CHAPTER 4

FINANCIAL PLANNING

LONG QUESTIONS AND ANSWERS

Q. 1

On certain article, if the rate of CGST is 9%, then what is the rate of SGST? What is the rate of GST?

SOLUTION:

The rate of SGST = the rate of CGST

The rate of CGST is 9%

Therefore, the rate of SGST is also 9%

The rate of GST = 9% + 9% = 18%

Ans. Rate of SGST is 9% and rate of GST is 18%

Q. 2

'M/s Real Paint' sold 2 tins of luster paint and taxable value of each tin is ₹ 800. If the rate of GST is 28%, then find the amount of CGST & SGST charged in the tax invoice.

SOLUTION:

Rate of luster paint = ₹ 2800

Quantity = 2

Therefore taxable amount = ₹ 2800 x 2 = ₹ 5600

The rate of GST = 28%

Therefore the rate of CGST = the rate of SGST

$$= \frac{1}{2} \times 28\%$$

$$= 14\%$$

The amount of CGST

= the rate of CGST x taxable amount

= 14% of ₹ 5600

$$= \frac{14}{100} \times 5600$$

= ₹ 784

Ans. The amount of CGST is ₹ 784 and the amount of SGST is ₹ 784.

Q. 3

The total value (with GST) of a remote controlled toy car is ₹ 1770. The rate of GST is 18% on toys. Find the taxable value, CGST and SGST for this toy car.

SOLUTION:

Let the taxable value of the toy car be ₹ 100. GST is 18%.

Therefore, the total value = ₹ 100 + ₹ 18 = ₹ 118

The total value is given to be ₹ 1770

The ratio of $\frac{total\ value}{taxable\ value}$ **is constant**

For the total value of toy car ₹ 118, the taxable value of the toy car is ₹ 100.

Therefore, for total value of toy car ₹ 1770, let the taxable value of toy car be ₹ x

Then $\frac{x}{1770} = \frac{100}{118}$

Therefore, the taxable value = ₹ 1770 x $\frac{100}{118}$

$$= ₹\ 1500$$

GST at 18% on ₹ 1500 = $\frac{18}{100}$ **x 1500 = ₹ 270**

Therefore, CGST = $₹\ \frac{270}{2} = ₹135$ **and SGST = ₹ 135**

Ans. The taxable value of the toy car is ₹ 1500. CGST is ₹ 135 and SGST is ₹ 135.

Q. 4

Prasad purchased a washing machine from 'Maharashtra Electronic Goods'. The discount of 5% was given on the printed price of ₹ 40,000. The rate of GST charged was 28%. Find the purchase price of the washing machine. Also find the amount of CGST and SGST shown in the tax invoice.

SOLUTION:

The printed price of washing machine is ₹ 40,000.

Discount is 5%

Therefore, discount = $\frac{5}{100} \times 40000 = ₹\,2000$

Therefore, actual SP of the washing machine is

₹ (40000 – 2000) = ₹ 38,000

₹ 28,000 is the taxable value.

GST is 28%

Therefore, GST = $\frac{28}{100} \times 38000 = ₹10640$

GST = CGST + SGST = ₹ 10640

CGST = SGST = $\frac{1}{2} \times$ GST

Therefore, CGST = SGST = $\frac{1}{2} \times 10640 = ₹\ 5320$

The actual cost of washing machine to Prasad

= ₹ 38,000 + ₹ 10640 (GST)

= ₹ 48640

Ans. Purchase price of washing machine is ₹ 48640.

CGST is ₹ 5320; SGST is ₹ 5320.

Q. 5

'Chetana Store' paid total GST of ₹ 1,00,500 at the time of purchase and collected GST ₹ 1,22,500 at the time of sale during 1st of July 2017 to 31st July 2017. Find the GST payable by Chetana Stores.

SOLUTION:

GST payable by Chetana Store means GST to be paid to the Government

i) Output Tax (tax collected at the time of sale)

= ₹ 1,22,500

ii) Input Tax (tax paid at the time of purchase)

= ₹ 1,00,500

∴ ITC (Input Tax Credit) = ₹ 1,00,500

iii) GST payable = Output tax − ITC

= ₹ (122500 − 100500)

= ₹ 22000

Ans. GST payable by Chetana Store is ₹ 22,000