taxable person has made following supplies in January, 2018 – Sales within the State – Rs. 2,00,000. Exports out of India – Rs. 60,000. Supplies to SEZ located within the State – Rs. 40,000. He intends to clear goods under Letter of Undertaking (LUT) wherever permissible. The input tax credit available to him during January, 2018 – IGST – Nil. CGST – Rs.10,000. SGST – Rs.20,000. There is no opening balance in his electronic cash ledger or electronic credit ledger. Tax rates are – SGST – 9%, CGST – 9%, IGST – 18%. How much amount is payable by him in cash?

   (a) CGST – Rs.8,000, SGST – Nil
   (b) CGST – Rs.11,600, SGST – Rs.1,600
   (c) CGST – Rs. 8,000, SGST – Nil, IGST – Rs.5,200
   (d) CGST – Rs.8,000, SGST – Nil, IGST – Rs.16,000

3. A taxable person has following liability for February, 2018: Tax payable on supplies made by him – IGST – Rs. 30,000. Tax payable on advocate services under reverse charge – CGST – Rs.5,000; SGST – Rs.5,000. Opening balance in his electronic credit ledger is as follows IGST – Rs.20,000, SGST – Rs.6,000, CGST – Rs.6,000- How much amount is payable by him in electronic cash ledger?

   (a) IGST – Rs.10,000, SGST – Rs.5,000, CGST – Rs.5,000
   (b) IGST – Nil, SGST – Rs.5,000, CGST – Rs.5,000
   (c) IGST – Rs.8,000 – SGST – Nil, CGST - Nil
   (d) IGST – Rs.10,000 – SGST – Nil, CGST - Nil
4. Which of the following statements are true for a zero-rated supply, but not for an exempt supply?

(1) Entire value chain of the supply is exempt from GST, i.e. no tax is payable on the outward supplies and input supplies are also tax free.

(2) Credit of input tax needs to be reversed and no tax is payable on the outward supplies.

(3) Normal tax invoice needs to be issued.

(4) Instead of a tax invoice, bill of supply needs to be issued

(5) No tax is payable on outward supplies.

(a) (1) and (3)

(b) (2), (3) and (5)

(c) (2), (4) and (5)

(d) (1) and (4)

5. Details of supplies of a taxable person in the month of January, 2018 are as follows - Alcoholic liquor for human consumption of value of Rs. 1,50,000. Value of architect services supplied by him in Jamnagar, Gujarat is Rs.2,00,000. Securities of face value of Rs. 1,00,000 sold for Rs. 95,000. What is the value of ‘exempted supply’ for purpose of section 17(2) of the CGST Act, 2017 [proportionate reversal of ITC]?

(a) 1,50,000

(b) 2,50,000

(c) 2,45,000

(d) 1,50,950

6. The general annual report on the working and administration of the Companies Act, prepared by the Central Government shall be laid before the parliament within –

(a) one year of the close of the year to which the reports relates

(b) Six months from the date of the closing of financial year.

(c) Six month of the close of the year to which the reports relates

(d) Nine months from the date of the closing of financial year.

7. No ITC shall be admissible in respect of which of the following Goods-

(a) Electrical Transformers used in the factory

(b) Moulds & Dies used in the factory

(c) Pollution Control Equipment used in the factory

(d) Goods used for setting up Telecommunication towers.
8. Opening WDV of Block as on 1-4-2017 -10,00,000
   (15% -Rate of depreciation)
   (Asset F acquired on 31-7-2017  - 2,00,000
   All Asset sol on 31-12-2017 for  - 18,00,000
What would be WDV as on 01-04-2018
(a) - 6,00,000
(b) 6,00,000
(c) Nil
(d) None of the above

9. After appointment of a Director, it was discovered that his appointment was invalid. Acts done by such Director up to the date of discovery of default shall be:
(a) Valid
(b) Void-ab-initio
(c) Illegal
(d) To be ratified by the general meeting

10. Out of the following, under what circumstances a director shall not vacate his office?
(a) He becomes disqualified by an order of a court or the Tribunal
(b) he absents himself from three consecutive meetings of the board
(c) he fails to attend all the meeting of board for consecutive period of 12 months with or without seeking leave of absence of Board
(d) he is removed in pursuance of the provisions of the Companies Act, 2013.

B. Descriptive/Numerical Questions

11. Compute the Company's income under the head Profits and Gains of Business or Profession. ((giving reasons for treatment of each item) Ignore MAT provisions. (10 Marks)

12. Compute the total income and tax payable by SZ Ltd. for the A.Y. 2018-19. (5 Marks)

13. Compute the net GST payable by the company during the tax period. Make suitable assumptions as required. (5 Marks)

14. Applying the provisions of the Companies Act, 2013, answer the following:
(i) Whether Mr. K’s appointment as additional director by the Board of Directors is valid?
(ii) Whether the Company’s Annual General Meeting can appoint Mr. K as the additional director when the proposal to appoint comes before the meeting for the first time?
(iii) In case the AGM of the company is not held within the stipulated time, decide whether Mr. K who was appointed by the Board as additional director, for the first time, can continue to act as a director?  

15. Advise Mr A, Director of the Company SZ Ltd, on the matter with reference to the provisions of the Companies Act, 2013, whether guarantee given by the company would be allowed?