

CHAPTER 10 – Set off & C/f of Losses

MULTIPLE CHOICE QUESTIONS

INCOME FROM UNDISCLOSED SOURCES & ITS TAXABILITY

(1) The following shall be regarded as income from undisclosed sources :

- | | | |
|-----------------------|-----------------------------|---------|
| (a) Cash credits | (b) Unexplained investments | |
| (c) Unexplained money | (d) All of these | Ans.(d) |

(2) Unexplained cash credits is chargeable to tax —

- | | | |
|-----------|-----------|---------|
| (a) @ 30% | (b) @ 15% | |
| (c) @25% | (d) @78% | Ans.(d) |

(Hint – 60% Tax + 25% Surcharge + 4% HEC)

(3) Mr. X is found to be the owner of unexplained investments of Rs. 6,00,000. His tax liability will be -

- | | | |
|------------------|------------------|---------|
| (a) Rs. 4,68,000 | (b) Rs. 1,85,400 | |
| (c) Rs. 1,15,875 | (d) Rs. 1,64,800 | Ans.(a) |

PROVISIONS FOR SET-OFF OR CARRY FORWARD AND SET-OFF - SECTION 70 TO 74A

(4) If a person is eligible to claim :

- (1) unabsorbed depreciation
- (2) current scientific research expenditure
- (3) current depreciation
- (4) brought forward business loss

The order of priority to set-off would be - (Dec. 2015)

- | | | |
|-------------------------|-------------------------|---------|
| (a) (4), (3), (2) & (1) | (b) (2), (3), (4) & (1) | |
| (c) (3), (4), (1) & (2) | (d) (1), (2), (3) & (4) | Ans.(b) |

(5) Choose the correct answer from the following -

- (a) Loss from business of owning and maintaining race horses can be set off against any income.
- (b) Loss from lottery, card games etc. can be set off against any income.
- (c) Speculation business loss can be set off only against speculation business income.
- (d) Long-term capital loss can be set off against long-term or short-term capital loss.

Ans.(c)

(6) Long term capital loss can be set-off from which of the following :

- | | |
|--|---------------------------------|
| (a) Short term capital gain only | (b) Long term capital gain only |
| (c) Income from business or profession | (d) Income from salary |

Ans.(b)

(7) Loss from house property can be carried forward and set off in the subsequent 8 Assessment years:

- (a) Only if return of loss is filed within due date
- (b) Even if return of loss is filed after due date
- (c) It does not matter when return is filed
- (d) Carry forward of loss from house property is not allowed at all.

Ans.(b)

(8) Loss under the head "Profits and Gains of business or profession" cannot be set off against -

- (a) Income under the head salaries.
- (b) Income under the head capital gains.
- (c) Income under the head house property.
- (d) All of the above.

Ans.(a)

(9) Loss arising under the head capital gain cannot be set-off against -

- (a) Income Under the head salaries.
- (b) Income under the head "Profits and gains of business or profession".
- (c) Income under the head house property.
- (d) All of the above.

Ans.(d)

(10) Loss arising from specified business can be set-off from -

- (a) General business profits
- (b) Speculation business profits
- (c) Both general business profits and speculation business profits
- (d) Profits of specified business

Ans.(d)

(11) Loss from specified business can be carried forward for -

- (a) 4 Years
- (b) 8 Years
- (c) Indefinite period
- (d) None of the above

Ans.(c)

(12) Mr. Shahu has loss from house property of Rs. 1,10,000 (computed) for the assessment year 2020-21. He can carry forward such loss for subsequent _____ assessment years. (June, 2017)

- (a) 4
- (b) Nil
- (c) 8
- (d) Indefinite

Ans.(c)

(13) Loss from house property and losses in speculation business can be carried forward respectively for -

- (a) 8 Years and 4 Years
- (b) 4 Years and 8 Years
- (c) 8 Years and 8 Years
- (d) 4 Years and 4 Years

Ans.(a)

(14) Loss under the head 'Profits & Gains of Business or Profession (except speculation business loss) and loss under the head capital gains can be carried forward respectively for -

- (a) 8 Years and 4 Years
- (b) 8 Years and 8 Years
- (c) 4 Years and 8 Years
- (d) 4 Years and 4 Years

Ans.(b)

(15) The sequence applicable for set off of losses shall be -

- (a) (i) Inter source set-off; (within head) (ii) Inter head set-off; (oyher head) and (iii) Set-off of brought forward losses.
- (b) (i) Inter head set-off; (ii) Inter source set-off; and (iii) Set-off of brought forward losses.
- (c) (i) Set-off of brought forward losses; (ii) Inter source set-off; and (iii) Inter head set-off.
- (d) (i) Set-off of brought forward losses; (ii) Inter head set-off; and (iii) Inter source set-off.

Ans.(a)

(16) A company engaged in business of purchase and sale of shares of other companies shall not be deemed to be speculation business if -

(a) The principal business of the company is business of trading in shares or banking or granting of loans & advances.

(b) The gross total income of the company consists mainly of income under heads "Income from house property", "Capital Gains" and "Income from other sources"

(c) Both (a) and (b)

(d) Either (a) or (b)

Ans.(d)

(17) Loss from speculation business can be set-off against - (Dec. 2016)

(a) Income from salaries

(b) Income from house property

(c) Income from speculation business only

(d) Any head of income

Ans.(c)

(18) Loss from speculation business is eligible for carry forward of loss for a period of - (Dec. 2016)

(a) 4 Years

(b) 6 Years

(c) 8 Years

(d) 12 Years

Ans.(a)

(19) Unabsorbed loss from house property can be carried forward for - (Dec. 2016)

(a) 4 Years

(b) 8 Years

(c) Indefinite period

(d) Can not be carried forward

Ans.(b)

(20) No loss can be set-off against - (Dec. 2016)

(a) Income from salaries

(b) Income from house property

(c) Income from capital gains

(d) Winnings from lotteries, etc.

Ans.(d)

(21) Short term capital loss can be set-off against:

(a) Short term capital gain

(b) Long-term capital gain

(c) Income under any other head

(d) Either (a) or (b)

Ans.(d)

(22) Brought forward losses (except speculation business loss) under Profits & Gains of Business or profession can be set-off against -

(a) (c)Income from house property.

(b) (b)Income from any other head.

(c) Profits of any business (except speculation business profit

(d)Profits of any business/profession (including speculation business profit).

Ans.(d)

(23) Loss incurred in activity of owning and maintaining race horses can be set-off against only:

(a) Any Income under the head 'Income from other race horses.

(b) Only income from owning and maintaining Sources'.

(c) Income from speculation business.

(d) Income under head house property.

Ans.(b)

(24) Which of the following losses available after inter source set-off, cannot be set-off from incomes in other heads in the same assessment year - (June 2016)

(a) Speculation losses

(b) Loss from specified business

(c) Loss under the head capital gains

(d) All of the above

Ans.(d)

(25) To carry forward and set-off losses, a loss return must be filed by the assessee within the stipulated time and gets the loss determined by the Assessing Officer. However, this condition is not applicable to - (June 2016)

- | | | |
|-------------------------------------|------------------------------------|---------|
| (a) Loss from house property | (b) Loss from speculation business | |
| (c) Loss from discontinued business | (d) Loss from capital assets | Ans.(a) |

(26) Mr. X has earned salary income of Rs. 5,00,000 and he has suffered loss from house property amounting Rs. 2,50,000. Speculation business loss - Rs. 1,00,000 Find out the gross total income.

- | | | |
|------------------|------------------|---------|
| (a) Rs. 5,00,000 | (b) Rs. 3,00,000 | |
| (c) Rs. 2,00,000 | (d) Rs. 4,00,000 | Ans.(b) |

(27) The maximum loss incurred under house property in current year which can be set-off from other heads on Income is :

- | | | |
|------------------|----------------|---------|
| (a) Rs. 2,00,000 | (b) Rs. 30,000 | |
| (c) unlimited | (d) Rs. 50,000 | Ans.(a) |

(28) Mr. X has earned salary income of Rs. 5,00,000 and he has suffered loss from house property amounting Rs. 2,00,000. General business loss - Rs. 1,00,000 Find out the gross total income.

- | | | |
|------------------|------------------|---------|
| (a) Rs. 5,00,000 | (b) Rs. 3,00,000 | |
| (c) Rs. 2,00,000 | (d) 4,00,000 | Ans.(b) |

(29) Mr. X has earned general business income of Rs. 5,00,000 and he has suffered loss from house property amounting Rs. 2,00,000. Specified business loss under Section 35AD - Rs. 1,00,000 Find out the gross total income.

- | | | |
|------------------|------------------|---------|
| (a) Rs. 5,00,000 | (b) Rs. 3,00,000 | |
| (c) Rs. 2,00,000 | (d) 4,00,000 | Ans.(b) |

(30) Mr. X has earned Long term capital gains on sale of equity shares listed in recognised stock exchange on which STT - Rs. 7,20,000 Short term capital loss of Rs. 2,00,000. General business income of Rs. 5,00,000 Find out the gross total income.

- | | | |
|-------------------|-------------------|---------|
| (a) Rs. 9,20,000 | (b) Rs. 10,20,000 | |
| (c) Rs. 11,20,000 | (d) 5,20,000 | Ans.(a) |

(Hint: LTCG on sale of equity shares in excess of Rs. 1,00,000 is chargeable to tax under Section 112A. STCL shall be set-off from LTCG. Hence taxable income = (7,20,000 -1,00,000 -2,00,000 +5,00,000)

(31) Ashwin has speculation business loss brought forward of the assessment years 2015-16 Rs. 1,00,000; 2016-17 Rs. 70,000 and 2017-18 Rs. 60,000. He has income from the same speculation business for the assessment year 2020-21 Rs. 5,40,000. His total income chargeable to tax for assessment year 2020-21 would be - (June 2016)

- | | | |
|------------------|------------------|---------|
| (a) Rs. 3,10,000 | (b) Rs. 4,10,000 | |
| (c) Rs. 4,80,000 | (d) Rs. 4,40,000 | Ans.(c) |

(32) Mr. Hussey for the previous year has (i) business loss of Rs. 1,30,000; (ii) income from salary Rs. 2,40,000; and (iii) speculation gain of Rs. 1,10,000. His total income for income tax assessment is: (June, 2017)

- | | | |
|------------------|------------------|---------|
| (a) Rs. 3,50,000 | (b) Rs. 2,20,000 | |
| (c) Rs. 2,40,000 | (d) Rs. 1,10,000 | Ans.(c) |

(Hint – Normal business loss can be set off against speculation Gain (business))

(33) Mathur Storage (P) Ltd. engaged in chain cold storage has brought forward business loss of Rs. 12 lakhs relating to A.Y. 2019-20. During the previous year 2019-20, its income from the said business is Rs. 9 lakhs. It also has profit from trade in food grains of Rs. 6 lakhs. The total income of the company for the A.Y. 2020-21 is: (June, 2017)

(a) Rs. 15 lakhs

(b) Rs. 6 lakhs

(c) Rs. 6 lakhs

(d) Rs. 3 lakhs

Ans.(d)

[Note : If chain cold storage is a specified business u/s 35AD, the brought forward business loss can be set-off only from profits of specified business is such case the brought forward business loss can be set-off to the extent of Rs. 9 lakh and balance loss shall be carried forward and the answer will be Rs. 6 lakh.]

(34) Find out the gross total income of Mr. A for A.Y. 2020-21 from the following information: Income from salaries Rs. 80,000; Loss from house property Rs. 50,000; Profit from textile trade Rs. 40,000; Loss from Automotive trade Rs. 50,000.

(a) Rs. 20,000

(b) Rs. 70,000

(c) Rs. 30,000

(d) Nil

Ans.(c)

(35) Mr. Rahul have income from cloth business Rs. 1,00,000; Loss from agriculture Rs. 50,000; Long-term capital gain Rs. 60,000 and short term capital loss Rs. 80,000 find out his gross total income for assessment year 2020-21.

(a) Rs. 50,000

(b) Rs. 1,00,000

(c) Rs. 80,000

(d) Rs. 30,000

Ans.(b)

(36) Mr. Q has profit from speculation business Rs. 80,000; Profit from business A Rs. 1,00,000; Loss from business B f 1,50,000 find out his gross total income for assessment year 2019-20.

(a) Rs. 80,000

(b) Rs. 1,00,000

(c) Rs. 1,50,000

(d) Rs. 30,000

Ans.(d)

(37) Mr. Ram had incurred loss in activity of owning and maintaining racehorses Rs. 90,000; Winnings from lottery (net) Rs. 70,000; Loss in card game of assessment year 2019-20 Rs. 4,000 find out his gross total income for AY 2020-21.

(a) Rs. 1,00,000

(b) Rs. 70,000

(c) Rs. 10,000

(d) 66,000

Ans.(a)

(Hint – 70,000 / 70%)

(38) If an individual, having a sales turnover of Rs. 60 lakh files his return of income for the assessment year 2020-21 after the due date, showing unabsorbed business loss of Rs. 23,000 and unabsorbed depreciation of Rs. 45,000, he can carry forward to the subsequent assessment years - (June, 2015)

(a) Both unabsorbed business loss of Rs. 23,000 and unabsorbed depreciation of Rs. 45,000

(b) Only unabsorbed business loss of Rs. 23,000

(c) Only unabsorbed depreciation of Rs. 45,000

(d) Neither unabsorbed business loss of Rs. 23,000 nor unabsorbed depreciation of Rs. 45,000.

Ans.(c)

(39) What can be the maximum net amount of negative income of a self occupied house under the head "Income from house property " that can be set off against other head of sources of income.

- (a) Rs. 30,000 (b) Rs. 1,00,000
(c) Rs. 1,50,000 (d) Rs. 2,00,000 Ans.(d)

(40) XYZ & Company, a partnership firm has three partners, X, Y and Z having equal share in profits of the firm. X retired on 31-12-2019, profits of the firm for year ending 31-3-2020 were Rs. 1,50,000 and brought forward business losses for assessment year 2018-19 was Rs. 1,20,000 and unabsorbed depreciation Rs. 40,000. Find the amount of brought forward loss that cannot be carried forward?

- (a) Rs. 2,500 (b) Rs.3,333
(c) Rs. 15,833 (d) Nil Ans.(a)

Hint-

Profit from 1.4.19 to 31.12.19 = $1,15,000 / 12 \text{ months} \times 9 \text{ months}$ = Rs. 1,12,500

Share of X in profits = $1,12,500 / 3$ = 37,500

And share of X in B/f Losses = Rs. 40,000

Therefore Loss of Rs. 2500 cant be carried forward by the firm

(41) Short-term capital loss can be set-off from - (June, 2012)

- (a) Short-term capital gains (b) Long-term capital gains
(c) Both short-term and long-term capital gains (d) Any income of the previous year.

Ans.(c)

(42) Mr. B incurred short-term capital loss of Rs. 10,000 on sale of shares through the National Stock Exchange. Such loss can be set-off from -

- (a) Only against short-term capital gains
(b) Against both short-term capital gains and long term capital gains
(c) Against any head of income (d) None of the above. Ans.(b)

(43) Mr. B incurred long term capital loss of Rs. 10,000 on sale of shares through the National Stock Exchange. Such loss can be set-off from -

- (a) Only against long-term capital gains
(b) Against both short-term capital gains and longterm capital gains
(c) Against any head of income
(d) Cannot be set- off as it is a loss from source whose income is exempt from tax.

Ans.(a)

(44) Mr X has received the following incomes : (i) Salary received as a partner from a partnership firm Rs. 7,50,000. (ii) Loss on sale of shares listed in BSE Rs. 3 lakhs. Shares were held for 15 months and STT paid on sale. (in) Long-term capital gain on sale of land Rs. 5 lakhs. His gross total income will be -

- (a) Rs. 12,50,000 (b) Rs. 9,50,000
(c) Rs. 7,50,000 (d) Rs. 5,00,000 Ans.(b)

Answer Hint: Long term capital loss on sale of shares shall be allowed to be set-off from LTC arising from sale of land. Also Salary received is PGBP Income and Not Salary Income.

(45) Loss from the activity of owning and maintaining race horses could be set-off - (June, 2015)

- (a) Against income under any of the five heads of
- (b) Only against income under the head 'income from other sources'
- (c) Only against income under the head 'profits and gains of business or profession'
- (d) Only against income from same .

Ans.(d)

(46) Where the net result of the computation under the head "Income from house property " is a loss and the assessee has income assessable under any other head of income, the assessee shall not be entitled to set off such loss, to the extent such loss exceeds , against income under the other head.

- (a) 1,00,000
- (b) 2,00,000
- (c) 3,00,000
- (d) Nil

Ans.(b)

(47) For the previous year 2019-20, an assessee suffered a business loss of Rs. 2,50,000. His income from other sources is Rs. 1,80,000. His due date of return was 31st July, 2020 but he submitted the return on 9th September, 2019. The assessee in this case - (June 2016)

- (a) Shall be allowed to carry forward the loss of Rs. 70,000
- (b) Shall not be allowed to carry forward any loss
- (c) Shall be allowed to set-off current year business loss to the extent of Rs. 1,80,000 but shall not be allowed to carry forward the balance loss of Rs. 70,000
- (d) Shall not be allowed to set-off the business loss to the extent of Rs. 1,80,000 and would be liable to tax on 11,80,000

Ans.(c)

(48) Mr X has the following incomes : Loss from house property- (Rs. 2,50,000), Profits and gains of business or profession- Rs. 5,00,000. His Gross total income will be :

- (a) Rs. 2,50,000
- (b) 3,00,000
- (c) Rs. 7,50,000
- (d) Rs. 5,00,000

Ans.(b)

CARRY FORWARD & SET-OFF LOSS IN CASE OF AMALGAMATION,
DEMERGER & BUSINESS REORGANISATION

(49) Business loss of an amalgamating company shall:

- (a) be carried forward and set-off in the hands of amalgamated company subject to certain conditions
- (b) be carried forward and set-off in the hands of amalgamated company unconditionally
- (c) not be carried forward
- (d) be allowed to be carried forward only by amalgamating company

Ans.(a)

(50) In case of amalgamation u/s 72A, after fulfilling prescribed conditions accumulated loss can be carried forward for -

- (a) Further 8 years in the hands of amalgamating company
- (b) Further 8 years in the hands of amalgamated company
- (c) Further 4 years in the hands of amalgamating company
- (d) Further 4 years in the hands of amalgamated company

Ans.(b)

(51) The accumulated loss shall not be set off or carried forward and the unabsorbed depreciation shall not be allowed in the assessment of the amalgamated company unless the amalgamated company fulfills which of the following conditions.

- (a) holds continuously for a minimum period of 5 years from the date of amalgamation at least 3/4th of the book value of fixed assets of the amalgamating company acquired in a scheme of amalgamation;
- (b) fulfils such other conditions as may be prescribed to ensure the revival of the business of the amalgamating company or to ensure that the amalgamation is for genuine business purpose.
- (c) continues the business of the amalgamating company for a minimum period of 5 years from the date of amalgamation;
- (d) All of these

Ans.(d)

(52) In case of demerger after fulfilling prescribed conditions u/s 72A, the accumulated loss can be carried forward for the –

- (a) Remaining period out of 8 years in the hands of resulting company.
- (b) Further 8 years in the hands of demerged undertaking.
- (c) Further 8 years in the hands of resulting company.
- (d) Remaining period out of 8 years in the hands of demerged undertaking.

Ans.(a)

(53) In case of reorganization of business whereby firm is succeeded by a company fulfilling conditions given u/s 47(xiii)/ (xiv), the accumulated loss and unabsorbed depreciation can be carried forward in the hands of successor company for -

- (a) Remaining period out of 8 years
- (b) Further 8 years
- (c) Remaining period out of 4 years
- (d) Further 4 years

Ans.(b)

(54) In case of amalgamation of banking company under section 72AA, accumulated loss and unabsorbed depreciation can be carried forward in the hands of amalgamated company for -

- (a) Remaining period out of 8 years
- (b) Remaining period out of 4 years
- (c) Further 8 years
- (d) Further 4 years

Ans.(c)

(55) In case of amalgamation of co-operative banks, after fulfilling the prescribed conditions, accumulated loss and unabsorbed depreciation can be carried forward and set-off for -

- (a) Further 8 years in the hands of successor cooperative bank.
- (b) Remaining period out of 8 years in the hands of amalgamated co-operative bank.
- (c) Further 4 years in the hands of successor cooperative bank.
- (d) Further 4 years in the hands of predecessor cooperative bank.

Ans.(b)

(56) In case of demerger of co-operative banks as per prescribed conditions accumulated loss can be carried forward and setoff in the hands of resulting co-operative bank for -

- (a) Further 8 years
(b) Further 4 years
(c) Remaining period out of 8 years.
(d) Remaining period out of 4 years.

Ans.(c)

(57) In the case of a closely-held company (not being a company in which the public are substantially interested and not being an eligible start-up referred to in Section 80-IAC), the losses incurred in any year prior to the previous year can be carried forward and set off if -

- (i) on the last day of the previous year, the shares of the company carrying not less than _____ of the voting power;
- (ii) were beneficially held by persons who beneficially held shares of the company carrying not less than _____ of the voting power on the last day of the year(s) in which the loss was incurred.

- (a) 25%, 25% (b) 51%, 51%
(c) 75%, 75% (d) 50%, -50% Ans.(b)

Ans.(b)

(58) A partnership firm with 4 equal partners brought forward depreciation of Rs. 3 lakh and business loss of Rs. 3 lakh relating to assessment year 2019-20. On 1st April, 2019, two partners retired. The amount that assessee-firm can set-off against its income for the assessment year 2020-21 would be - (Dec. 2015)

- (a) Unabsorbed depreciation of Rs. 3 lakh plus brought forward business loss of Rs. 3 lakh.
(b) Unabsorbed depreciation 'nil' plus brought forward business loss Rs. 3 lakh.
(c) Unabsorbed depreciation Rs. 3 lakh plus brought forward business loss 'nil'.
(d) Unabsorbed depreciation Rs. 3 lakh plus brought forward business loss of Rs. 1.50 lakh.

Ans.(d)

(Answer Hint: loss to the extent of share of retiring partner shall not be allowed to be carried forward and setoff.)

(59) In which of the following case loss can be carried forward without furnishing the return of loss?

- (a) Loss from house property.
- (b) Losses under the head Profits & Gains of Business or Profession except speculation business loss.
- (c) Losses under Profits & Gains of Business or Profession including speculation business loss.
- (d) Losses under the head Capital Gains..

Ans. (a)