



IAIIB Early Bird Pack 2025 – 2026

Q1 A manufacturing firm based in Punjab sells its finished products to a distributor in Himachal Pradesh. The goods are then sold by the distributor to a retail chain, also located within Himachal Pradesh. Based on the fundamental principles of GST outlined in the document, which governmental entities will ultimately receive the tax revenue from these transactions and why?

A. The Punjab government will receive the SGST portion because the manufacturing process, or 'origin' of the goods, occurred there, while the Central government will retain the CGST portion.

B. The Central Government will collect and retain the entire IGST from the first transaction and the Himachal Pradesh government will collect and retain the entire SGST from the second transaction.

C. The Central Government will collect IGST on the sale from Punjab to Himachal Pradesh and apportion the state's share to the Himachal Pradesh government, which will also receive the SGST from the intra-state sale.

Delhi

D. The tax revenue will be equally split between the Central government, the Punjab government, and the Himachal Pradesh government to ensure equitable distribution between the origin and destination states.

JAIIB Early Bird Pack 2025 – 2026

Q2 A bank registered in multiple states decides to upgrade its IT infrastructure and purchases new servers. Under the previous CENVAT credit system, the bank could avail full credit on such capital goods. How does the GST regime, as detailed in the document, alter the financial impact of this capital expenditure for the bank?

a **A.** The GST regime is more favorable as it allows banks to claim 150% of the ITC on capital goods to promote digitization, reducing their costs.

a **B.** There is no change in the treatment of capital goods for banks; they can continue to avail 100% ITC without any reversal conditions, just as before.

C. The GST regime negatively impacts this expenditure because banks must now reverse 50% of the input tax credit availed on capital goods, which directly increases the effective cost of the new servers.

D. Under GST, all input tax credit on capital goods for service providers like banks is entirely disallowed, meaning the full tax amount becomes a part of the bank's cost.

JAIIB Early Bird Pack 2025 – 2026

Q3 Considering the classification of taxes provided in the document, which statement presents the most accurate analysis of the socio-economic characteristics of direct and indirect taxes like GST?

Q *Indirect* **A.** Direct taxes are considered progressive because they enhance inflation, while indirect taxes are regressive because they help in reducing economic inequalities.

Correct **B.** Direct taxes, such as income tax, are considered progressive as they are fixed based on tax slabs that impose a higher rate on higher incomes, whereas indirect taxes like GST are regressive because they are collected universally and take a larger proportion of a lower-income person's earnings.

C. The probability of tax evasion is higher in indirect taxes because the burden can be shifted, while direct taxes have a lower probability of evasion as they are paid through intermediaries.

D. ~~Indirect~~ taxes are considered growth-oriented because they reduce savings and discourage investments, while direct taxes discourage consumption and enhance savings.



CGST
SGST

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Q4 A consulting firm located and registered in Chandigarh (a Union Territory) provides services to a client in Andaman and Nicobar Islands (also a Union Territory). Which type of GST will be applied to this transaction, and which government authority will levy it?

A. Both CGST and UGST will be levied on the transaction, collected separately by the Central Government and the respective Union Territory administrations.

B. Only UGST will be levied, collected by the Chandigarh administration as it is the place of supply.

C. No GST will be applicable as transactions between two Union Territories are exempt from the tax regime.

D. IGST will be levied by the Central Government, as this is treated as an inter-state transaction.

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Q5 A business has an annual aggregate turnover of ₹1.60 crores. According to the document's specifications on filing periods, which statement correctly describes the company's GST return filing obligations?

A. The business must file both its GSTR-1 and GSTR-3B returns on a quarterly basis, as its turnover is below the ₹2 crore threshold for mandatory monthly filing.

B. The business must file its GSTR-1 (manual details) and GSTR-3B returns on a monthly basis.

C. The business must file GSTR-1 on a quarterly basis but must file the GSTR-3B return on a monthly basis to ensure regular tax payment.

D. The business can choose between monthly and quarterly filing for both GSTR-1 and GSTR-3B, depending on its operational convenience.

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Q6 A bank's branch in Delhi provides centralized IT support services to another branch of the same bank located in Mumbai. How is this internal transaction treated under the GST regime, and what is the primary compliance implication for the bank?

A. Since it is an internal transaction within the same legal entity, it is not considered a supply and is therefore exempt from GST, simplifying compliance.

B. This transaction is considered a taxable supply, and the Delhi branch must charge GST, which increases the bank's overall tax liability without any recourse.

C. This transaction is taxable under GST, and while the Mumbai branch can later claim an Input Tax Credit (ITC), the process increases paperwork and adds to the bank's operational costs.

D. The transaction is taxable only if the service's value exceeds the threshold limit of ₹20 lakhs; otherwise, it is ignored for GST purposes.

JAIIB Early Bird Pack 2025 – 2026



Q7 A company imports specialized consulting services from a firm in Germany. As per the general rule, the supplier is liable to pay GST. However, how would this specific transaction be handled under the GST framework described in the document?

A. The German firm, as the supplier of services, is required to register for GST in India and pay the applicable tax directly to the Indian government.

B. The liability to pay GST is cast upon the recipient of the service (the Indian company) under the reverse charge mechanism.

C. This transaction is exempt from GST as the service provider is located outside India's taxable territory.

D. The Indian company must deduct tax at source (TDS) from its payment to the German firm and deposit it with the government.

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Q8 The document highlights that the introduction of GST was expected to make the trade and industry more competitive and reduce inflation. Which core feature of the GST system is the primary reason for this anticipated economic benefit?

- A.** The availability of all taxpayer services like registration and returns online, which makes compliance easy and transparent for businesses.
- B.** The uniform tax rates and structures across the country, which ensure a common national market.
- C.** The elimination of the cascading of taxes, or "tax on tax," which lowers the cost of production for goods and services.
- D.** The broadening of the tax base, which brings more businesses into the formal economy and improves overall tax compliance.

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Q9 A trader completes the supply of goods to a customer on November 5th, issues an invoice for this supply on November 10th, and receives payment on November 8th. According to the GST Act provisions cited in the document, when does the liability to pay GST arise for this trader?

A. On November 10th, because the issuance of an invoice is the final legal step that formalizes the transaction for tax purposes.

B. On November 8th, because the receipt of payment is the first point at which the trader has realized value from the transaction.

C. On November 5th, as this is the date the supply was completed, which is the earliest of the three determining events.

D. The trader can choose the latest of the three dates to defer the tax payment as long as it is within the same filing period.

①
Payment
Recd
②
Issuance
Inv
③
Completion
of
Supply

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Q10 A bank is evaluating two types of financial services it offers: a standard savings account (an account-linked service) and the sale of a third-party insurance policy to a walk-in customer who does not have an account with the bank (a non-account linked service). How does the 'place of supply' differ for these two services according to the GST provisions in the document?

A. For both services, the place of supply is the location of the bank branch providing the service.

B. For the savings account, the place of supply is the location of the recipient on the bank's records; for the insurance sale, it is the location of the service provider (the bank branch).

C. For the savings account, the place of supply is the location of the service provider; for the insurance sale, it is the location of the recipient as captured at the time of sale.

D. For both services, the place of supply is deemed to be the state where the bank's corporate headquarters is registered.

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Q11 The document indicates that certain goods are kept outside the GST regime. Which of the following transactions would be subject to the old indirect tax laws (like VAT or excise duty) rather than the new GST system?

- A. The purchase of a residential apartment from a real estate developer.
- B. The sale of alcoholic liquor intended for human consumption at a licensed liquor store.**
- C. The purchase of a laptop computer from an electronics retailer.
- D. The fee paid for services rendered by a financial consultant.

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Q12 The GST Council is presented as the primary governing body for GST in India. Based on the document's description of its composition and function, which of the following scenarios falls directly within the Council's mandated responsibilities?

- A.** Appointing and training tax officers for the day-to-day administration and audit of taxpayers across the country.
- B.** Developing and maintaining the IT infrastructure of the GST Network (GSTN) to ensure the portal functions smoothly.
- C.** Hearing and passing a final judgment on a tax dispute between a large corporation and a state tax authority.
- D.** Deliberating and deciding whether to lower the GST rate on electric vehicles from 12% to 5% to promote their adoption.

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Q13 A business in Himachal Pradesh has an annual turnover of ₹18 lakhs. Another business in Punjab has an identical annual turnover of ₹18 lakhs. What is the GST registration liability for these two businesses according to the threshold limits specified in the document?

A. Both businesses are required to register for GST because their turnover exceeds the universal limit of ₹10 lakhs.

B. Neither business is required to register for GST because their turnover is below the standard threshold of ₹20 lakhs.

C. The business in Himachal Pradesh is required to register, while the business in Punjab is not required to register.

D. The business in Punjab is required to register, while the business in Himachal Pradesh is not required to register.

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Q14 A bank, in its adjudication process for a GST matter, faces a situation where the tax authority in Maharashtra has a different interpretation of a rule compared to the tax authority in Karnataka, even though the underlying issue is the same for the bank's branches in both states. According to the document, what is the direct consequence of this situation?

A. The matter is automatically escalated to the Union Finance Minister, who acts as the final arbiter in inter-state tax disputes involving banks.

B. This contradiction in opinion by different state-level adjudicating authorities can prolong the adjudication process for the bank.

C. The bank can choose the opinion that is more favorable to it and apply it uniformly across all its branches.

D. The GST Act mandates that in case of conflicting opinions, the interpretation given by the authority in the state where the bank is headquartered prevails.

JAIIB Early Bird Pack 2025 – 2026

Q15 A registered person fails to file their GSTR-3B return for a particular month on time, resulting in a delay in the payment of their tax liability of ₹100,000. According to the document, what are the financial repercussions for this delay?

A. The person will only have to pay a fixed, one-time late fee without any additional interest on the tax amount.

B. The person will be liable to pay interest at a rate of 18% per annum, calculated on the tax liability for the period of delay, in addition to any applicable late fees.

C. The interest on the delayed payment is a penal rate of 18% per month, calculated from the due date of the return.

D. The person is only liable for interest on the tax due, but no late fees are charged if the tax with interest is paid before the next return's due date.

JAIIB Early Bird Pack 2025 – 2026

Q16 The document mentions a change in the tax treatment of "Actionable Claims" under GST, specifically impacting banking services. Based on the text, what was the fundamental shift in how these claims are treated for taxation purposes?

- A.** Actionable claims were previously taxed as goods under VAT, but are now taxed as services under GST at a lower rate.
- B.** Actionable claims, which were not considered a service under the earlier Service Tax law and were thus not taxed, are now taxable under the GST regime.
- C.** The tax on actionable claims remains unchanged, but the place of supply rules have been modified to be the location of the bank's headquarters.
- D.** Under GST, actionable claims are now treated as direct tax instruments, and the income from them is subject to corporate income tax instead of GST.

JAIIB Early Bird Pack 2025 – 2026

Q17 An e-commerce operator facilitates a sale of goods worth ₹10,000 from a registered vendor to a customer. According to the special provisions mentioned in the document, what specific GST compliance responsibility does the e-commerce operator have in this transaction?

- A.** The e-commerce operator is liable to pay the entire GST on the ₹10,000 supply under the reverse charge mechanism.
- B.** The e-commerce operator is required to deduct tax at source (TDS) on the net value of the supply made through it.
- C.** The e-commerce operator is required to collect tax at source (TCS) on the net value of the supply made through it and deposit it with the Government.
- D.** The e-commerce operator has no direct GST liability; the entire responsibility to pay tax and file returns lies with the registered vendor.

JAIIB Early Bird Pack 2025 – 2026

Q18 The document highlights several advantages of GST. Which of the following is a direct consequence of GST being a "comprehensive tax subsuming almost all the indirect taxes"?

- A.** The complexity arising from a multiplicity of different taxes and varied tax rates under the old regime is significantly reduced, and the administration of the tax system becomes more effective.
- B.** The tax burden can now be shifted more easily from the seller to the buyer, which was not possible under the previous VAT system.
- C.** The probability of tax evasion is completely eliminated, as every transaction is now tracked electronically through the GSTN portal.
- D.** It ensures that essential items like crude oil, petroleum products, and electricity are taxed at a lower rate, making them more affordable for the common person.

JAIIB Early Bird Pack 2025 – 2026

Q19 A person registered under GST as an "Input Service Distributor" (ISD) does not make any outward taxable supplies of its own. What is this entity's primary GST return filing responsibility as per the document?

- A.** An ISD is exempt from filing any GST returns as they do not have any output tax liability.
- B.** An ISD must file a quarterly return, similar to a supplier opting for the composition scheme.
- C.** An ISD must file a monthly return that provides the details of the input tax credit distributed during that month.
- D.** An ISD must file a consolidated annual return detailing all the credit distributed throughout the financial year.

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Q20 The document states that GST has increased the tax on banking transaction fees to 18%, leading to higher costs for individuals. How does this specific change illustrate a key difference between direct and indirect taxes as outlined in the text?

- A.** It shows that indirect taxes are progressive, as the 18% tax is designed to reduce economic inequalities.
- B.** It demonstrates that indirect taxes can enhance inflation because the tax is added directly to the price of the service, which is then borne by the consumer.
- C.** It proves that the burden of indirect taxes cannot be shifted, as the bank must absorb the 18% tax and cannot pass it on to customers.
- D.** It highlights that the probability of tax evasion is higher in indirect taxes, as customers may try to avoid these fees.