CHAPTER 1 - PROFITS AND GAINS FROM BUSINESS OR PROFESSION & ASSESSMENT OF VARIOUS ENTITIES

1. Additional depreciation u/s 32(1)(iia) is available when new Plant & Machinery:
   A) Is acquired before 1-4-2003.
   B) Is put to use before 1-4-2003.
   C) Is acquired before 1-4-2005.
   D) Is put to use before 1-4-2005.
   E) Is acquired and put to use before 1-4-2005.
   F) Is acquired on or after 1-4-2005.
   G) Is put to use on or after 1-4-2005.
   H) Is acquired and put to use on or after 1-4-2005.

2. Is it necessary to acquire and put to use the New Plant & Machinery in the same Previous year for claiming additional depreciation u/s 32(1)(iia)?
   A) Yes
   B) No

3. Asset 'X' is purchased on 15th November of the current previous year and put to use on the same day. Depreciation on this asset for the current previous year:
   A) Entire depreciation
   B) No depreciation
   C) 50% of entire depreciation

4. Asset 'X' is purchased on 15th November of the current previous year and put to use on 15th February of next previous year. Depreciation on this asset for the current previous year:
   A) Entire depreciation
   B) No depreciation
   C) 50% of entire depreciation

5. Asset 'X' is purchased on 15th November of the current previous year and put to use on 15th February of next previous year. Depreciation on this asset for the next previous year:
   A) Entire depreciation
   B) No depreciation
   C) 50% of entire depreciation

6. Which assessee is entitled to take depreciation U/S 32(1)(i), on SLM basis?
   a) Manufacturer.
   b) Manufacturer who carries out business in notified backward areas.
   c) Engaged in the business of power generation.
   d) Engaged in the business of power generation and distribution.
   e) A and B.
   f) C and D.
   g) A and C.
   h) B and D.

7. Mr. Raj took a building on rent for business use and incurred expenditure on repairs of capital nature. In respect of this expenditure:
   A) He will not get deduction
   B) He will get deduction U/S 30
   C) He will get depreciation U/S 32
   D) He will get deduction U/S 37(1)

8. Additional depreciation u/s 32(1)(iia) is available on which asset?
   A) Building
   B) Plant
   C) Furniture and fittings
   D) Eligible New plant or machinery
   E) Intangible asset

9. Which assessee is entitled for additional depreciation u/s 32(1)(iia)?
   A) Engaged in Profession
   B) Manufacturer.
   C) Power generation assessee.
   D) B and C.
   E) A and C.
   F) A and B.
10. Additional depreciation u/s 32(1)(iia) is available in which year?
   A) The year in which it is acquired.   B) The year in which it is put to use.

11. Deduction U/S 31 of repairs and insurance premium is available in respect of which assets?
   A) Plant   B) Machinery   C) Furniture   D) All of the above

12. Out of the following, which asset is not subject to additional depreciation?
   A) Computer   B) Air condition installed in office
   C) Machinery installed in factory   D) Air condition installed in factory

13. What is the rate of additional depreciation?
   A) 15%/35%   B) 20%/35%   C) 25%/35%   D) 40%/35%

14. Additional investment allowance U/S 32AD is not available if assesse sets up an enterprise or undertaking in notified backward areas of states of: Choose all the states that are not eligible.
   A) Maharashtra   B) West Bengal   C) Punjab   D) Haryana
   E) Bihar   F) Telangana   G) Andhra Pradesh

15. Which asset is not eligible for additional investment allowance U/S 32AD?
   A) Computer   B) Air condition installed in factory
   C) Machinery installed in factory   D) All of the above

16. What is the period during which additional investment allowance U/S 32AD is available?
   A) 3 years   B) 5 years   C) 7 years   D) 2 years

17. Asset 'X' is purchased on 1st December 2018 and put to use on 1st March 2020, additional investment allowance U/S 32AD:
   a) Is available in PY 18-19
   b) No additional investment allowance
   c) Is available in PY 19-20
   d) None of the Above

18. Additional depreciation U/S 32(1)(iia) for assessee who is also eligible for additional investment allowance U/S 32AD;
   a) Is eligible for additional depreciation at 20%
   b) Is eligible for additional depreciation at 35%
   c) Is not eligible for additional depreciation at all

19. Deduction U/S 35ABB is available from the previous year;
   a) In which business is commenced
   b) In which Government authorized operations
   c) In which payment is made
   d) In which business is commenced or payment is made whichever is later
   e) In which business is commenced or payment is made whichever is earlier

20. In which cases, the amount released from special account or withdrawn from any account opened by assessee as per the provisions of section 33AB is taxable?
   a) Closure of business   b) Partition of HUF
   c) Dissolution of Firm   d) Liquidation of Company
   e) Death of assessee   f) All of the above
21. In which cases, the amount released from special account or withdrawn from any account opened by assesse as per the provisions of section 33ABA is taxable?
   A) Closure of business
   B) Partition of HUF
   C) Dissolution of Firm
   D) Liquidation of Company
   E) Death of assesse
   F) All of the above

22. ABC Ltd., acquired machine costing 10,00,000 for scientific research on 15th November in current previous year and put to use on the same day. Profits for the current year is 8,00,000. What will be the tax treatment?
   A) No deduction.
   B) Depreciation of 75000
   C) Deduction of 8,00,000
   D) Deduction of 10,00,000
   E) Deduction of 15,00,000
   F) Depreciation of 150000

23. Out of the following which expenditure is allowed U/S 35?
   a) Expenditure incurred within 5 years before the commencement of business for purchase of materials
   b) Expenditure incurred within 3 years before the commencement of business for purchase of materials
   c) Expenditure incurred within 3 years before the commencement for electricity in lab building

24. Deduction U/S 35, for capital expenditure is an allowance against profit?
   A) Yes
   B) No

25. Which assesse is eligible for deduction at 150% for expenditure incurred for scientific research?
   a) Firm engaged in the business of biotechnology
   b) Company engaged in the business of Manufacturing of any article or thing other than XIth Schedule
   c) Firm engaged in the business of manufacturing
   d) Company engaged in the business of running hospitals

26. Out of the following, which expenditure is allowed as deduction U/S 35AD?
   A) Cost of Old building
   B) Cost of goodwill
   C) Cost of financial instruments
   D) Cost of land

27. Mr. Vicky purchased asset costing 10,00,000 on 1st June of the current previous year and put to use the asset on 1st February of the current previous year. Asset was financed by a bank through loan of 70% at 12% p.a. On the basis of above, what will be the actual cost of asset as per section 43(1)?
   A) 10,00,000
   B) 10,14,000
   C) 10,56,000
   D) 7,00,000

28. Interest payable by firm to its partners is allowable as deduction under which section to the firm while computing pgbp income?
   A) Section 28
   B) Section 37(1)
   C) Section 36(1)(iii)
   D) Section 40(b)

29. Salary, bonus, commission, and remuneration payable by firm to partners is allowable as deduction under which section to the firm while computing pgbp income?
   A) Section 28
   B) Section 37
   C) Section 36(1)(ii)
   D) Section 40(b)

30. ABC Ltd., incurred advertisement expenditure of Rs. 15,00,000. Out of which 5,00,000 was for advertisement on TV, 2,50,000 on radio, 3,50,000 in manifesto of political party, 4,00,000 in newspaper. What is the amount of deduction while computing pgbp?
31. Mr. Kaushal purchased an asset costing 8,00,000 on 1st day of the previous year and put to use on the same day, however, this asset is being used for personal purposes also. Personal usage is 30%. Rate of depreciation is 15%. While computing pgbp income, what will be the amount of disallowance?
A) 1,20,000  
B) 36,000  
C) As determined by A.O  
D) 84,000  
E) 60,000

32. Mr. Rahul took a loan for business purposes from PFI, during PY 18-19, on which interest for the PY 18-19 is 2,00,000. This interest is paid on 10th June 2020. Due date of filing of ROI for PY 18-19 is 30th September 2019 and for PY 19-20 is 31st July 2020. In which year this interest payment of 2,00,000 will be allowed as deduction?
A) PY 18-19  
B) PY 19-20  
C) PY 20-21  
D) No deduction at all

33. XYZ Ltd., a trading company, is having a block of assets (rate of depreciation 15%) whose opening WDV is 30,00,000. During PY, it purchased another asset of this block for 10,00,000 on 1st June of the current previous year and put to use on the same day. Thereafter it sold this entire block for 60,00,000 to One Direction Ltd under the scheme of amalgamation on 1st January of the current previous year. What is the actual cost of this block in the hands of One Direction Ltd?
A) 30,00,000  
B) 40,00,000  
C) 60,00,000  
D) 35,55,367  
E) 55,55,367

34. AJ Ltd. is engaged in specified business and during PY 18-19, purchased asset (rate of depreciation 15%) for the specified business costing 10,00,000 on 1-7-2018 and put to use on the same day. For this/company got deduction U/S 35AD for PY 18-19. However, it used this asset for another business which is not a specified business on 1-11-21. What is the amount which would be chargeable under the head pgbp in PY 21-22?
A) 10,00,000  
B) 6,14,125  
C) 3,85,875  
D) 9,25,000

35. Mr. Robert opted for disclosing income U/S 44AD for PY 18-19. Its sales during the said PY was 80,00,000. Out of which 50,00,000 is received during PY 18-19 by way of ECS. Another 10,00,000 is received on 10th June 2019 in cash, another 15,00,000 is received on 25th June 2019 by way of account payee cheque and balance 5,00,000 is received on 1st December 2019 by way of ECS. What is the amount of pgbp income from this business?
A) 4,00,000  
B) 6,40,000  
C) 5,10,000  
D) 6,10,000

36. Which of the following individuals would be entitled to opt for presumptive taxation schemes under the Income-tax Act, 1961 for A.Y.2019-20?
(i) A retail trader having turnover of Rs.2 crore during the previous year 2018-19  
(ii) A practising CA having gross receipts of Rs.92 lakhs during the previous year 2018-19.  
(iii) A wholesale trader having turnover of Rs.1.96 crore during the previous year 2018-19.  
(iv) A doctor having gross receipts of Rs.50 lakhs during the previous year 2018-19  
(v) Individual owning 8 goods carriages as on 1.4.2018. He sold 2 goods carriages on 1.5.2018 and purchased 4 goods carriages on 1.7.2018.
(a) Only (iii)  
(b) (iii) & (v)  
(c) (i), (iii), (iv) & (v)  
(d) (i), (ii), (iii), (iv) & (v)
37. Rexon Limited is engaged in growing and manufacturing rubber in India. It commenced its operations from 1st April, 2018. It acquired plant and machinery (second hand), factory building and furniture at a cost of Rs.62 lakhs, Rs.37 lakhs and Rs.8 lakhs, respectively, in the P.Y. 2018-19 by way of ECS through bank account. Assuming that all the assets were put to use for more than 180 days during the P.Y. 2018-19, you are required to compute the written down value of each block as on 1st April, 2019.

(a) Rs.52.70 lakhs; Rs.33.30 lakhs & Rs.7.20 lakhs  
(b) Rs.58.75 lakhs; Rs.35.71 lakhs & Rs.7.72 lakhs  
(c) Rs.58.28 lakhs; Rs.35.52 lakhs & Rs.7.68 lakhs  
(d) Rs.59.675 lakhs; Rs.36.075 lakhs & Rs.7.8 lakhs

38. Tubelight Ltd., an Indian company commenced business on 1.2.2019. It incurred preliminary expenses of Rs.35 lakhs during the period from 1.4.2018 to 31.1.2019. The cost of the project is Rs.5 crore. The following are the details as on 31.3.2019: Issued Share Capital - Rs.3 crore; Share Premium - Rs.50 lakhs; Debentures - Rs.1 crore; Long-term borrowings - Rs.2 crore. The deduction under section 35D for P.Y.2018-19 is -

(a) Rs.5 lakhs  
(b) Rs.6 lakhs  
(c) Rs.6.50 lakhs  
(d) Rs.7 lakhs

39. Rental income earned from the business of letting out of properties is –

(a) always taxable as income from house property  
(b) taxable as business income or income from house property, at the option of the assessee. However, the practice should be followed consistently.  
(c) taxable as business income only if the entire or substantial income of the assessee was from letting out of property. Otherwise, the same would be taxable as income from house property.

40. ABC Ltd., an Indian company engaged in manufacture of steel, has incurred expenditure on advertisement in a souvenir of a political party. Which of the following statements are correct?

(a) Such expenditure is allowable as deduction while computing its business income.  
(b) Such expenditure is not allowable as deduction while computing its total income.  
(c) Such expenditure is not allowable as deduction while computing its business income but is allowable as deduction from gross total income.  
(d) Such expenditure is neither allowable as deduction from business income nor allowable as deduction from gross total income

41. Y Ltd. purchased computers of the value of Rs.10 lakhs in November, 2018 and installed the same in its office. The depreciation allowable under section 32 for A.Y.2019-20 is respect of the same is –

(a) Rs.6 lakhs  
(b) Rs.3 lakhs  
(c) Rs.4 lakhs  
(d) Rs.2 lakhs

42. Mr. X, set up a manufacturing unit in Warangal a Notified Backward Area in the state of Telangana on 01.06.2018. It invested Rs.30 crore in new plant and machinery on 1.6.2018. Further, it invested Rs.25 crore in the plant and machinery on 01.11.2018, out of which Rs. 5
crore was second hand plant and machinery. The depreciation allowable under section 32 for A.Y.2019-20 is 
(a) Rs.15.375 crore 
(b) Rs.20.375 crore 
(c) Rs.14.875 crore 
(d) Rs.11.375 crore

43. X Ltd., a company engaged in the business of manufacturing, paid Rs.2 lakh to Indian Institute of Science, Bangalore (an approved and notified Scientific Research institution) for scientific research. It also incurred capital expenditure of Rs.12 lakh (including cost of acquisition of land Rs.5 lakh) on in-house research and development facility as approved by the prescribed authority. The deduction under section 35 for A.Y.2019-20 would be 
(a) Rs.9,00,000 
(b) Rs.13,50,000 
(c) Rs.14,00,000 
(d) Rs.10,00,000

44. If all the members in AOP are taxed at slab rates and all members income is less than maximum amount not chargeable to tax then WHAT is the tax rate applicable to AOP
1. Maximum marginal rate 
2. Slab rates 
3. 30% 
4. 40%

45. Rent paid to members of AOP is 
1. Allowed subject to 40A(2) 
2. Disallowed under section 40(ba)

46. Interest paid by members to it's AOP is 
1. allowed 
2. Disallowed 

47. If shares of members are not determined at the time of formation and one of the member in AOP is foreign company then tax rate applicable to AOP 
A) 30% 
B) 35.88% 
C) 42.68%

48. Remuneration paid to members by AOP
a) Fully allowed 
b) fully disallowed 
c) allowed subject to limit given under section 40(b)

49. If net income of AOP includes long term capital gains on transfer of building then it will be taxed at 
A) maximum marginal rate 
B) 20% 
C) 30%

50. Association of person is liable to pay tax at maximum marginal rate. What will be the tax treatment of share income received by members from AOP 
 a) Fully taxable 
b) Fully exempt 
c) Partly taxable and partly exempt

51. AOP is liable to pay tax at slab rate and income of AOP is less then maximum amount not chargeable to tax. What will the tax treatment of share income received by members 
 a) fully taxable 
b) fully exempt 
c) taxable and members will get benefit of rebate under section 86

52. Group of assets falling within a class of assets comprising of tangible & intangible assets is known as : 

1.6
Final C.A. – D.T- MCQ’s

CA Aarish Khan

AJ Education NeXt

A. Group of assets
B. Block of assets
C. Set of assets
D. None of these

53. Rate of depreciation chargeable on temporary wooden structure for the assessment year 2019-20 is -
   A. 40%
   B. 10%
   C. 100%
   D. 50%.

54. Under the Income-tax Act, 1961, depreciation on machinery is charged on -
   A. Purchase price of the machinery
   B. Market price of the machinery
   C. Written down value of the machinery
   D. All of the above.

55. If a block of assets ceases to exist on the last day of the previous year, depreciation admissible for block of assets will be _________
   A. Nil
   B. 50% of the value of the block of assets on the first day of the previous year
   C. The total value of the block of assets on the first day of the previous year
   D. 50% of the value of the block of assets on the last day of the previous year.

56. While computing the actual cost of any asset falling within a block, direct costs attributable to bring asset to its present location and working condition for its intended use (i.e. expenses incurred for acquiring the asset e.g. - freight, insurance, loading and handling etc. and expenses incurred in connection with the installation of the asset shall:
   A. be added to the purchase price
   B. be subtracted from the purchase price
   C. be subtracted from WDV
   D. Be claimed as revenue expenditure.

57. While computing the actual cost of any asset falling within a block, amount of duty of excise or additional duties of customs levied on it and included in its cost, in respect of which claim of CENVAT credit has been made and allowed under the CENVAT Credit Rules, 2004, shall be:
   A. Added to the purchase price
   B. Subtracted from the purchase price
   C. Added to the WDV
   D. Claimed as revenue expenditure

58. In which of the following case no depreciation is allowable _
   A. Block exists but WDV ceases to exist.
   B. WDV exists but the block ceases to exist.
   C. WDV & Block both ceases to exist.
   D. All of the above.
59. Where an asset used for scientific research for more than three years is sold without having been used for other purposes, then the sale proceeds to the extent of the cost of the asset already allowed as deduction under section 35 in the past shall be treated as _
   A. Business income
   B. Long-term capital gain
   C. Short-term capital gain
   D. Exempted income.

60. Unabsorbed depreciation can be carried forward for:
   A. 10 years
   B. 8 years
   C. Zero years
   D. Indefinite period

61. XYZ Pvt. Ltd. was engaged in the business of manufacturing fertilizers located in the backward area of State of West Bengal. Opening WDV of the block of plant and machinery was Rs. 80 crores. During the year, asset was acquired under this block on 11th July 2018 amounting to Rs. 150 crore. Rate of depreciation of the block is 15%. Calculate the WDV of the block of asset.
   A. Rs. 100 crore
   B. Rs. 165.5 crore
   C. Rs. 143 crore
   D. Rs. 150 crore

62. Opening WDV of the block of assets was Rs. 15,00,000. During the year, asset was acquired under this block on 15th June 2018 amounting to Rs.10,00,000. Rate of depreciation of the block is 15%. Calculate the amount of depreciation available during the previous year for the block.
   A. Rs. 3,25,000
   B. Rs. 3,75,000
   C. Rs. 3,00,000
   D. Rs. 2,25,000

63. Opening WDV of the block of assets was Rs. 15,00,000. During the year, asset was acquired under this block on 1st June 2018 amounting to Rs.10,00,000. One of the asset falling within the block was sold for Rs.5,50,000 on 14-01-2019. Rate of depreciation of the block is 10%. Calculate the amount of depreciation available during the previous year for the block.
   A. Rs. 1,95,000
   B. Rs. 2,50,000
   C. Rs. 1,45,000
   D. Rs. 2,22,500

64. Opening WDV of the block of assets was Rs. 15,00,000. During the year, asset was acquired under this block on 15th January 2019 amounting to Rs.10,00,000. One of the asset falling within the block was sold for Rs. 5,50,000 on 14 January 2019. Rate of depreciation of the block is 10%. Calculate the amount of depreciation available during the previous year for the block.
   A. Rs. 1,95,000
   B. Rs. 2,50,000
65. Opening WDV of the block of assets was Rs. 25, 00,000. During the year, asset was acquired under this block on 11th October 2018 amounting to Rs. 15, 00,000. Also, moneys payable in respect of asset falling within this block was Rs. 38, 00,000. Rate of depreciation of the block is 10%.

Calculate the amount of depreciation available during the previous year for the block.
A. Rs. 20,000
B. Rs.10,000
C. Rs. 1,50,000
D. Rs. 15,000

66. A Ltd. owns machinery (rate of depreciation is 15%), the written down value of which as on 1st April, 2018 is Rs. 30, 00,000. Due to fire, entire assets in the block were destroyed and the insurer paid Rs. 25, 00,000. The eligible depreciation in respect of this machinery is ______
A. Rs. 4,50,000
B. Rs. 75,000
C. Rs. 5,00,000
D. Nil

67. Amit, deriving business income, owns a car whose WDV as on 1st April, 2017 was Rs. 3, 00,000. This is the only asset in the block of assets with rate of 15%. It is estimated that one-third of the total usage of the car is for personal use in both years. The WDV of the block of assets as on 31st March, 2019 would be -
A. Rs. 2,16,750
B. Rs. 2,43,000
C. Rs. 2,55,000
D. None of the above.

68. An assessee paid insurance premium against risk of damage or destruction of stocks or stores used for the purposes of his business or profession. Such expenditure shall be considered as :
A. Revenue expenditure
B. Capital expenditure
C. Deferred revenue expenditure
D. Illegal expenditure

69. One of the employees of the organisation was terminated in the interest of business and was paid one time compensation of Rs. 75,000. For the organisation such expenditure shall be considered as:
A. Revenue expenditure
B. Capital expenditure
C. Deferred revenue expenditure
D. None of the above
70. An employer paid an amount of Rs. 50,000 as insurance premium on the health of his employees under a scheme framed in this behalf by GIC. Such payment was made by cash. The insurance amount was of Rs. 5,00,000. The amount of deduction available to employer:
A. Rs. 50,000  
B. Rs. 5,00,000  
C. Rs. 4,50,000  
D. Nil

71. Mr. AK during the previous year 2018-19 made a payment outside India to a non-resident on which TDS was not paid upto time allowed under section 200. However, such TDS was deducted and paid on 15th February 2020. When shall deduction of this expenditure be allowed to assesse? 
A. Previous Year 2019-20  
B. Previous Year 2018-19  
C. Previous Year 2017-18  
D. Not allowed deduction

72. Mr. AK during the previous year 2018-19 made a payment outside India to a non-resident on which TDS was not paid upto time allowed under section 200. However, such TDS was deducted and paid on 30th September 2019. When shall deduction of this expenditure be allowed to assesse? 
A. Previous Year 2018-19  
B. Previous Year 2019-20  
C. Previous Year 2017-18  
D. Not allowed deduction

73. AK Ltd. has made a payment of Rs.20,00,000 to Mr. A a contractor on which tax was not deducted at source during the previous year. The amount of expenditure to be disallowed under Section 40(a) will be-
A. Rs.20,00,000  
B. Rs.6,00,000  
C. Rs.10,00,000  
D. Nil

74. AK & Co. paid Rs.7,20,000 as contract payments to M Ltd. during the financial year 2018-19. It did not deduct tax at source under section 194C. The amount liable for disallowance is –  
A. Rs.7,20,000  
B. Rs.3,05,000  
C. Rs.12,200  
D. Rs.2,16,000

75. Daughter of Mr. AK was appointed as a manager in his firm. AK made a payment of salary of Rs. 35,00,000 to her daughter whereas Assessing Officer is of opinion that such expenditure is excessive or unreasonable having regard to the FMV which comes to be of Rs.29,00,000. Calculate the amount to be disallowed. 
A. Rs.35,00,000  
B. Rs.39,00,000  
C. Rs.6,00,000
76. A person shall be deemed to have a substantial interest in a business or profession, if-
A. In a case where the business or profession is carried on by a company, such person, at any time during the previous year, is the beneficial owner of equity shares carrying not less than 20% of the voting power.
B. In any other case, such person, at any time during the previous year, is beneficially entitled to not less than 20% of the profits of such business or profession.
C. Both of the above
D. None of the above.

77. Mr. AK claims the deduction (on accrual basis) of payment to Amit of Rs. 25,000. Next year he paid this amount to Amit through a crossed cheque. What are the consequences of this transaction?
A. This deduction is already claimed.
B. It will be disallowed and deemed to be the profit and gains of Business and Profession of the next year.
C. Deduction can be claimed in next year too.
D. None of these

78. AK made a cash payment of Rs. 2,95,000 on 28th March, 2019 as the banks were on strike that day and the payment was to be made urgently. Calculate the amount of expenditure to be disallowed u/s 40A(3).
A. Rs. 2,95,000
B. Rs. 2,75,000
C. Nil
D. Rs. 10,000

79. Under section 40A(3) which of the following payment for an expenditure incurred would not be admissible as deduction from business income?
A. Rs. 9,500 paid in cash to a transporter
B. Rs. 8,000 paid in cash to a dealer in the morning and 8,000 paid in cash to the same dealer in the evening
C. Rs. 50,000 sent through NEFT to the bank account of the dealer for goods purchased
D. Rs. 9,000 paid through bearer cheque to the dealer for goods purchased.

80. When a cash payment of Rs. 18,000 is made on 11th May, 2018 towards purchase of raw material effected in the earlier year, i.e., on 6th June, 2016, the amount liable for disallowance under section 40A(3A) would be -
A. Nil
B. 100% of payment
C. 20% of such payment
D. 30% of such payment

81. AK Ltd. purchased goods on credit from Aman Ltd. on 8th May, 2018 for Rs 88,000 which is paid as Rs 8,000 in cash on 13th May, 2018; Rs. 35,000 by a bearer cheque on 5th May, 2018; and Rs.
45,000 by an account payee cheque on 16th May, 2018. The amount of disallowance under section 40A(3) is -------
A. Rs. 8,000 
B. Rs.35,000 
C. Rs. 45,000 
D. Rs. 88,000 

82. Where an assessee doing a business incurs any expenditure in respect of which payments made to a person in a day exceeds Rs. 10,000 should be paid through account payee cheque or demand draft to claim deduction for such expenditure. This restriction does not apply to -------
A. Payments made to RBI 
B. Payments made to cultivators 
C. Payment of terminal benefits to employees not exceeding 50,000 
D. All of the above 

83. AK discontinued wholesale trade in medicines from 1st June, 2015. He recovered Rs. 1,40,000 in September, 2018 being a bad debt which was written-off and allowed in assessment year 2015-14. He has eligible brought forward business loss of wholesale trade in medicines of Rs. 1,60,000. The consequence of bad debt recovery is that -
A. It is chargeable to tax 
B. It is eligible for set-off against brought forward business loss 
C. The brought forward business loss is taxable now 
D. 50% of the amount recovered now is taxable 

84. AK sold goods worth Rs. 55,000 at credit on 5th April, 2015. However, he has written off Rs. 20,000 of it as bad debts and claimed deduction for the same during the year 2017-18. On 3rd April, 2018, the defaulting debtor made payment of Rs. 45,000. The taxable amount of bad debts recovered for the year 2018-19 would be -
A. Rs. 10,000 
B. Rs. 55,000 
C. Rs. 45,000 
D. Rs.20,000 

85. As per section 43B, certain payments are to be allowed as deduction only on actual payment. Such sums include:
A. Any sum payable by the assessee to the Indian Railways for the use of railway assets. 
B. Employer's contribution to provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees. 
C. Bonus or commission to employees for services rendered as referred 36(1)(ii). 
D. All of the above. 

86. As per section 43B, certain payments are to be allowed as deduction only on actual payment. Such sums include:
A. Sum payable by assessee by way of tax, duty, cess or fee, by whatever name called, under any law for the time being in force. 
B. Employer's contribution to provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees. 

1.12
87. AK incurred an expenditure of municipal tax of Rs. 55,000 relating to office building for the previous year 2018-19 but did not paid same till 30-09-2019. Such sum was paid on 14th Feb, 2020. In which assessment year deduction shall be allowed to the AK?
A. AY.2020-21
B. AY.2019-20
C. AY.2018-19
D. Nil

88. AK Ltd. took a loan of Rs. 3,50,000 from a Public Financial Institution. It incurred an interest expense of Rs. 35,000 against this loan in the Previous Year 2018-19 but did not pay the interest amount to bank. The assessee paid this amount on 14th March 2020. In which assessment year deduction shall be allowed to the assessee?
A. AY.2020-21
B. AY.2019-20
C. AY.2018-19
D. Nil

89. An assessee transferred his land (stock in trade) on 15th May 2018 for Rs. 76,00,000. However, the value adopted by State Government authority for the purpose of payment of stamp duty in respect of such transfer was Rs. 95,00,000. What shall be the full value of the consideration received or accruing as a result of such transfer for the purposes of computing profits and gains from transfer of such asset?
A. Rs.76,00,000
B. Rs. 95,00,000
C. Rs. 19,00,000
D. Rs. 1,71,00,000

90. AK transferred his land (stock in trade) on 31st May 2018 for Rs. 76,00,000. However, the value adopted by State Government authority for the purpose of payment of stamp duty in respect of such transfer was Rs. 78,00,000. What shall be the full value of the consideration received or accruing as a result of such transfer for the purposes of computing profits and gains from transfer of such asset.
A. Rs. 78,00,000
B. Rs. 76,00,000
C. Rs. 8,00,000
D. Rs. 1,54,00,000

91. AK Ltd. credited the interest on bad and doubtful debts of Rs. 35,000 on 17th March, 2019. However, the interest amount was received on 10th April, 2019. As per section 43D when such interest shall be chargeable to tax?
A. P.Y. 2019-20
B. P.Y. 2020-21
C. P.Y. 2018-19
D. Not taxable
92. AK & Association (trade association) furnishes profits of business before allowing deficiency was of Rs. 80,000. The deficiency amount was of Rs. 75,000 and the total income of assessee before allowing deficiency was of Rs. 1,40,000. What shall be the amount of deduction available to assessee for the deficiency? You with the following information -
   A. Rs. 75,000
   B. Rs. 70,000
   C. Rs. 80,000
   D. Nil

93. AK & Association (trade association) furnishes profits of business before allowing deficiency was of Rs. 95,000. The deficiency amount was of Rs. 76,000 and the total income of assessee before allowing deficiency was of Rs. 2,20,000. What shall be the amount of deduction available to assessee for the deficiency? You with the following information -
   A. Rs. 76,000
   B. Rs. 1,10,000
   C. Rs. 95,000
   D. Nil

94. AK & Association (trade association) furnishes profits of business before allowing deficiency was of Rs. 95,000. The deficiency amount was of Rs. 85,000 and the total income of assessee before allowing deficiency was of Rs. 1,60,000. The amount of deduction available to assessee for the deficiency is of Rs. 80,000. For how many years the remaining balance of deficiency amounting to Rs. 5,000 shall be allowed to be carried forward? You with the following information -
   A. 5 years
   B. 1 year
   C. Infinite years
   D. Not allowed to be carried forward

95. ABC Ltd. has dervied a profit of Rs. 100 lakhs from the business of growing and manufacturing tea in India. It has deposited a sum of Rs. 38 lakhs in Tea deposit account. What is the amount of deduction in relation to Tea, Coffee and Rubber development A/C u/s 33AB?
   A. Rs. 20 lakhs
   B. Rs. 38 lakhs
   C. Rs. 40 lakhs
   D. Rs. 60 lakhs

96. ABC Ltd. has dervied a profit of Rs. 100 lakhs from the business of growing and manufacturing Coffee in India. It has deposited a sum of Rs. 42 lakhs in development account. What is the amount of deduction in relation to tea, coffee and rubber development A/C u/s 33AB?
   A. Rs. 20 lakhs
   B. Rs. 35 lakhs
   C. Rs. 40 lakhs
   D. Rs. 60 lakhs

97. If an asset acquired in accordance with the site restoration scheme is sold or otherwise transferred in any previous year before the expiry of --------years from year of its acquisition and such part
of the cost of asset is relatable to the deduction already allowed under this section will be deemed to be the profits of business in the year of such sale or transfer:
A. 5
B. 4
C. 8
D. 10

98. The amount of deduction available for revenue expenditure incurred during the previous year, on scientific research related to the business; and expenditure incurred on scientific research within the 3 years preceding the date in which the business commences by way of salary of employees/purchase of materials will be:
A. Amount of expenditure incurred
B. 2 x expenditure incurred
C. 1.5 x expenditure incurred
D. None of these

99. Mr. A has incurred revenue expenditure of Rs.5,00,000 during the previous year, on scientific research related to the business. The amount of deduction admissible under Section 35 will be:
A. Rs.5,00,000
B. Rs. 10,00,000
C. Rs.7,50,000
D. None of these

100. Mr. A has incurred capital expenditure of Rs. 5,00,000 (which includes Rs. 1,00,000 on cost of land) during the previous year, on scientific research related to the business. The amount of deduction admissible under Section 35 will be:
A. Rs.4,00,000
B. Rs. 8,00,000
C. Rs. 6,00,000
D. Rs. 10,00,000

101. Mr. A has incurred expenditure of Rs. 5,00,000 by way of payment of sum to approved scientific research association whose object is undertaking of scientific research. The amount of deduction admissible under Section 35 will be:
A. Rs. 8,75,000
B. Rs. 7,50,000
C. Rs. 5,00,000
D. Rs. 10,00,000

102. Assessee company engaged in the business of bio-technology incurred an expenditure of Rs. 10,00,000 on scientific research which includes cost of land of Rs. 2,00,000. Compute the amount of deduction available.
A. Rs. 12,00,000
B. Rs. 8,00,000
C. Rs. 16,00,000
D. Rs. 20,00,000

1.15
103. The amount of deduction available for the expenditure incurred (other than cost of land or building) on scientific research, in-house research and development facility, by a company engaged in bio-technology or manufacture or production of article or thing (other than article or thing specified in XI Schedule) will be:
   A. 100%
   B. 125%
   C. 200%
   D. 150%

104. Which of the following is not one of the Specified businesses under section 35AD includes:
   A. Slurry pipe line
   B. Semi-conductor wafer fabrication
   C. Hotel
   D. Sugar factory

105. Exception to the minimum holding period provision for capital asset under section 35AD is:
   A. Cement industry
   B. Infrastructure Enterprise u/s 80-IA
   C. Company carrying on scientific research and development u/s 80IB
   D. Sick industrial company u/s 17(1) of the Sick Industrial Companies

106. Amount of deduction available u/s 35CCC for expenditure incurred on notified Agricultural Extension Project:
   A. 1 times
   B. 1.25 times
   C. 1.5 times
   D. Nil

107. Amount of deduction available under section 35CCD for expenditure (excluding expenditure incurred on cost of land or building) incurred by companies on notified Skill Development Project:
   A. 100%
   B. 125%
   C. 150%
   D. Nil

108. What is the qualifying expenditure for deduction in relation to preliminary expenses u/s 35D in case of non corporate assessee
   A. Aggregate amount of eligible expenditure
   B. 5% of cost of project
   C. Higher of (a) or (b)
   D. Lower of (a) or (b)

109. In year 2018-19 an assessee incurred Rs/ 6 lacs as preliminary expenditure in respect of extension of the industrial undertaking. The cost of fixed assets acquired out of such extension was Rs. 100 lacs as on 31st March 2019. Calculate the amount 'Of deduction to be allowed to him in computation of his income for the A.Y. 2019-20.
A. Nil
B. Rs. 1,00,000
C. Rs. 1,20,000
D. Rs. 6,00,000

110. Proportion of expenditure allowed as deduction each year in regard to expenditure incurred on Amalgamation or Demerger or Voluntary retirement scheme:
A. 1/5th for each 5 successive previous year
B. 1/2 for each 2 successive previous years
C. 1/10th for each 10 successive previous years
D. Nil

111. One of the employees of an organisation took voluntary retirement on 15 January 2019 and he was paid Rs. 15 lacs as compensation. Calculate the amount of deduction to be allowed in computation of income for the A.Y. 2019-2.0
A. Nil
B. Rs. 15,00,000
C. Rs. 3,00,000
D. Rs. 1,50,000

112. An amount assessee of engaged in business of prospecting, etc., for minerals incurred an expenditure of Rs. 45,00,000 on purchase of land. The amount of deduction available u/s 35E in the previous year 2018-19 for this expenditure incurred is :
A. Nil
B. Rs. 45,00,000
C. Rs. 3,50,000
D. Rs. 1,50,000

113. Which amongst the following are specified books of account?
A. Cash Book
B. Carbon copies or counterfoils of bills
C. Original bills issued
D. All of the above

114. The books of accounts are to be kept and maintained for a period of how many years from the end of the relevant assessment year.
A. 6 years
B. 5 years
C. 8 years
D. Unlimited period

115. A person carrying specified profession will have to maintain books of account prescribed by Rule 6F of the Income-tax Rule, 1962, if gross receipts are more than Rs. 1,50,000 for –
A. All preceding 5 years
B. Any of the preceding 5 years
C. All preceding 3 years
D. Any of the preceding 3 years.
116. In case of specified professions, what is the minimum amount the Gross receipts should exceed in all of the three immediately preceding previous years or, where the business is newly setup, the amount that gross receipts are likely to exceed during current previous year, so as to maintain the books of accounts.
   A. Rs. 1,00,000
   B. Rs. 1,20,000
   C. Rs. 1,50,000
   D. Rs. 10,00,000

117. In which case newly set up business or profession other than specified profession is required to maintain accounts?
   A. If total sales turnover is likely to exceed Rs. 10,00,000 during such previous year.
   B. If turnover likely to exceed Rs. 1,12,000 during such previous year.
   C. If turnover is likely to exceed Rs. 1,00,000 during such previous year.
   D. If turnover is likely to exceed Rs. 1,00,000 during such assessment year.

118. Accounts of a person carrying on business are required to be audited for previous year in which total sales, turnover or gross receipts exceeds ____________
   A. Rs. 60,00,000
   B. Rs. 1,00,00,000
   C. Rs. 15,00,000
   D. Rs. 50,00,000

119. A person carrying on profession is required to get his accounts compulsorily audited by a Chartered Accountant if his gross receipts from profession for the previous year exceed –
   A. Rs. 10,00,000
   B. Rs. 25,00,000
   C. Rs. 50,00,000
   D. Rs. 1,00,00,000

120. A person carrying on profession will also have to get his accounts audited before the specified date, if gross receipts from the profession for a previous year or years relevant to assessment year exceed –
   A. Rs. 25 lakhs
   B. Rs. 10 lakhs
   C. Rs 1 crore
   D. Rs. 50 lakhs.

121. The penalty for failure to maintain accounts under section 44AA is -
   A. Rs. 10,000
   B. Rs. 20,000
   C. Rs. 50,000
   D. Rs. 25,000.

122. The maximum penalty for failure to get accounts audited under section 44AB or furnish audit report along with return of income is _
123. The maximum penalty leviable for failure to get accounts audited or to furnish report under section 44AB is –
A. Rs. 75,000
B. Rs. 1,00,000
C. Rs. 1,50,000
D. Rs. 1,50,000

124. For computation of profits of business on presumptive basis under section 44AD, the deemed profits shall be calculated at the rate of of the total turnover or gross receipts of such business:
A. 8%
B. 12%
C. 20%
D. 5%

125. The total turnover of the business of assessee was of Rs. 30,00,000. The assessee declared a profit of Rs. 2,80,000. What shall be the deemed profits of assessee under section 44AD?
A. Rs. 2,80,000
B. Rs. 2,40,000
C. Rs. 40,000
D. Rs. 2,60,000

126. The provisions of section 44AD shall not apply to:
A. Person carrying on specified profession as referred to Section 44AA.
B. A person earning income in the nature of commission or brokerage.
C. Person carrying on any agency business.
D. All of the above.

127. Provisions of section 44AD for computation of presumptive income are not applicable to
A. Limited liability partnership
B. Partnership firm
C. Resident Hindu Undivided Family
D. Resident individual.

128. When a partnership firm has total sales of Rs. 90 lakh, the maximum amount deductible as salary of working partners on the basis of presumptive income determined under section 44AD is
A. Rs. 4,92,000
B. Rs. 3,60,000
C. Rs. 3,30,000
D. NIL
129. For computation of profits of profession on presumptive basis under section 44ADA, the deemed profits shall be calculated at the rate of the gross receipts of such profession:
   A. 8
   B. 50
   C. 20
   D. 5

130. The provisions of Section 44ADA are applicable if gross receipts from profession does not exceed--

   A. Rs. 50,00,000
   B. Rs. 2,00,00,000
   C. Rs. 1,00,00,000
   D. Rs.1,50,00,000

131. When a person carries on the business of carrying goods for hire for the whole year with 5 self-owned (gross vehicle weight of each being 1285 kg.) and 3 leasehold heavy goods vehicles (gross vehicle weight of each being 31,000 kg.), the presumptive income chargeable to tax under section 44AE would be –
   A. Rs.4,80,000
   B. Rs.7,20,000
   C. Rs. 15,66,000
   D. Rs. 3,36,000

132. Mr. Neeraj is carrying of profession of company secretary. His gross receipts from profession is Rs. 45,00,000 in Previous year 2018-19. His deemed profits as per provisions of Section 44ADA are:
   A. Rs.3,60,000
   B. Rs. 22,50,000
   C. Rs. 4,50,000
   D. Rs. 9,00,000

133. Anuj owns 6 goods carriage vehicles (gross vehicle weight of each being 31000 kg.) . Out of these 2 are heavy goods vehicle acquired by him on 15th January, 2019. His taxable income under section 44AE will be
   A. Rs. 4,05,000
   B. Rs. 16,74,000
   C. Rs. 84,000
   D. Rs. 3,60,000.

134. Rs. 1000 per ton of gross vehicle weight or unladen weight as the case may be, for per month or part of a month for a heavy goods carriage and Rs. 7,500 per month or part of a month for other goods vehicle in the case of Assessee owning not more than-------- goods carriages at any time during the previous year and engaged in the business of plying, hiring or leasing such goods carriages shall be eligible to compute profits under Section 44AE:
   A. 10
   B. 8
   C. 6
135. For computing deemed profits under section 44AE in case of goods carriage other than heavy weight vehicle being a goods vehicle the amount with which per vehicle per month has to be multiplied is:
A. Rs. 10,000
B. Rs. 7,500
C. Rs. 50,000
D. Rs. 1,50,000

136. For computing deemed profits under section 44AE in case of goods carriage a heavy goods vehicle the amount with which per ton per month has to be multiplied is:
A. Rs. 10,000
B. Rs. 5,000
C. Rs. 50,000
D. Rs. 1,000

137. An assessee was engaged in the business of plying, hiring or leasing of goods carriages. He held 4 heavy goods vehicle (Gross weight for each vehicle 15000 kg) being for the entire year and three goods carriage other than heavy goods vehicle which were acquired on 15th July 2018. Compute the deemed profits u/s 44AE.
A. Rs. 5,62,500
B. Rs. 9,22,500
C. Rs. 4,20,000
D. Rs. 3,78,000

ANSWERS

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CHAPTER 2 – CAPITAL GAINS

1. The charging section of the income under the head capital gains is:
   A. Section 15
   B. Section 17
   C. Section 10
   D. Section 45 (2)

2. What are the conditions to be fulfilled for charging of income under the head capital gains:
   A. There must be a capital asset.
   B. There must be a transfer of such capital asset.
   C. The transfer of such capital asset has been affected during the previous year.
   D. All of the above.

3. Which of the following is not a requisite for charging income-tax on capital gains –
   A. The transfer must have been effected in the relevant assessment year
   B. There must be a gain arising on transfer of capital asset
   C. Capital gains should not be exempt u/s 54
   D. Capital gains should not be exempt u/s 54EC

4. The following shall not be regarded as capital asset:
   A. Urban Land
   B. Securities held by a Foreign Institutional Investor as per SEBI Act, 1992
   C. Archaeological Collections
   D. Motor Car

5. The following shall be regarded as capital asset:
   A. Gold Jewellery held by jeweller as SIT trade.
   B. Securities held by FII as per SEBI Act, 1992, held as stock in trade.
   C. Motor car held by motor car manufacturer as SIT
   D. None of above

6. The following shall not be regarded as capital asset:
   A. Jewellery
   B. Rural Agricultural land
   C. Archaeological Collections
D. Personal residential house

7. The following shall be regarded as capital asset:
   A. Jewellery
   B. Sculptures
   C. Archaeological Collections
   D. All of the above

8. Rural area means any area which is outside----------------Kilometers from the local limits of the jurisdiction of a municipality or a cantonment board, if the population of municipality or cantonment board is more than 10,00,000.
   A. 2
   B. 4
   C. 6
   D. 8

9. Rural area means any area which is outside----------------Kilometers from the local limits of the jurisdiction of a municipality or a cantonment board, if the population of municipality or cantonment board is more than 1,00,000 but not exceeding 10,00,000.
   A. 2
   B. 4
   C. 6
   D. 8

10. Rural area means any area which is outside----------------Kilometers from the local limits of the jurisdiction of a municipality or a cantonment board, if the population of municipality or cantonment board is more than 10,000 but not exceeding 1,00,000.
   A. 2
   B. 4
   C. 6
   D. 8

11. Capital asset excludes all except
   A. Stock-in-trade
   B. Personal effects
   C. Jewellery
   D. Agricultural land in India.
12. Transfer of which of the following assets will not be considered as capital gain -
A. Jewellery
B. Gold deposit bonds
C. Paintings
D. Sculpture

13. Which of the following are included in the jewellery -
A. Ornaments made of gold, silver and platinum.
B. Precious metals whether or not worked or sewn into any wearing apparel.
C. Semi-precious stones.
D. All of the above.

14. Income from transfer of self-generated goodwill of a profession:
A. is not chargeable to tax under the head 'capital gains'
B. is chargeable to tax under the head 'capital gains' as short term capital gains
C. is chargeable to tax under the head 'capital gains' as long term capital gains
D. Both (b) and (c)

15. A short term capital asset means a capital asset held by the assessee for not more than:
A. 12 months immediately preceding the month of its transfer
B. 24 months immediately preceding the date of its transfer.
C. 36 months immediately preceding the date of its transfer.
D. None of the above.

16. In terms of section 2(42A), unlisted securities are treated as long-term capital asset, if they are held for a period of more than-
A. 12 Months
B. 36 Months
C. 24 Months
D. 48 Months

17. In terms of section 2(42A), listed securities are treated as long-term capital asset, if they are held for a period of more than –
A. 12 Months
B. 36 Months
18. A long term capital asset means a capital asset held by the assessee for more than:
   A. 12 months immediately preceding the month of its transfer.
   B. 24 months immediately preceding the date of its transfer.
   C. 36 months immediately preceding the date of its transfer.
   D. None of the above.

19. In case of transfer of unlisted equity shares the asset will be treated as short-term capital asset if they are held for not more than immediately preceding the date of transfer.
   A. 12 months
   B. 24 months
   C. 36 months
   D. None of the above.

20. Which of the following asset is a short-term capital asset, if it is held for more than 12 months?
   A. Securities (other than unit) listed in recognized stock exchange in India.
   B. Units of mutual fund other than equity oriented fund
   C. Zero coupon Bonds
   D. None of these

21. Which of the following is a long term capital asset if held for more than 12 months but less than months?
   A. A unit of a Mutual Fund other than equity oriented fund specified under section 10(23D).
   B. Shares of a listed company
   C. Shares of an unlisted company.
   D. Gold Jewellery

22. Cost of acquisition of a capital asset, being a unit of a business trust, allotted pursuant to transfer of share or shares as referred to in section 47(xvii) shall be?
   A. Nil
   B. Cost of acquisition to him of the share
   C. Cost to previous owner.
   D. None of the above.
23. Which of the following is included in the definition of transfer u/s 2(47)?

A. Sale, exchange or relinquishment of the asset.
B. Extinguishment of any rights therein.
C. Compulsory acquisition thereof under any law.
D. All of the above.

24. In the case of a capital asset, being the right to subscribe to any financial asset, which is renounced in favour of any other person,-

A. The period shall be reckoned from the date of the offer of such right by the company or institution, as the case may be, making such offer.
B. The period shall be reckoned from the date of the allotment of such right by the company or institution, as the case may be, making such offer.
C. The period shall be reckoned from the date of the extinguishment of such right by the company or institution, as the case may be, making such offer.
D. None of these.

25. Which of the following transactions shall not be regarded as transfer as per the provisions of section 47:

A. Transfer of a capital asset, being a Government Security carrying a periodic payment of interest, made outside India through an intermediary dealing in settlement of securities, by a non-resident to another non-resident shall not be regarded as transfer as per IT Act.
B. Compulsory acquisition thereof under any law.
C. Extinguishment of rights in respect of capital
D. Conversion of capital asset into stock in trade asset.

26. Which of the following transactions shall not be regarded as transfer as per the provisions of section 47:

A. Any transfer of a capital asset, being share of a special purpose vehicle to a business trust in exchange of units allotted by that trust to the transferor.
B. Compulsory acquisition thereof under any law.
C. Extinguishment of rights in respect of capital
D. Conversion of capital asset into stock in trade asset.

27. Which of the following transactions shall not be regarded as transfer as per the provisions of section 47:

A. Any distribution of capital assets on the total or partial partition of a Hindu Undivided Family.
B. Any transfer of a capital asset by a company to its subsidiary company, if the parent company or its
nominees hold the whole of the share capital of the subsidiary company, and the subsidiary company is an Indian company.

C. Any transfer, in a scheme of amalgamation, of a capital asset by the amalgamating company to the amalgamated company if the amalgamated company is an Indian company.

D. All of the above.

28. Which of the following transactions shall not be regarded as transfer as per the provisions of section 47:

A. Any transfer of Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015, by way of redemption by an assessee being an individual.

B. Any transfer of a capital asset by a company to its subsidiary company, if the parent company or its nominees hold the whole of the share capital of the subsidiary company, and the subsidiary company is an Indian company.

C. Any transfer by a unit holder of a capital asset, being a unit or units, held by him in the consolidating plan of a mutual fund scheme, made in consideration of the allotment to him of a capital asset, being a unit or units, in the consolidated plan of that scheme of the mutual fund.

D. All of the above.

29. Any transfer, in a scheme of amalgamation, of a capital asset, being a share of a foreign company, referred to in the Explanation 5 to Section 9(1)(i), which derives, directly or indirectly, its value substantially from the share or shares of an Indian company, held by the amalgamating foreign company to the amalgamated foreign company, shall not be regarded as transfer as per the provisions of section 47 if:

A. at least 25 of the shareholders of the amalgamating foreign company continue to shareholders of the amalgamated foreign company remain shareholders of the amalgamated foreign and such transfer does not attract tax on capital gains in the country in which the amalgamating company is incorporated.

B. at least 75 of the shareholders of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company and such transfer does not attract tax on capital gains in the country in which the amalgamating company is incorporated.

C. at least 75 of the shareholders of the amalgamating foreign company continue to shareholders of the amalgamated foreign company and such transfer attract tax on capital gains in the country in which the amalgamating company is incorporated.

D. at least 25 of the shareholders of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company and such transfer attract tax on capital gains in the country in which the amalgamating company is incorporated.

30. Any transfer in a demerger, of a capital asset, being a share of a foreign company, referred to in the Explanation 5 to Section 9(1)(i), which derives, directly or indirectly, its value substantially from the share or shares of an Indian company, held by the demerged foreign company to the resulting foreign company, shall not be regarded as transfer as per the provisions of section 47 if:

A. the shareholders, holding not less than 75 in value of the shares of the demerged foreign company, continue to remain shareholders of the resulting foreign company and such the resulting foreign
company and such transfer does not attract tax on capital gains in the country in which the demerged foreign is incorporated.

B. the shareholders, holding not less than 25 in value of the shares of the demerged foreign company, continue to remain shareholders of the resulting foreign company and such the resulting foreign company and such transfer does not attract tax on capital gains in the country in which the demerged foreign is incorporated.

C. the shareholders, holding not less than 25 in value of the shares of the demerged foreign company, continue to remain shareholders of the resulting foreign company and such the resulting foreign company and such transfer attract tax on capital gains in the country in which the demerged foreign is incorporated.

D. the shareholders, holding not less than 75 in value of the shares of the demerged foreign company, continue to remain shareholders of the resulting foreign company and such the resulting foreign company and such transfer attract tax on capital gains in the country in which the demerged foreign is incorporated.

31. Any transfer, in a scheme of amalgamation, of a capital asset being a share or shares held in an Indian company, by the amalgamating foreign company to the amalgamated foreign company, if at least of the shareholders of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company, and such transfer does not attract tax on capital gains in the country, in which the amalgamating company is incorporated, shall not be regarded as transfer:

A. 25%
B. 50%
C. 75%
D. 100%

32. Compensation received by interim order shall be deemed to be income chargeable under the head "Capital gains" of the previous year in which ________'

A. The final order of such court, Tribunal or other authority is made.
B. the compensation accrued
C. The appeal was first filed in such court, Tribunal or other authority.
D. The interim order is passed.

33. Any transfer in a demerger, of a capital asset, being a share or shares held in an Indian company, by the demerged foreign company to the resulting foreign company, if the shareholders holding not less than of the demerged foreign company continue to remain shareholders of the resulting foreign company; and such transfer does not attract tax on capital gains in the country, in which the demerged foreign company is incorporated, shall not be regarded as transfer:

A. 75% in value of the shares
B. 75% of the number of shareholders
C. 25% in value of the shares
34. Which of the following conditions are to be fulfilled for the transaction not to be regarded as transfer, where a sole proprietary concern is succeeded by a company in the business carried on by it as a result of which, the sole proprietary concern sells or otherwise transfers any capital asset or intangible asset to the company.

A. All the assets and liabilities of the sole proprietary concern relating to the business immediately before the succession become the assets and liabilities of the company
B. The shareholding of the sole proprietor in the company is not less than 50% of the total voting power in the company and his shareholding continues to remain as such for a period of 5 years from the date of the succession
C. The sole proprietor does not receive any consideration or benefit, directly or indirectly, in any form or manner, other than by way of allotment of shares in the company.
D. All of these.

35. A transfer in demerger of a capital asset by the ________ co-operative bank to the ________ co-operative bank will not be regarded as transfer -

A. Demerged, Resulting
B. Successor, Predecessor
C. Holding, Subsidiary
D. Subsidiary, holding

36. Raj sold his painting to National Museum for Rs. 20,000 on 1-6-2016. What will be the amount of capital gain on this transaction?

A. Rs. 20,000
B. Rs. 10,000
C. Nil
D. None of these

37. In which of the following transfer the benefit of indexation is available in case of long term capital asset:

A. Transfer of securities by foreign institutional investors u/s 115AD.
B. Transfer of undertaking or division in a slump sale u/s 50B.
C. Transfer of foreign exchange asset by a non-resident of Indian u/s 115D.
D. Transfer of equity or preference shares in a company.

38. Ms. Rani inherited a vacant site land consequent to the demise of her father on 10th June, 2010. The land was acquired by her father on 10th April, 1996 for Rs. 40,000. The fair market value of the land on 1st" April, 2001 was Rs. 60,000 and on the date of inheritance, i.e., 10th June, 1990
was Rs. 2,00,000. The cost of acquisition for Ms. Rani is -
A. Rs. 10,000 
B. Nil 
C. Rs. 60,000 
D. Rs. 2,00,000

39. AK owns a house of Rs. 20,00,000, which he transfers for Rs. 22,00,000 to Kamal on 5-4-2018. What will be the full value of consideration?
A. Rs. 22,00,000 
B. Rs. 20,00,000 
C. Rs. 2,00,000 
D. Nil

40. Cost of Acquisition in case of bonus shares allotted before 1-4-2001 will be:
A. Nil 
B. FMV as on 1-4-1981 
C. 10,000 
D. Cost of Original shares on the basis of which bonus shares are allotted.

41. Cost of acquisition in case of bonus shares allotted before 1-4-2001 will be-
A. Face value on the date of allotment 
B. Nil 
C. Market value as on 1-4-2001 
D. Current market value.

42. Compute the capital gains for AY 2019-20 if Mr. Raj, a property dealer, sells a commercial plot of land on 1-3-2019 for Rs. 50,00,000 lakhs which was acquired by him on 1-8-2016 for Rs.25,00,000 for selling of offices constructed therein. He had incurred land development charges of Rs. 10,00,000 on 1-10-2016. He incurred Rs. 1,00,000 for selling the plot of land.
A. Nil 
B. Rs.15,00,000 
C. Rs.14,00,000 
D. Rs.25,00,000

43. Compute the capital gains for assessment year 2019-20 if Mr. Raj sells his personal motorcar on 11-4-2018 for Rs. 2,55,000, which was acquired on 31-1-2017 for Rs. 6,50,000. The expenses on transfer are 2 of selling price.
44. Compute the capital gains for assessment year 2019-20 if Mr. AK sells his personal Jewellery on 11-4-2018 for Rs. 12,50,000, which was acquired on 31-1-2017 for Rs. 6,50,000. The expenses on transfer are 2% of selling price. The capital gains chargeable to tax for Assessment Year 2019-20.
A. Nil
B. Rs.5,75,000
C. Rs. 6,00,000
D. Rs.6,25,000

45. Compute the capital gains for assessment year 2019-20 if Mr. Gaurav sells shares of unlisted company on 11-3-2019 for Rs. 12,50,000, which was acquired on 31-1-2018 for Rs. 6,50,000. The expenses on transfer are 2% of selling price. The capital gains chargeable to tax for assessment year 2019-20.
A. Nil
B. Rs.5,75,000
C. Rs. 6,00,000
D. Rs.6,25,000

46. A owns a capital asset which was purchased by him on 1-5-1998 for Rs. 3,00,000. The market value of the said asset as on 1-4-2001 was Rs. 4,00,000. The said asset was sold for Rs 15,00,000 during the year. Compute the capital gain for the assessment year 2019-20. (Cost inflation index for F.Y. 2001-02= 100, and 2018-19 = 280)
A. Rs. 3,80,000
B. Rs. 11,00,000
C. Rs. 12,00,000
D. Rs. 11,20,000

47. On 15th November, 2018, Mohan sold 1 kg. of gold, the sale consideration of which was Rs. 1,20,000. He had acquired the gold on 11th December, 1998 for Rs. 64,000. Fair market value of 1 kg. Gold on 1st" April, 2001 was Rs. 62,000. The amount of capital gains chargeable to tax for the assessment year 2019-20 shall be -
A. Rs. 17,820
B. Rs. 1,20,000
C. Rs. (59,200) loss
48. A owns a capital asset which was purchased by him on 1-5-1999 for Rs. 4,00,000. The market value of the said asset as on 1-4-2001 was Rs. 3,00,000. The said asset was sold for Rs. 16,00,000 during the year. Compute the capital gain for the assessment year 2019-20. (Cost inflation index for F.Y. 2001-02= 100 and 2018-19 = 280)

A. Rs. 4,80,000  
B. Rs. 12,00,000  
C. Rs. 13,00,000  
D. Rs. 5,28,000

49. AK owns a capital asset which was purchased by him on 15-04-2010 for Rs. 4,00,000. The market value of the said asset as on 1-4-2001 was Rs. 3,00,000. The said asset was sold for Rs. 44,00,000 during the year. Compute the capital gain for the assessment year 2019-20. (Cost inflation index for F.Y. 2001-02= 100, 2010-11 =167 and 2018-19 = 280)

A. Rs. 36,91,626  
B. Rs. 37,29,341  
C. Rs. 40,00,000  
D. Rs.41,00,000

50. Mrs. R sells a plot of land on 21-11-2018 for 30,00,000. She inherited the plot from her grandfather on 01-04-2010. Her grandfather had acquired the plot on 01-03-2001 for 50,000. The FMV of the plot as on 01-04-2001 was 35,000. Compute the capital gains. (Cost inflation index for F.Y. 2001-02= 100, 2010-2011 =167 and 2018-19 = 280)

A. Rs.29,41,317  
B. Rs. 29,16,167  
C. Rs. 28,60,000  
D. Rs. 29,02,000

51. Mrs. Rashrni sells a capital asset on 21-11-2018 for Rs. 50,00,000. She inherited the capital asset from her father on 01-04-2016. Her father had acquired the plot on 10-04-2002 for Rs. 5,00,000. Rashmi has incurred Rs. 1,00,000 on improvement of such asset on 15-05-2016. Compute the capital gains. (Cost inflation index for F.Y. 2001- 2002=100, 2002-03 = 105, 2016-17 = 264 and 2018-19 = 280)

A. Rs.35,60,606  
B. Rs.43,63,636  
C. Rs. 45,00,000  
D. Rs.49,00,000
52. Indexation benefit on Cost of acquisition is available on the long term capital asset. However, in certain cases, indexation benefit is not available. In which of the following cases, indexation benefit is allowed?
A. Debentures issued by a company
B. Self generated goodwill of a business
C. Bonus shares allotted on 1-4-2000
D. Jewellery

53. Mr. Sunil sells the goodwill on 20-01-2019 for Rs. 38,00,000. It was self-generated by him and he incurred cost of improvement thereof for Rs. 5,55,000 on 1-4-2016. Compute his taxable gains. (Cost inflation index for F.Y. 2016-17 = 264 and 2018-19 = 280)
A. Rs.38,00,000
B. Rs.32,45,000
C. Rs.Nil
D. Rs.32,14,106

54. XYZ Ltd. allotted sweat equity shares to his employee A at a concessional rate on 31-5-2018. A transfers these shares on 31-3-2019. Which type of gains is it?
A. Long term capital gain
B. Short term capital gain
C. Middle term capital gain
D. None of these

55. AK converts his plot of land purchased in July, 2014 for Rs.8,00,000 into stock-in-trade on 31st March, 2017. The fair market value as on 3rd March, 2017 was Rs.11,90,000. The stock-in-trade was sold Rs.12,25,000 in the month of January 2019. Find out the taxable Capital gains (Cost inflation index for F.Y. 2014-15 = 240, 2015-16 = 254, 2016-17 = 264 and 2018-19 = 280)
A. Rs.3,90,000
B. Rs.4,25,000
C. Rs.1,81,433
D. Rs.35,000

56. AK converts his plot of land purchased in July, 2002 for Rs.80,000 into stock-in-trade on 31st March, 2017. The fair market value as on 3rd March, 2017 was Rs.2,25,000. The stock-in-trade was sold Rs.2,50,000 in the month of January 2019. Find out the taxable Capital gains (Cost inflation index for F.Y. 2002-03 =105, 2016-17 = 264 and 2018-19 = 280)
A. Rs.23,857
B. Rs.1,45,000
C. Rs.(2,301) Loss  
D. Rs.25,000  

57. X and Y formed a partnership firm. Just after formation of the partnership, X brought the following assets into the firm on 13th October 2018 as his capital contribution (amount in ) -  

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market value of the property on the date of transfer</td>
<td>Rs.5,00,000</td>
</tr>
<tr>
<td>Amount recorded in the books of firm</td>
<td>Rs. 6,20,000</td>
</tr>
<tr>
<td>Actual cost</td>
<td>Rs. 3,36,000</td>
</tr>
</tbody>
</table>

Date of acquisition: 15-10-2015  
Find out the taxable Capital gains (Cost inflation index for F.Y. 2015-16 = 254 and 2018-19 = 280)  
A. Rs.1,64,000  
B. Rs.2,84,000  
C. Rs.96,169  
D. Rs.2,16,169  

58. XYZ a partnership firm was dissolved on 1-5-2018. A machine acquired on 1-5-2011 for Rs.2,00,000 was distributed amongst the partners for Rs. 1,00,000. The Fair Market Value of this machine on that date was Rs.2,50,000. What will the full value of consideration of this machine?  
A. Rs.2,00,000  
B. Rs.1,00,000  
C. Rs.2,50,000  
D. Nil  

59. Mr. R and Mr. S are members of 'RS Associates', an AOP. RS & Associates was dissolved on 14th February, 2019 and the following assets were distributed to the members (amounts in ) -  

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Gold (given to Mr. R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMV as on 14th February, 2019</td>
<td>Rs. 25,00,000</td>
</tr>
<tr>
<td>Amount recorded in agreement of sale</td>
<td>Rs. 24,50,000</td>
</tr>
<tr>
<td>Cost of acquisition</td>
<td>Rs.  3,45,000</td>
</tr>
<tr>
<td>Date of acquisition</td>
<td>01-04-1995</td>
</tr>
<tr>
<td>FMV of the asset as on 1-4-2001</td>
<td>Rs.  3,50,000</td>
</tr>
</tbody>
</table>

Find out the taxable Capital gains (Cost inflation index for F.Y.2001-02= 100 and 2018-19 = 280)  
A. Rs. 15,20,000  
B. Rs. 15,34,000  
C. Rs. 14,84,000  
D. Rs. 14,70,000
60. The Government compulsorily acquired the land of Mr. X. The Government fixed his consideration at Rs. 5,00,000 half of which was received by X on 23-6-2018 and rest of the amount was paid to X in the year 2019-20. What will be the assessment year of chargeability of the capital gain to X?

A. 2017-18  
B. 2020-21  
C. 2019-20  
D. 2018-19

61. If in the above case government enhanced the compensation by Rs. 2,00,000 in the year 2019-20 what will be the previous year of chargeability of enhanced compensation?

A. 2016-17  
B. 2019-20  
C. 2017-18  
D. 2018-19

62. The house property of Ramesh is compulsorily acquired by the Government for Rs. 40,00,000 vide Notification issued on 12th March 2018. Ramesh has purchased the house in 2001-02 for Rs. 8,00,000. The compensation is received on 15th April 2018. Find out the taxable Capital gains (Cost inflation index for F.Y. 2001-02= 100, 2017-18 = 272 and 2018-19 = 280)

A. Rs. 17,50,000  
B. Rs. 18,24,000  
C. Nil  
D. Rs. 32,00,000

63. A owns a house property which was purchased by him on 1-5-1999 for Rs. 8,00,000. The said property was destroyed by fire on 3-4-2018 and A received a sum of Rs. 30,00,000 from the insurance company during the year. The market value of the above property as on 1-4-2001 was Rs. 9,00,000. Compute the capital gain for the assessment year 2019-20. (Cost inflation index for F.Y. 2001-02= 100, and 2018-19 = 280)

A. Rs. 4,62,000  
B. Rs. 21,00,000  
C. Rs. 22,00,000  
D. Rs. 12,57,000

64. M owns two machineries eligible for depreciation at the rate of 15. The WDV of these machines as on 1-4-2018 was Rs. 25,000 and Rs. 40,000 respectively. No other asset was acquired in this block during the year. One of these machines were sold during the previous year for Rs. 75,000.
1. Compute the capital gain.
   A. Short term capital gain of Rs. 10,000
   B. Short term capital loss of Rs. 10,000
   C. Long term capital gain of Rs. 10,000
   D. No capital gain as depreciation would be allowed on one of the machines left with M.

65. In case of distribution of capital asset on liquidation of the company, the capital gains is chargeable to tax:
   A. In hands of shareholders
   B. In hands of the company
   C. In hands of shareholders as well as company
   D. Either in hands of shareholder or in hands of company

66. M owns two machineries eligible for depreciation at the rate of 15. The WDV of block of asset on 1-4-2018 was Rs. 75,000. No other asset was acquired in this block during the year. Such machines were sold during the previous year for Rs. 65,000. Compute the capital gain.
   A. Short term capital gain of Rs. 10,000
   B. Short term capital loss of Rs. 10,000
   C. Long term capital gain of Rs. 10,000
   D. No capital gain as depreciation would be allowed on one of the machines left with M.

67. Any profits or gains arising from the slump sale effected in the previous year shall be chargeable to income-tax as:
   A. Short term capital gain only
   B. Short term capital gains or Long term capital gains depending upon the period of holding of the undertaking.
   C. Long term capital gain only
   D. No capital gain but the same will be taxable as business profits.

68. Slump sale is a result of which of the following type of consideration?
   A. Lump sum Payment
   B. Adhoc Payment
   C. Accurate Payment
   D. Actual Payment

69. In computing capital gains in case of slump sale will be taken as cost of acquisition of the undertaking so transferred.
1. A. Book value  
B. Net worth  
C. WDV  
D. FMV as on 01-04-1981

70. Mr. X has sold his land for a consideration of Rs25,00,000 to Mr. Y. Mr. Y has paid stamp duty of Rs.3,00,000 @ 10 of stamp value. The full value of consideration for computing capital gains in hands of Mr. X in accordance with the provisions of Section 50C will be -  
A. Rs 25 lakhs  
B. Rs 30 lakhs  
C. Rs 28 lakhs  
D. Rs 33 lakhs

71. Section 50C makes special provision for determining the full value of consideration in case of transfer of __  
A. Plant an machinery  
B. Land or building  
C. All movable property other than plant & machinery and computers  
D. Computers.

72. Mr. X has sold his land for a consideration of Rs.25,00,000 to Mr. Y. on 15-04-2018. Mr. Y has paid stamp duty of Rs.3,00,000 @ 10 of stamp value. The said land was acquired by Mr. X on 15-07-2015 for Rs. 12 lakhs. The taxable capital gains in hands of Mr. X will be ..  
A. Rs.13 lakhs  
B. Rs.18 lakhs  
C. Rs.16 lakhs  
D. Rs. 10 lakhs

73. Where any capital asset was on any previous occasion the subject of negotiations for its transfer, any advance or other money received and retained by the assessee in respect of such negotiation shall be:  
A. Deducted from cost of acquisition  
B. Treated as income from other sources  
C. Deducted from full value of consideration  
D. Treated as Business Income

74. X Limited has transferred its Unit N to Y Limited by way of slump sale on November 30, 2018 for lump sum consideration of Rs. 400 lakhs. The undertaking was acquired on 1-4-2001 for Rs. 120
lakhs. The net worth of the undertaking on the date of transfer is Rs. 200 lakhs. Find out the taxable Capital gains (Cost inflation index for F.Y. 2001-02= 100 and 2018-19 = 280)

A. Rs 200 lakhs  
B. Rs 180 lakhs  
C. Rs 80.49 lakhs  
D. Rs -132.51 lakhs

75. Mr. X received an advance of Rs. 51,000 occasion of agreement of sale of a capital asset on 15-07-2018. The same was forfeited by him. The said advance money will be and shall

A. Taxable as Income from other sources, be reduced from cost of acquisition of the asset.  
B. Taxable as Income from other sources, not be reduced from cost of acquisition of the asset.  
C. Taxable as Capital Gains, be reduced from cost of acquisition of the asset.  
D. Taxable as Capital Gains, be reduced from cost of acquisition of the asset.

76. Bonus shares were allotted to Mr. K for Rs. 2,00,000 on 1st April 1999. The Fair market value of the shares on 2001 was Rs. 2,25,000. What will be the cost of acquisition?

A. Rs 2,00,000  
B. Rs 2,25,000  
C. Nil  
D. None of these

77. Compute the net taxable capital gains of on the basis of the following information:

A house was purchased on 01-05-2003 for Rs. 4,50,000 and was used as a residence by the owner. The owner had contracted to sell this property in June, 2018 for Rs. 8,00,000 and had received an advance of Rs. 70,000 towards sale. The intending purchaser did not proceed with the transaction and the advance was forfeited by the owner. The sum so forfeited has been included in the total income of the assessee as per the provisions of Section 56(2)(ix). The property was sold in December, 2018 for Rs. 14,00,000. (Cost inflation index for F.Y. 2003-04 = 109 and 2018-19 = 280)

A. Rs 2,44,037  
B. Rs 30,363  
C. Rs 1,74,037  
D. Rs 4,23,853

78. Manoj acquired 1,000 equity shares 10 each in a listed company for Rs 35,000 on 1" July, 2011. The company issued 1,000 rights shares in April, 2013 at Rs 15 per share. The company issued 2,000 bonus shares in June, 2018. The market price was Rs 50 per share before bonus issue and Rs 25 after such issue. The cost of acquisition of bonus shares would be -

A. Nil
79. Capital gain on sale of residential house property is exempted u/s 54 if it is:
A. Long term capital gain
B. Short term capital gain
C. Any of the above two
D. None of these

80. The benefit of exemption under Section 54 is available to:
A. Individual
B. HUF
C. Both Individual and HUF
D. Any person

81. The benefit of exemption under Section 54 is available when following capital asset is transferred:
A. Long term residential house property
B. Short term residential house property
C. Long term residential plot of land
D. Short term residential plot of land

82. For claiming the benefit of exemption under Section 54, new residential house property must be purchased within 2 years of transfer of capital asset:
A. 1
B. 2
C. 3
D. Any number of

83. For claiming the benefit of exemption under Section 54, one new residential house property must be purchased within ______ of transfer of capital asset:
A. 1 year
B. 2 years
C. 3 years
D. 4 years
84. For claiming the benefit of exemption under Section 54 one new residential house property must be constructed within ______ of transfer of capital asset:
A. 1 year
B. 2 years
C. 3 years
D. 4 years

85. Under section 54, in case if the new asset is transferred within ______ of its purchase or construction, then its cost of acquisition shall be reduced by the amount of the capital gains exempted earlier for the purpose of computing capital gains on transfer of such new asset.
A. 1 year
B. 2 years
C. 3 years
D. 4 years

86. For availing exemption under section 54, which amount is eligible for availing exemption?
A. Purchase/Construction of one residential house property upto due date of return of income only.
B. Deposit in capital gain account scheme upto due date of return of income only.
C. Purchase/Construction of one residential house property upto due date of return of income and deposit in capital gain account scheme upto due date of return of income.
D. Purchase / construction after three years from the transfer date.

87. Under which section, the assessee has to reinvest the entire net consideration to claim full exemption for the long-term capital gains earned during a previous year -
A. Section 54EC
B. Section 54F
C. Section 54GA
D. Section 54D

88. For claiming exemption under Section 54B, Short term or long term capital asset being land which, in the immediately ______ preceding the date on which the transfer took place, was being used by the HUF or individual or his parents for agricultural purposes.
A. 1 year
B. 2 years
C. 3 years
D. 4 years
89. The benefit of exemption under Section 54D in respect of Capital gain on compulsory acquisition of land and buildings in certain cases is admissible to -

A. Individual
B. HUF
C. AOP
D. Any person

90. The exemption available on investment in certain bonds u/s 54EC is available to:

A. Individual
B. HUF
C. AOP
D. Any person

91. In order to enjoy exemption under section 54EC, the resultant long-term capital gains should be invested in specified bonds within a period of _______ from the date of transfer.

A. 36 Months
B. 4 Months
C. 6 Months
D. 12 Months

92. For claiming exemption under section 54EC the investment in bonds must be made within __________ of transfer of long term capital asset and the amount of investment

A. 6 months, can be made in the financial year in which the asset is transferred and in the next financial year and the same cannot exceed Rs 50 lakhs.
B. 6 months, can be made in the financial year in which the asset is transferred and in the next financial year and the same cannot exceed Rs 100 lakhs.
C. One year, can be made in the financial year in which the asset is transferred and in the next financial year and the same cannot exceed Rs 50 lakhs.
D. One year, can be made in the financial year in which the asset is transferred and in the next financial year and the same cannot exceed Rs 100 lakhs.

93. The maximum amount of investment in bonds during any of the financial year for claiming exemption u/s 54EC is-

A. Rs 10 lakhs
B. No limit
C. Rs 25 lakhs
D. Rs 50 lakhs
94. For claiming exemption under section 54EC the investment in bonds must be made within __________ of transfer of long term capital asset.
   A. 6 month
   B. 1 year
   C. 2 years
   D. 3 years

95. A residential house is sold for Rs 90 lakh and the long-term capital gains computed are Rs. 50 lakh. The assessee bought two residential house for Rs. 30 lakh and Rs.20 lakh respectively. The amount eligible for exemption u/s 54 would be-
   A. Rs 50 lakh
   B. Rs 20 lakh
   C. Rs 30 lakh
   D. Nil.

96. For claiming exemption under section 54EC the investment must be made in bonds of -
   A. NHAI or NABARD
   B. REC or NABARD
   C. NABARD or PFC
   D. NHAI or REC

97. The benefit of exemption under Section 54F is available when following capital asset is transferred
   A. Long term residential house property
   B. Any long term capital asset other than residential house property
   C. Short term residential house property
   D. Short term capital asset other than residential house property

98. For claiming exemption under section 54F, the assessee must not own _____ on the date of transfer of the original asset:
   A. more than 1 residential house, other than the new house
   B. more than 2 residential house, other than the new house
   C. more than 3 residential house, other than the new house
   D. more than 4 residential house, other than the new house

99. For claiming exemption under section 54F, the assessee has to invest ____________ for purchase or construction of residential house property:
   A. Full value of consideration
100. **Under Section 54F**, Where the assessee purchases within a period of 2 years, or constructs within a period of 3 years, after the date of the transfer of the original asset, any residential house, other than the new asset, _

A. then the capital gain exempted earlier shall be deemed to be income chargeable under the head "Capital gains" of the previous year in which such residential house is purchased or constructed.

B. then the capital gain exempted earlier shall be deemed to be income chargeable under the head "Capital gains" of the previous year in which original capital asset is sold or transferred.

C. then the assessee will be further entitled exemption equal to the cost of new asset acquired or constructed.

D. Then the capital gains which was earlier exempt from tax shall be deemed to be short term capital gains in the year in which original asset is transferred.

101. The exemption under section 54EC is withdrawn if the transfer of new asset, conversion thereof in money or taking loan or advance on its security within _____ years from the date of its acquisition.

A. 1

B. 3

C. 5

D. 2

102. The exemption under Section 54G of Capital gain on shifting of undertaking from urban area to any area other than urban area is available to :

A. Individual

B. HUF

C. Any person

D. None of the above.

103. For claiming exemption under section 54G, an assessee has to invest the resultant capital gains within a specified period. Which of the following is not eligible for such investment -

A. Furniture

B. Land

C. Building

D. Plant or machinery.
104. **Capital gain on shifting of undertaking from urban area to any area other than urban area under section 54G is exempted if it is a**: 
A. Long term capital gain  
B. Short term capital gain  
C. No exemption available  
D. Both (a) & (b)

105. **The exemption under Section 54GB of capital gains arising from transfer of residential property is available to**: 
A. Individual  
B. HUF  
C. Any person  
D. Both (a) & (b)

106. **Capital gain on transfer of residential property under section 54GB is exempted if it is a**: 
A. 'Long term capital gain  
B. Short term capital gain  
C. No exemption available  
D. Both (a) & (b)

107. **Capital gain on shifting of undertaking to SEZ under section 54GA is exempted if it is a**: 
A. Long term capital gain  
B. Short term capital gain  
C. No exemption available  
D. Both (a) & (b)

108. **Who is eligible for exemption in the above case?** 
A. Individual  
B. HUF  
C. Any person  
D. None of the above.

109. **The amount of exemption under section 54GA is**: 
A. Lower of capital gain or investment in new asset.  
B. Lower of capital gains or cost incurred.  
C. As determined by assessing officer
110. "New asset" for the purpose of section 54GB does not include:
   A. any machinery or plant which, before its installation by the assessee, was used either within or outside India by any other person;
   B. any machinery or plant installed in any office premises or any residential accommodation, including accommodation in the nature of a guest-house;
   C. any office appliances including computers or computer software;
   D. All of these.

111. For the purpose of section 54GB, "Eligible company" must be engaged in:
   A. Production or manufacture of article or thing
   B. Processing of any article or thing
   C. Trading of article or thing;
   D. Provision of services

112. For the purpose of section 54GB, the eligible assessee must own more than __________ of the share capital or more than____ of the voting rights in the eligible company:
   A. 50; 75
   B. 50; 75
   C. 50; 50
   D. 75; 75

113. Compute the tax liability for assessment year 2019-20 of resident individual who is having long term capital gains of Rs. 5,00,000 and has no other income -
   A. Rs 48,925
   B. Rs 46,350
   C. Rs 49,440
   D. Rs 52,000

114. Compute the tax liability for assessment year 2019-20 of non-resident individual who is having long term capital gains of Rs. 5,00,000 and has no other income -
   A. Rs 1,03,000
   B. Rs 49,440
   C. Rs 51,500
   D. Rs 23,690
115. Compute the tax liability for assessment year 2019-20 of resident individual who is having income from short term capital gains of Rs. 5,00,000 arising on transfer of equity shares listed in recognized stock exchange on which securities transaction is paid and has no other income;

A. Rs 33,480
B. Rs 39,000
C. Rs 48,925
D. Rs 36,400

116. Compute the tax liability for assessment year 2019-20 of resident individual who is having income from short term capital gains of Rs.2,00,000 arising on transfer of equity shares listed in recognized stock exchange on which securities transaction is paid and long term capital gains of Rs.3,00,000 on transfer of land and has has no other income _

A. Rs 39,140
B. Rs 36,050
C. Rs 49,440
D. Rs 41,600

117. Where an urban agricultural land owned by an individual, continuously used by him for agricultural purposes for a period of____ prior to the date of transfer, is compulsorily acquired under law and the compensation is determined by the Central Government, resultant capital gain is exempt.

A. One years
B. Two years
C. Three years
D. 6 months

118. Long-term capital gains on zero coupon bonds are chargeable to tax _

A. @ 20% computed after indexation of such bonds
B. @ 10% computed without indexation of such bonds
C. Higher of (A) or (B)
D. Lower of (A) or (B).

119. Short-term capital gains arising from the transfer of equity shares in a company or units of an equity oriented fund or units of a business trust charged with security transaction tax are subject to income-tax at the rate of –

A. 10%
B. 15%
C. 20%
<table>
<thead>
<tr>
<th>Question Number</th>
<th>Answer</th>
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<tbody>
<tr>
<td>1</td>
<td>Section 45 (2)</td>
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<td>2</td>
<td>All of the above.</td>
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<td>3</td>
<td>The transfer must have been effected in the relevant assessment year</td>
</tr>
<tr>
<td>4</td>
<td>Motor Car</td>
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<td>5</td>
<td>Securities held by FII as per SEBI Act, 1992, held as stock in trade.</td>
</tr>
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<td>6</td>
<td>Rural Agricultural land</td>
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<td>7</td>
<td>All of the above</td>
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<tr>
<td>11</td>
<td>Jewellery</td>
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<td>12</td>
<td>Gold deposit bonds</td>
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<td>13</td>
<td>All of the above</td>
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<tr>
<td>14</td>
<td>is not chargeable to tax under the head 'capital gains</td>
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<td>15</td>
<td>36 months immediately preceding the date of its transfer.</td>
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<td>16</td>
<td>24 Months</td>
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<td>17</td>
<td>12 Months</td>
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<td>18</td>
<td>36 months immediately preceding the date of its transfer.</td>
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<td>19</td>
<td>24 months</td>
</tr>
<tr>
<td>20</td>
<td>Units of mutual fund other than equity oriented fund</td>
</tr>
<tr>
<td>21</td>
<td>Shares of a listed company</td>
</tr>
<tr>
<td>22</td>
<td>Cost of acquisition to him of the share</td>
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<td>23</td>
<td>All of the above</td>
</tr>
<tr>
<td>24</td>
<td>The period shall be reckoned from the date of the offer of such right by the company or institution, as the case may be, making such offer.</td>
</tr>
<tr>
<td>25</td>
<td>Transfer of a capital asset, being a Government Security carrying a periodic payment of interest, made outside India through an intermediary dealing in settlement of securities, by a non-resident to another non-resident shall not be regarded as transfer as per IT Act.</td>
</tr>
<tr>
<td>26</td>
<td>Any transfer of a capital asset, being share of a special purpose vehicle to a business trust in exchange of units allotted by that trust to the transferor.</td>
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<tr>
<td>27</td>
<td>All of the above</td>
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<td>28</td>
<td>All of the above</td>
</tr>
<tr>
<td>29</td>
<td>at least 25 of the shareholders of the amalgamating foreign company continue to shareholders of the amalgamated foreign company remain shareholders of the amalgamated foreign and such transfer does not attract tax on capital gains in the country in which the amalgamating company is incorporated.</td>
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</tbody>
</table>
the shareholders, holding not less than 75 in value of the shares of the demerged foreign company, continue to remain shareholders of the resulting foreign company and such the resulting foreign company and such transfer does not attract tax on capital gains in the country in which the demerged foreign is incorporated.

| 30 | 25% |
| 31 | The final order of such court, Tribunal or other authority is made. |
| 32 | 75% in value of the shares |
| 33 | All of these. |
| 34 | Demerged, Resulting |
| 35 | Nil |
| 36 | Transfer of equity or preference shares in a company. |
| 37 | Rs. 60,000 |
| 38 | Rs. 22,00,000 |
| 39 | FMV as on 1-4-1981 |
| 40 | Market value as on 1-4-2001 |
| 41 | Nil |
| 42 | Rs.5,75,000 |
| 43 | Rs.5,75,000 |
| 44 | Rs. 3,80,000 |
| 45 | Rs. (59,200) loss |
| 46 | Rs. 4,80,000 |
| 47 | Rs. 37,29,341 |
| 48 | Rs. 28,60,000 |
| 49 | Rs.35,60,606 |
| 50 | Jewellery |
| 51 | Rs.38,00,000 |
| 52 | Short term capital gain |
| 53 | Rs.3,90,000 |
| 54 | Rs.23,857 |
| 55 | Rs.2,84,000 |
| 56 | Rs.2,50,000 |
| 57 | Rs. 15,20,000 |
| 58 | 2019-20 |
| 59 | 2019-20 |
| 60 | Rs. 18,24,000 |
| 61 | Rs. 462,000 |
| 62 | Short term capital gain of Rs. 10,000 |
| 63 | In hands of shareholders |
| 64 | Short term capital loss of Rs 10,000 |
| 65 | Short term capital gains or Long term capital gains depending upon the period of holding of the undertaking. |
| 66 | Lump sum Payment |
| 67 | Net worth |
| 68 | Rs 30 lakhs |
| 69 | Land or building |
| 70 | Rs.18 lakhs |

1.48
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<tbody>
<tr>
<td>73</td>
<td>Treated as income from other sources</td>
</tr>
<tr>
<td>74</td>
<td>Rs 200 lakhs</td>
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<tr>
<td>75</td>
<td>Taxable as Income from other sources, not be reduced from cost of acquisition of the asset.</td>
</tr>
<tr>
<td>76</td>
<td>Rs 2,25,000</td>
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<td>77</td>
<td>Rs 2,44,037</td>
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<tr>
<td>78</td>
<td>Nil</td>
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<tr>
<td>79</td>
<td>Long term capital gain</td>
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<td>80</td>
<td>Both Individual and HUF</td>
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<tr>
<td>81</td>
<td>Long term residential house property</td>
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<td>82</td>
<td>1</td>
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<td>83</td>
<td>2 years</td>
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<td>3 years</td>
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<td>85</td>
<td>3 years</td>
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<td>86</td>
<td>Purchase/Construction of one residential house property up to due date of return of income and deposit in capital gain account scheme up to due date of return of income.</td>
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<td>87</td>
<td>Section 54F</td>
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<td>88</td>
<td>2 years</td>
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<td>89</td>
<td>Any person</td>
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<td>90</td>
<td>Any person</td>
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<td>91</td>
<td>6 Months</td>
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<td>6 months, can be made in the financial year in which the asset is transferred and in the next financial year and the same cannot exceed Rs 50 lakhs.</td>
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<td>Any long term capital asset other than residential house property</td>
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<td>more than 1 residential house, other than the new house</td>
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<td>99</td>
<td>Net Consideration</td>
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<tr>
<td>100</td>
<td>then the capital gain exempted earlier shall be deemed to be income chargeable under the head &quot;Capital gains&quot; of the previous year in which such residential house is purchased or constructed.</td>
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<td>101</td>
<td>5</td>
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<td>102</td>
<td>Any person</td>
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<tr>
<td>103</td>
<td>Furniture</td>
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<td>104</td>
<td>Both (a) &amp; (b)</td>
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<td>105</td>
<td>Both (a) &amp; (b)</td>
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<td>107</td>
<td>Both (a) &amp; (b)</td>
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<td>108</td>
<td>Any person</td>
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<td>Lower of capital gains or cost incurred</td>
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<td>50; 50</td>
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<td>113</td>
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<tr>
<td>114</td>
<td>Rs 1,03,000</td>
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<td>115</td>
<td>Rs 39,000</td>
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<td>116</td>
<td>Rs 41,600</td>
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<td>117</td>
<td>Two years</td>
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<td>118</td>
<td>Lower of (A) or (B).</td>
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<td>119</td>
<td>15%</td>
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</tbody>
</table>
CHAPTER 3 - ASSESSMENT OF CHARITABLE TRUST

1. As per section 2(15), Charitable purpose includes
   A) Relief for poor      B) Medical          C) Yoga           D) All of the above

2. Repayment of loan taken by charitable trust for charitable purpose is considered as application of Income
   A) True                B) False

3. How much blanket exemption is allowed to charitable trust
   A) 10%     B) 85%       C) 15%     D) 20%

4. Corpus Donation is not taxable to charitable Trust
   A) True                B) False

5. Anonymous donation received by charitable trust is exempt upto
   a) 5% of total donation or Rs 1,00,000 whichever is higher
   b) 5% of total donation or Rs 1,00,000 whichever is lower
   c) 5% of anonymous donation or Rs 1,00,000 whichever is higher
   d) 5% of anonymous donation or Rs 1,00,000 whichever is lower

6. Anonymous donation is taxed at the rate of _______ under section 115BBC
   A) 10%     B) 20%       C) 15%     D) 30%

7. Capital Expenditure incurred by charitable trust for charitable purpose is considered as application of Income
   A) True                B) False

8. Any amount credited or paid, out of the Income derived from property held under trust to any other trust, being contribution with a specific direction that they shall form part of the corpus, shall not be treated as application of Income.
   A) True                B) False

9. If the income is not applied because it is not received then such income should be applied in which year.
   A) Year of receipt     B) Not to be applied
   C) Year of receipt or year following the year of receipt.

10. If Trust earns Business Income which is incidental to achieve the object of the trust and separate books of accounts are maintained then business income is fully exempt.
    A) True                B) False

11. Every order granting or refusing the registration shall be passed within _______ months from the end of the month in which application is received by CIT
    A) 12 months         B) 6 months       C) 3 months       D) 9 months

12. Which of the following Income is taxable to political party
    A) Income from House property         B) Capital Gains
    C) Business and profession           D) Other sources
13. **Income of political party is exempt under section**

<table>
<thead>
<tr>
<th></th>
<th>A) 13A</th>
<th>B) 14A</th>
<th>C) 11A</th>
<th>D) 12</th>
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<td>7</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>A</td>
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</table>

**ANSWERS**
CHAPTER 4 - ASSESSMENT OF COMPANY

1. MAT provisions apply to which assesse
   A) Firm   B) AOP/BOI   C) Company   D) individual

2. At what rate tax is levied in case of MAT
   A) 18.5%   B) 30%   C) 25%   D) 40%

3. MAT provision applies to foreign company
   a) True   b) False

4. While calculating taxable profits under business and profession if income tax is debited to profit and loss account then it is to be added. What effect to be given while computing book profit
   A) Less   B) Add   C) no effect

5. Under MAT Provision income tax includes
   a) SURCHARGE   b) Health and education cess   c) interest   d) all of the above

6. Mat provision doesn't apply to insurance companies, banking company, company engaged in generation and supply of electricity
   A) true   B) false

7. MAT credit is allowed to be carried forward for
   A) 4 years   B) 8 years   C) 10 years   D) 15 years

8. What is the rate of Mat when company is located in IFSC
   A) 9%   B) 18.5%   C) 5%

9. Mat provision doesn't apply to life insurance business
   A) true   B) false

10. If provision for Losses of subsidiary company is not debited to profit and loss account then what effect is to be given while computing book profits
    A) add   B) less   C) no effect

11. Under MAT Provision, if there is non payment of advance tax assessee is not liable to pay interest under section 234B and 234C
    A) True   B) False

12. While computing book profits (under MAT) long term capital gains on transfer of building credited to profit and loss account is to
    A) added   B) subtracted   C) no effect

ANSWERS

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1.53
CHAPTER 5 - ASSESSMENT OF BUSINESS TRUST

1. Interest received from SPV by REITs is exempt  
   A) true  B) false

2. Rental income received by infrastructure investment trust is exempt  
   A) true  B) false  C) partly correct

3. For units of business trust holding period to determine LONG TERM OR SHORT TERM IS  
   A) 12 mths  B) 24 mths  C) 36 mths

4. If there is short term Capital gain on transfer on units of business trust tax rate is  
   A) 15%  B) 20%  C) 5%  D) 35.88%

5. Capital gains arising on exchange of units of business trust with shares of SPV is  
   a) chargeable to tax in the year of exchange  
      b) not taxable in the year of exchange

6. Cost of units of business trust received in exchange of shares of SPV is  
   a) cost of shares  
      b) Market value of units on the date of exchange  
      c) cost to previous owner

7. Interest paid by business trust to non resident received from SPV is subject to TDS provisions under section 194LBA. WHAT IS THE RATE OF TDS  
   A) 5%  B) 10%  C) 30%  D) 20%

8. Interest paid by business trust to resident received from SPV is subject to TDS provisions under section 194LBA. WHAT IS THE RATE OF TDS  
   A) 5%  B) 10%  C) 30%  D) 20%

9. Short term CG on transfer of listed equity shares by REITs is taxed at  
   A) 15%  B) MMR  C) 30%

ANSWERS

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1.54
CHAPTER 6 - ASSESSMENT OF AOP

1. If all the members in AOP are taxed at slab rates and all members income is less than maximum amount not chargeable to tax then WHAT is the tax rate applicable to AOP
   1. Maximum marginal rate
   2. Slab rates
   3. 30%
   4. 40%

2. Rent paid to members of AOP is
   1. Allowed subject to 40A(2)
   2. Disallowed under section 40(ba)

3. Interest paid by members to it's AOP is
   1. allowed
   2. Disallowed

4. If shares of members are not determined at the time of formation and one of the member in AOP is foreign company then tax rate applicable to AOP
   A) 30%
   B) 35.88%
   C) 42.68%

5. Remuneration paid to members by AOP
   a) Fully allowed
   b) fully disallowed
   c) allowed subject to limit given under section 40(b)

6. Mr A is member in AOP in representative capacity. AOP of person took loan from Mr A in individual capacity. Interest paid by AOP to Mr A in individual capacity is
   A) fully allowed
   B) fully disallowed
   C) allowed subject to 12%

7. If net income of AOP includes long term capital gains on transfer of building then it will be taxed at
   A) maximum marginal rate
   B) 20%
   C) 30%

8. Association of person is liable to pay tax at maximum marginal rate. What will be the tax treatment of share income received by members from AOP
   a) Fully taxable
   b) Fully exempt
   c) Partly taxable and partly exempt

9. AOP is liable to pay tax at slab rate and income of AOP is less then maximum amount not chargeable to tax. What will the tax treatment of share income received by members
   a) fully taxable
   b) fully exempt
   c) taxable and members will get benefit of rebate under section 86

10. AOP is liable to pay tax at slab rate and income of AOP is more then maximum amount not chargeable to tax. What will the tax treatment of share income received by members
    a) fully taxable
    b) fully exempt
    c) taxable and members will get benefit of rebate under section 86

ANSWERS

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1.55
CHAPTER 7 - TRANSFER PRICING

1. The provisions relating to limitation of interest deduction in respect of debt issued by a non-resident associated enterprise are not applicable to an Indian company engaged in the business of:
   a. Information Technology
   b. Banking and Insurance
   c. Bio-technology
   d. Aviation

2. The provisions relating to limitation of interest deduction in respect of debt issued by a non-resident associated enterprise would not apply where the expenditure by way of interest or similar nature is:
   a. Rs. 2.10 crore
   b. Rs. 2 crore
   c. Rs. 1.50 crore
   d. Rs. 1 crore

3. In respect of any payment made to a person located in a Notified Jurisdictional Area (NJA), tax is deductible at higher of the rate specified in the Income-tax Act 1961 or rates in force or –
   (a) 10%
   (b) 15%
   (c) 20%
   (d) 30%

4. A Ltd. has a wholly owned subsidiary in Sri Lanka, and it extends corporate guarantee to the said non-resident subsidiary. If the amount guaranteed is Rs. 95 crore, the Assessing Officer has to accept the guarantee fee declared by A Ltd. for F.Y.2017-18, if the guarantee fee declared is:
   (a) Rs. 47.50 lakhs
   (b) Rs. 90 lakhs
   (c) Rs. 95 lakhs
   (d) Either (a) or (b)

5. Interest paid to non-resident associated enterprise disallowed under the relevant provision of the Income-tax Act, 1961, during the A.Y.2018-19 can be carried forward upto:
   (a) A.Y.2022-23
   (b) A.Y.2023-24
   (c) A.Y.2026-27
   (d) Indefinitely

6. In a case where primary adjustment to transfer price is made suo motu by A Ltd., the time limit for repatriation of "excess money" is:
   a) 60 days from 30th September of the Assessment Year
   b) 90 days from 30th September of the Assessment Year
   c) 60 days from 30th November of the Assessment Year
   d) 90 days from 30th November of the Assessment Year

7. If the excess money is not repatriated, A Ltd. has to make secondary adjustment in A.Y.2018-19, if the primary adjustment to transfer price, made by it suo motu in its return of income, is in respect of:
   a) A.Y.2016-17 and the amount of primary adjustment is Rs. 2 crores.
   b) A.Y.2017-18 and the amount of primary adjustment is Rs. 1 crore
   c) A.Y.2017-18 and the amount of primary adjustment is Rs. 1.05 crore
   d) A.Y.2018-19 and the amount of primary adjustment is Rs. 1 crore.

8. Which of the following approaches does India follow in relation to secondary adjustments?
   (a) Deemed equity approach
   (b) Deemed dividend approach
   (c) Deemed loan approach
   (d) Either (a) or (c)
9. If X Ltd. had entered into an agreement for sale of 1000 units of non-core auto components to Mr. Rajiv, an unrelated party, on 13.7.2017, and Mr. Rajiv had entered into an agreement for sale of such components with Gigo Inc. on 8.7.2017, which of the following statements is correct?
   a. Transfer pricing provisions would not be attracted since X Ltd. and Mr. Rajiv are not associated enterprises;
   b. Transaction between X Ltd. and Mr. Rajiv would be deemed to be an international transaction between associated enterprises, only if Mr. Rajiv is a non-resident.
   c. Transaction between X Inc. and Mr. Rajiv would be deemed to be an international transaction between associated enterprises, only if Mr. Rajiv is a non-resident.
   d. Transaction between X Ltd. and Mr. Rajiv would be deemed to be an international transaction between associated enterprises, whether or not Mr. Rajiv is a non-resident.

10. Let us suppose Alpha Ltd. has entered into an advance pricing agreement (APA) in respect of its transactions with Xylo Inc. for the P.Y.2016-17. The company decides to make an application for roll back of the said APA. However, rollback provision shall not be available in respect of the said transaction for a rollback year, if -
   (i) such application has the effect of reducing total income declared in the return of income of the said year;
   (ii) determination of the arm’s length price of the said transactions for the said year has been the subject matter of appeal before Commissioner (Appeals) and the Commissioner (Appeals) has passed an order disposing of such appeal at any time before signing of the agreement;
   (iii) determination of the arm's length price of the said transactions for the said year has been the subject matter of appeal before the Appellate Tribunal and the Appellate Tribunal has passed an order disposing of such appeal at any time before signing of the agreement
   (iv) return of income for the relevant roll back year has been furnished by the company under section 139(4)
   The most appropriate answer in this case would be:
   a) (i) and (ii) above.
   b) (i) and (iii) above
   c) (i), (ii) and (iv) above
   d) (i), (iii) and (iv) above.

11. Assuming that Fulcrum Ltd.'s business income of A.Y.2018-19 has increased by Rs.2 crores due to application of arm's length price by the Assessing Officer, and the same has been accepted by Fulcrum Ltd., then,-
   a. business loss of A.Y.2017-18 cannot be set-off against the enhanced income
   b. deductions under Chapter VI-A cannot be claimed in respect of the enhanced income.
   c. unabsorbed depreciation of A.Y.2012-13 cannot be set-off against the enhanced income
   d. business loss referred to in (a) above, deductions referred to in (b) above and unabsorbed depreciation referred to in (c) above cannot be set-off against the enhanced income.

12. Assuming that there has been an increase in the total income of Alpha Ltd. by Rs. 3 crores due to application of arm's length price, and the same has been accepted by Alpha Ltd., the said sum of Rs.3 crores
   a. is not required to be repatriated if the said increase is as per the safe harbor rules
   b. is not required to be repatriated if the said increase is determined by an advance pricing agreement
   c. need not be repatriated in both cases (a) and (b) mentioned above. However, had the increase been made by the Assessing Officer during the course of assessment, the same has to be repatriated failing which it would be treated as a deemed advance.
12. d. has to be repatriated in both cases (a) and (b) mentioned above, failing which the same would be treated as a deemed advance.

13. If Himalaya Ltd. has two Units, Unit 1 is engaged in power generation business and Unit 2 is engaged in manufacture of wires. Both the units were set up in Himachal Pradesh in the year 2014. In the year 2017-18, fourteen lakh metres of wire are transferred from Unit 2 to Unit 1 at Rs.150 per metre when the market price per metre was Rs.200. Which of the following statements is correct?
   a. Transfer pricing provisions would be attracted in this case
   b. Transfer pricing provisions would not be attracted in this case, since Unit 1 and Unit 2 belong to the same company and are not associated enterprises.
   c. Transfer pricing provisions would not be attracted in this case as it is not an international transaction as both the Units are in India. For the purpose of Chapter VIA deduction, the profits of power generation business shall, however, be computed as if the transfer has been made at the market value of Rs.200 per MT.
   d. Transfer pricing provisions would not be attracted in this case due to reasons mentioned in both (b) and (c) above.

14. Ram, an individual aged 35 years resident in India, bought 3,000 equity shares of Rs.10 each of ABC Ltd. at Rs.70 per share on 1.6.2017. He sold 1800 equity shares at Rs.50 per share on 3.11.2017 and the remaining 1200 shares at Rs.60 per share on 23.3.2018. ABC Ltd. declared a dividend of 40%, the record date being 14.8.2017. On 15.3.2018, Ram sold a house from which he derived a long-term capital gain of Rs. 1,25,000. Assuming Ram's interest income from bank fixed deposit is Rs.3,00,000, his tax liability (rounded off) for A.Y.2018-19 would be ___________.

15. Which of the following is not an eligible international transaction for application of safe harbor rules?
   i. Preparation of user documentation
   ii. Receipt of intra-group loans where the amount of loan is denominated in Indian rupees
   iii. Providing implicit corporate guarantee
   iv. Purchase and export of core auto components
   v. Receipt of intra-group services from group member
   a. Only (ii)  b. (ii) and (iv)
   c. (ii), (iv) and (v)  d. (ii), (iii), (iv) and (v)

16. Let us consider two hypothetical cases -
   Case 1: Ganga Ltd., Yamuna Ltd. and Saraswati Ltd. amalgamate to form Ganga Ltd.
   Case 2: Ganga Ltd., Yamuna Ltd. and Saraswati Ltd. merge to form new company, Triveni Sangam Ltd. Which companies are eligible to apply for rollback provisions post amalgamation/merger in the above cases, assuming that all other conditions are satisfied?
   a. In Cases 1 & 2: Ganga Ltd., Yamuna Ltd. and Saraswati Ltd.
   b. In Case 1: Ganga Ltd and in Case 2 : Ganga Ltd., Yamuna Ltd. and Saraswati Ltd.
   c. In Case 1: Ganga Ltd., Yamuna Ltd. and Saraswati Ltd. and in Case 2, None.
   d. In Case 1: Ganga Ltd. and in Case 2, None

17. An assessee having specified domestic transactions covered by section 92BA, should furnish audit report, if the value of such transactions exceeds
   (A) 2 crores  (B) 20 crores  (C) 10 crores  (D) None of the above

18. An assessee deriving income from profits of business of an eligible industrial undertaking for which 100% deduction is available u/s 80-1B has entered into international transactions with an associated enterprise for Rs. 200 crores. The TPO has made an addition of Rs. 15 crores

1.58
Final C.A. – D.T- MCQ’s

CA Aarish Khan

AJ Education NeXt

in respect of the ALP. The normal GP margin is 10%. The additional deduction u/s 80-IB which can be claimed by the assessee on account of the increase in the ALP is

(A) Nil          (B) 20 crores          (C) 25 crores          (D) 15 crores

19. The OECD member countries have accepted the concept of Arm's Length Price (ALP) for reaping the following benefit:

(A) Minimises double taxation          (B) Real taxable profits can be determined
(C) Artificial price distortion is reduced          (D) All the three above

20. In the context of transfer pricing provisions, international transaction should be in the nature of

a) Purchase, sale or lease of tangible or intangible property
b) Provision of service
c) Lending or borrowing money
d) Any of the above

21. Mr. Dhanush holds shares in both L Ltd., and M Ltd. In the context of transfer pricing provisions,

a) L Ltd. and M Ltd. can never be associated enterprises.
b) L Ltd. and M Ltd. are associated enterprises if Mr. Dhanush holds 26% or more of voting power in each of these companies.
c) L Ltd. and M Ltd. are deemed associated enterprises if Mr. Dhanush holds 26% or more of voting power in L Ltd., which in turn holds 26% or more of voting power in M Ltd.
d) L Ltd. and M Ltd. are deemed associated enterprises if Mr. Dhanush holds totally 52% or more combined voting power in both these companies.

22. The book value of assets of SCL is Rs. 200 crores, whereas the market value of the said assets is Rs. 80 crores. Sun Ltd. has advanced a loan of Rs. 45 crores. In the context of transfer pricing provisions, SCL and Sun Ltd. are

a) Not associated enterprises
b) Associated enterprises, considering the book value of assets of SCL and its borrowings from Sun Ltd.
c) Deemed to be associated enterprises, considering the book value of assets of SCL and its borrowings from Sun Ltd.
d) Deemed to be associated enterprises considering the market value of assets of SCL and its borrowings from Sun Ltd.

23. J Ltd. is controlled by Rajeev (HUF). K Ltd. is controlled by Raghav (sole proprietor of RR & Co.), a close relative of Rajeev, a member of Rajeev (HUF). For the purpose of transfer pricing provisions,

a) J Ltd. and K Ltd. are deemed associated enterprises.
b) Rajeev HUF, J Ltd. and K Ltd., are deemed associated enterprises.
c) RR & Co., Rajeev HUF, J Ltd. and K Ltd., are deemed associated enterprises.
d) There is no associate enterprise relationship involved in this.

24. There is an arrangement between SCL and Q Ltd., which are associated enterprises. Such arrangement is oral and is also not intended to be legally enforced. For transfer pricing purposes, such arrangement -

a) is not treated as a "transaction" because it is not in writing.
b) is not treated as a "transaction" because it is not intended to be legally enforced.
c) is treated as a "transaction".
d) is not treated as a "transaction" for (A) and (B) above.
25. The ALP determined by the TPO for some product is Rs. 2,000 per unit sold by SCL. Considering the tolerance band permitted by the CBDT, the tolerated international transaction price for a transaction with an associated enterprise can be upto
   (A) 1,960 (B) 2,040 (C) 2,060 (D) None of the above

26. Fill up blanks:
   1. The applicant desiring roll back of the APA may furnish the request for rollback provision in Form No. 3CEDA with proof of payment of an additional fee of INR 5 lakhs.
   2. The transfer pricing provisions contained in Section 92 shall not apply if the same has the effect of reducing the income chargeable to tax.
   3. If there is an arrangement between SCL and TFL (an associate enterprise) for mark up of a semi-finished product and sale thereafter, the ideal method for determining the ALP is profit split method.
   4. In a case where the aggregate value of international transactions exceeds Rs. 99,99,999, it will be obligatory for the assessee to maintain the stipulated information and documents required for transfer pricing purposes.
   5. Where SCL has maintained proper records and documents, and the TPO has made some adjustments to the ALP, thereby increasing the total income by, say, Rs. 2.68 crores, the penalty leviable u/s 270A will be Rs. Nil

27. "Transfer prices" are the prices at which an enterprise transfers physical goods and intangible property or provides services to
   (A) associated enterprises (B) Related enterprises
   (C) Specified enterprises (D) None of the above

28. Two enterprises are "associated enterprises" if one of the enterprises participates directly or indirectly in the ______ of the other
   a) management, control or cash
   b) management, control or contribution
   c) management, control or capital
   d) None of the above

29. The ______ guidelines provides guidance on the application of the arm's length principle in order to arrive at the proper transfer pricing range between associated enterprises
   (A) OECD transfer pricing (B) UN transfer pricing
   (C) Either (a) or (b) (D) None

30. Significance of Arms length principle is that it:
   a) Parity between MNCs and independent enterprises
   b) Determines real taxable profits
   c) Reduction of artificial price distortion
   d) All the above

31. Which is NOT one of the practical difficulties in computation of Arms Length Price?
   a) True comparables availability is difficult
   b) Availability of data and reliability of available data
   c) Absence of comparable market price for "intangible" transactions
   d) None of the above

32. Chapter X of the Income-tax Act was introduced by:
   (A) Finance Act 2001 (B) Finance Act 2010
33. Two enterprises are deemed to be associated if one enterprise holds at least ______ % or more shares carrying voting powers in other enterprise:
   (A) 25%    (B) 51%    (C) 27%    (D) 26%

34. Two enterprises are deemed to be associated if one enterprise guarantees at least ______ % or more total borrowings of other enterprise:
   (A) 25%    (B) 51%    (C) 10%    (D) 16%

35. Two enterprises are deemed to be associated if one enterprise has right to appoint:
   a) More than half of the directors or members of the governing board
   b) one or more of the executive directors or members of the governing board
   c) Either (a) or b    (D) None

36. Multiple year data can be used for benchmarking analysis in the case of
   (A) TNMM Method    (B) RPM    (C) CPM    (D) Any of the above

37. Range concept is applicable when dataset consists of more than
   (a) 6 data points    (b) 4 data points    (c) 5 data points    (d) None

38. Under tolerance band, the Central Government has, notified that where the variation between the arm's length price determined under section 92C and the price at which the international transaction or specified domestic transaction has actually been undertaken does not exceed _____ % of the latter in respect of wholesale trading and _____ % of the latter in all other cases, the price at which the international transaction has actually been undertaken shall be deemed to be the arm's length price
   (A) 1,3    (B) 3,1    (C) 4,1    (D) None

39. "wholesale trading" means an international transaction or specified domestic transaction of trading in goods, which fulfils the following conditions, namely:-
   a) purchase cost of finished goods is eighty percent or more of the total cost pertaining to such trading activities;
   b) average monthly closing inventory of such goods is ten percent or less of sales pertaining to such trading activities.
   c) (A) or (B)    d) (A) and (B)

40. In range concept, we check the lower end of range by using:
   (A) 35th Percentile    (B) 65th Percentile    (C) 25th Percentile    (D) None

41. In median, if the number comes as whole number, we consider ______ as median
   a) That number
   b) Next higher number
   c) arithmetic mean of such value and the value immediately succeeding it in the dataset
   d) None

42. The due date for furnishing report under section 92E is:
   (A) 30th September    (B) 31st July    (C) 30th November    (D) None of the above

43. As per section 286(7), CBCR must be maintained by an entity where consolidated group revenue was:
44. CBCR is based on BEPS action plan
(A) 12   (B) 13   (C) 286   (D) 15

45. Once TPO passed an order under section 92CA, the minimum time available to AO for passing assessment order shall be ______
(A) 2 months   (B) 3 months   (C) 30 days   (D) 60 days

46. If ABC Ltd. has two Units, Unit 1 is engaged in power generation business and Unit 2 is engaged in manufacture of wires. Both the units were set up in Karnataka in the year 2014. In the year 2018-19, twenty lakh metres of wire are transferred from Unit 2 to Unit 1 at Rs.125 per metre when the market price per metre was Rs.180. Which of the following statements is correct?

a) Transfer pricing provisions would be attracted in this case
b) Transfer pricing provisions would not be attracted in this case since Unit 1 and Unit 2 belong to the same company and are not associated enterprises.

c) Transfer pricing provisions would not be attracted in this case as it is not an international transaction since both Units are in India. However, for the purpose of Chapter VIA deduction, the profits of power generation business shall, however, be computed as if the transfer has been made at the market value of Rs.180 per MT.

d) Transfer pricing provisions would not be attracted in this case due to reasons mentioned in both (b) and (c) above.

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1.62
1. Unexhausted basic exemption limit, if any, of Non-resident, for A.Y.2019-20 can be adjusted against -
   a. Only LTCG taxable@20%
   b. Only STCG taxable@15%
   c. Both (a) and (b)
   d. Neither (a) nor (b)

2. Had a Citizen of India been seconded on employment outside India by the Indian Government, which of the following emoluments paid to her by the Indian Government shall be taxable under the Income-tax Act, 1961:
   a. Basic Salary paid outside India
   b. Allowances and Perquisites paid outside India
   c. Both (a) and (b), since emoluments are paid to her by the Indian Government
   d. Neither (a) nor (b), since she has rendered services outside India

3. Mr. Avinash, a professional lecturer is also an enthusiastic sports person and is keen on contributing an article on a game of Soccer in a leading newspaper in India. He approaches you to enquire on taxability of such income for A.Y.2018-19. As per the provisions of Income-tax Act, 1961, such income shall be taxable in his hands at -
   a. 5%
   b. 10%
   c. 20%
   d. Normal tax slab rates

4. Interest income earned by non-resident during the P.Y.2017-18 on bonds issued by MNO Ltd., an Indian company, under a scheme notified by the Central Government, which were purchased by him in convertible foreign currency, is -
   a. taxable@10%
   b. taxable@15%
   c. taxable@20%
   d. not taxable

5. The effective rate of income-tax applicable on total income of a foreign company is -
   a. 42.024%
   b. 44.084%
   c. 43.68%
   d. 46.144%

6. The person responsible for making payment of income by way of interest or dividends in respect of bonds or Global Depository Receipts referred to in section 115AC, shall deduct tax at the rate of
   a. 10%
   b. 10.3%
   c. 20%
   d. (B) or at the rate specified in the DTAA, whichever is lower.

7. The rate of deduction of tax from interest payable to a foreign company (located in a country with which there is no DTAA) by an Indian company on borrowings made on 12-6-2017 in foreign currency from sources outside India is
   a. 5.15%
   b. 10.3%
   c. 15.45%
   d. None of the above

8. Surcharge applicable to a foreign company whose total income is Rs. 1.2 crores is
   a. Nil
   b. 2%
   c. 7%
   d. 10%

9. Following income which is accruing or arising outside India, directly or indirectly, is not deemed to be income accruing or arising in India:
   a. Through or from any business connection in India.
   b. Through or from any property in India.
   c. Through transfer of capital asset located outside India.
   d. Through or from any asset or sources of income in India.
10. Remuneration received for services rendered in India by a foreign national employed by foreign enterprise is exempt, if the number of days stay in India of such foreign national does not exceed
   a. 60 days  
   b. 90 days  
   c. 30 days  
   d. None of the above

11. Following income from 'Salaries' which is payable by ________ would be deemed to accrue or arise in India:
   a. The Government to a citizen of India for services rendered outside India.
   b. The Government to a non-resident for services rendered outside India.
   c. The Government to a non-citizen or non-resident for services rendered outside India.
   d. The Government or any other person to a non-citizen or non-resident for services rendered outside India.

12. In October, 2014, Mr. Raghav, an Indian citizen who is a non-resident, bought 500 Global Depository Receipts (GDRs) of Alpha Limited, India, issued in accordance with the notified scheme of the Central Government against the company's initial issue of shares in foreign currency. In January, 2019, he sold 300 GDRs outside India to Mr. Joe, a citizen and resident of a country outside India and 200 GDRs to Mr. Kamal, a Resident but not ordinarily resident in India. What are the tax consequences of such sale transaction under the Income Tax Act, 1961?
   a) Capital gains arising on sale of 500 GDRs shall be subject to tax @20% with indexation benefit in India
   b) No capital gains would arise on sale of 500 GDRs in India, since the GDRs are purchased in foreign currency
   c) No capital gains would arise on sale of 300 GDRs, but capital gains arising on sale of 200 GDRs shall be taxed in India @10% without indexation benefit
   d) No capital gains would arise on sale of 300 GDRs, but capital gains arising on sale of 200 GDRs shall be taxed @20% with indexation benefit in India

13. Benefit of presumptive taxation under the Income-tax Act, 1961 would not be available to Mr A a Non Resident for A.Y.2018-19, in respect of the related Indian income, if he is engaged in the business of -
   (a) Operation of Ships
   (b) Operation of Aircrafts
   (c) Civil Construction in connection with an approved turnkey project
   (d) Plying, hiring or leasing of goods carriages.

14. For the purpose of equalization levy, “specified service” means
   (a) Online advertisement
   (b) Any provision for digital advertising space or any other facility or service for the purpose of online advertisement.
   (c) Specified Service also includes any other service as may be notified by the Central Government.
   (d) All of the above.

ANSWERS

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1. Following can be an applicant for advance ruling:
   a) Non-resident entering into a transaction
   b) Resident entering into a transaction with a non-resident
   c) Resident entering into a transaction with another resident
   d) (A) or (B)

2. An applicant for advance ruling may withdraw an application within days from the date of the application.
   a) 30  b) 60  c) 90  d) 120

3. Composition of ADVANCE RULING is as under:
   a) A Chairman, Vice-Chairman and Revenue Member
   b) A Chairman, Vice-Chairman and Law Member
   c) A Chairman and such number of Vice-Chairman, Revenue Members and Law Members as the Central Government may, by notification, appoint.
   d) Chairman, Vice-Chairman, Law Member and Revenue Member

4. Following can make an application for advance ruling:
   a) Department
   b) Applicant
   c) Central Government
   d) All above

5. Application for advance ruling is not allowed in the following situations:
   a) When the question involved is already pending before any income-tax authority.
   b) Where it is for determining the fair market value of a property.
   c) Excepting in exceptions, where the transaction in question is designed for avoidance of tax.
   d) Any one of the above

6. If Cure House Inc. opts for advance ruling for the project of providing consultancy in field of medicine, such ruling shall be binding on :
   a. Cure House Inc., in relation to the abovementioned project
   b. Jurisdictional Assessing Officer of Cure House
   c. Both (a) and (b)
   d. Cure House Inc. and Jurisdictional Assessing Officer in relation to the abovementioned project and for any future transaction of similar nature in India

7. An application for advance ruling was made on 31.05.2017 in relation to a transaction proposed to be undertaken by Mr. James, a resident of Country X. On 07.07.2017, he decides to withdraw the said application. Such application:
   a. cannot be withdrawn once filed
   b. can be withdrawn on 07.07.2017 only with special permission of Principal Chief Commissioner
   c. cannot be withdrawn since 30 days from date of application have passed
   d. can be withdrawn on 07.07.2017 with permission of the AAR, if the circumstances of the case so justify.

8. A resident in relation to his tax liability arising out of one or more transactions valuing _______ in total which has been undertaken or is proposed to be undertaken would be eligible to be an applicant for advance ruling:
Final C.A. – D.T- MCQ’s  

CA Aarish Khan  

AJ Education NeXt

9. An applicant, who has sought for an advance ruling, may withdraw the application within _______.
   a. 30 days from the date of the application
   b. 30 days from the end of the month in which the application has been made
   c. 60 days from the date of the application.
   d. 60 days from the end of the month in which the application has been made

10. In case of a non-notified resident, the AAR will not allow an application in respect of certain matters. The following is not covered in the hit list:
   b. Determination of fair market value of a property.
   c. Whether an arrangement, which is proposed to be undertaken by any person being a resident or a non-resident, is an impermissible avoidance arrangement as referred to in Chapter X-A or not.
   d. Relates to a transaction or issue which is designed prima facie for avoidance of income-tax.

11. The advance ruling given by the Authority for Advance Ruling (AAR) is not binding on the following person(s):
   a. On the applicant who sought the ruling.
   b. On the other person to the transaction entered into by the applicant, if it is a non-resident.
   c. On the other person to the transaction entered into by the applicant, whether it is resident or non-resident.
   d. On the Principal Commissioner or Commissioner and the income-tax authorities subordinate to the Principal Commissioner or Commissioner who has jurisdiction over the application.

ANSWERS

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CHAPTER 10 – NEW COURSE 3 EXTRA TOPICS

1. Which of the following statements reflects the incorrect position?
   a. Domestic tax laws are irrelevant while considering application of the provisions of a DTAA
   b. Provisions of Income-tax Act, 1961 empower the Union Government to enter into tax treaties for relieving double taxation
   c. Provisions of a DTAA overrides the provisions of domestic laws unless the latter are more beneficial for a taxpayer
   d. In the absence of a DTAA, domestic tax laws provide unilateral relief to tackle double taxation

2. Which of the following is not a principle incorporated in the Vienna Convention on Law of Treaties?
   a. Preparatory work of the treaty can be used as a supplementary means of interpretation
   b. A State which is a third party cannot be bound by the terms of a bilateral tax treaty without its consent
   c. Violation of any term of the tax treaty by one Contracting State entitles the other Contracting State to terminate the treaty
   d. Ordinarily, each authenticated version of a treaty in more than one language carries equal force

3. Which article has been introduced in the India-Mauritius tax treaty to specifically target the practice of treaty shopping?
   a. Elimination of double taxation
   b. Limitation of benefits
   c. Most Favoured Nation clause
   d. Non-discrimination

4. To address the problem of dual residency, under OECD Model Convention, certain rules are provided. The rules are to be applied:
   a. At the discretion of competent authority of the respective countries based on permanent home and nationality of the assessee
   b. Sequentially in order of nationality, permanent home, centre of vital interest and habitual abode
   c. Sequentially in order of permanent home, centre of vital interest, habitual abode and nationality
   d. Only if an assessee is not able to produce Tax Residency Certificate from the respective country.

5. While interpreting the treaty entered into by India with Country X, the Budget Speech 2015-16 of Shri Arun Jaitley was relied upon to understand the intent at the time of signing the treaty. Which law of interpretation has been followed in this case?
   a. Liberal Interpretation
   b. Subjective Interpretation
   c. Purposive interpretation
   d. Objective Interpretation

6. ABC Ltd. an Indian company paid dividend distribution tax under section 115-O in respect of dividend distributed by it to its resident and non-resident shareholders. Mr. John, a shareholder of ABC Ltd. and a resident of Country X, has to pay tax in Country X on dividend received by him from ABC Ltd., as per the domestic tax laws of Country X. This is an example of:
   a) Juridical double taxation
   b) economic double taxation
   c) territorial double taxation
   d) municipal double taxation

7. On the subject of principles of interpretation of tax treaties, match the principles given in Column A with the description/examples given in Column B and choose the correct option:

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<th>Column A</th>
<th>Column B</th>
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<tr>
<td>(i) Subjective</td>
<td>(I) Such interpretation should not be done if it defeats the primary</td>
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<td>Interpretation</td>
<td>objective of the tax treaty as far as the particular</td>
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1.67
### 8. On the subject of BEPS Action Plans, match the BEPS Action Plans given in Column A with the description/examples given in Column B and choose the correct option:

<table>
<thead>
<tr>
<th>Column A</th>
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<tbody>
<tr>
<td>(i)</td>
<td>Action Plan 5</td>
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<td>Action Plan 4</td>
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<td>(I)</td>
<td>Controlled Foreign Corporation Rules not incorporated in the Income-tax law</td>
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<td>Limitation of interest deduction incorporated in the Income-tax Act, 1961</td>
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<td>(III)</td>
<td>Special tax regime incorporated in the Income-tax Act, 1961 for taxation of royalty income from patents developed and registered in India</td>
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<td>(IV)</td>
<td>New category “Receipt of Low Value-Adding Intra-Group services has been added in the newly notified safe harbour rules effective from A.Y.2018-19.</td>
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<td>(V)</td>
<td>CBC Reporting requirement incorporated in the Income-tax Act, 1961</td>
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<td>(VI)</td>
<td>Limitation of Benefits Clause incorporated in select tax treaties for taxing capital gains on transfer of shares of an Indian company</td>
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<td>(VII)</td>
<td>Equalisation Levy introduced in Indian tax regime.</td>
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<td>(VIII)</td>
<td>Incorporation of secondary adjustment in transfer pricing regime</td>
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| (a) | (i)→(VIII) | (ii)→(V) | (iii)→(IV) | (iv)→(II) |
| (b) | (i)→(III)  | (ii)→(I) | (iii)→(V)  | (iv)→(II) |
| (c) | (i)→(III)  | (ii)→(I) | (iii)→(VIII) | (iv)→(II) |
| (d) | (i)→(III)  | (ii)→(I) | (iii)→(VIII) | (iv)→(II) |

### 9. Which of the following statements does not hold good in the case of OECD Model Convention? :  
- (a) OECD Model lays emphasis on the right of the State of Residence to tax income.  
- (b) The relevant article of the Convention providing for determination of business profits of a PE, does not deal with/provide for deduction of expenses  
- (c) The relevant article relating to PE of the Convention explicitly deals with mechanism of Service PE  
- (d) It is essentially a model treaty between two developed nations
10. To address the problem of dual residency, under OECD Model Convention, certain rules are provided. The rules are to be applied:
   (a) At the discretion of competent authority of the respective countries based on permanent home and nationality of the assessee
   (b) Sequentially in order of nationality, permanent home, centre of vital interest and habitual abode
   (c) Sequentially in order of permanent home, centre of vital interest, habitual abode and nationality
   (d) Only if an assessee is not able to produce Tax Residency Certificate from the respective country.

11. Tax treaty is part of international law; hence its interpretation should be based on a certain set of principles and rules of interpretation. Which convention is used globally for interpretation of tax treaties?
   (a) The UN Model Convention
   (b) The OECD Model Convention
   (c) Either (a) or (b) [Except in case of USA, where US Model Convention is used]
   (d) The Vienna Convention

12. In order to claim relief under the tax treaty in India, a non-resident -
   (a) should have a business presence in India
   (b) should produce his Permanent Account Number
   (c) should produce Tax Residency Certificate (TRC)
   (d) should produce his income-tax return filed in the home country.

13. As per the provisions of the Income-tax Act, 1961, which of the following is not an objective of the Central Government to enter into a tax treaty with another Country:
   (a) For granting relief in respect of income-tax chargeable to tax in India and the other country
   (b) For enabling round tripping of unaccounted money into India
   (c) For recovery of income-tax
   (d) For exchange or information for prevention of evasion or avoidance of income tax

14. When a term used in a tax treaty is not defined in the tax treaty or in the Act, but the same is defined subsequently through a notification in the Official Gazette by the Central Government, then, in such a case:
   (a) The notification shall take effect from the date of its publication in the Official Gazette
   (b) The notification shall be deemed to be effective from the date when the tax treaty came into force
   (c) The notification shall be deemed to be effective from the date when the tax treaty was last modified
   (d) The notification shall take effect from 1st April and be effective from the current assessment year.

15. In order to invoke the tax treaty for a person who is a dual resident i.e. tax resident in both the countries, which rule may be applied under the relevant article of the tax treaties to resolve the issue?
   (a) Force of Attraction
   (b) Tie-breaker
   (c) Equivalent beneficiary
   (d) Non-discrimination

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1.69
CHAPTER 11: RETURN OF INCOME

1. The due date for filing return of income for a firm whose books are subject to audit is:
   (a) 31st July of the AY  (b) 30th September of the AY
   (c) 30th November of the AY  (d) None of the above

2. The due date for filing return of income by a partner of a firm whose books are subject to audit is
   (a) 31st July of the AY  (b) 30th September of the AY
   (c) 30th November of the AY  (d) None of the above

3. The due date for filing return of income by a partner of a firm whose books are not subject to audit is
   (a) 31st July of the AY  (b) 30th September of the AY
   (c) 30th November of the AY  (d) None of the above

4. The due date for filing return of income by a sleeping partner of a firm whose books are subject to audit is
   (a) 31st July of the AY  (b) 30th September of the AY
   (c) 30th November of the AY  (d) None of the above

5. The due date for filing return of income by a political party is
   (a) 31st July of the AY  (b) 30th September of the AY
   (c) 30th November of the AY  (d) None of the above

6. The last date for filing belated return u/s 139(4) is:
   (a) 31st July of the AY
   (b) Before the expiry of the assessment year
   (c) Before the expiry of the assessment year or completion of assessment u/s 143(3)
   (d) Before the expiry of the assessment year or completion of assessment u/s 144

7. The last date for filing belated return u/s 139(5) is:
   (a) 31st July of the AY
   (b) Before the expiry of the assessment year
   (c) Before the expiry of the assessment year or completion of assessment u/s 143(3)
   (d) Before the expiry of the assessment year or completion of assessment u/s 144
   (e) Both (c) and (d)

8. To carry forward a loss computed u/s 73A it is necessary to file a return of income u/s 139(3):
   (a) True  (b) False
   (c) Nothing can be said from the above statement.

9. To carry forward unabsorbed depreciation it is necessary to file a return of income u/s 139(3):
   (a) True  (b) False
   (c) Nothing can be said from the above statement.

10. Charitable trusts are obligated to file a Return of Income under section:
    (a) 139(4B)  (b) 139(4C)  (c) 139(4)(d)  (d) None of the above

11. Business trusts are obligated to file a Return of Income under section:
12. Revised return replaces the original return
   (a) True       (b) False
   (c) Nothing can be said from the above statement.

13. Any revision in the return can be made by
   (a) Filing a revised return
   (b) Filing a letter with the AO indicating the revision
   (c) Both

14. A belated return cannot be revised:
   (a) True       (b) False

15. A return of income can be revised
   (a) Once       (b) Twice
   (c) Any number of times within the time limit given u/s 139(5)

16. A Company can file its return of income through a Tax Return Preparer u/s 139B
   (a) True       (b) False

17. Non Payment of Self Assessment Tax will render the return of income invalid
   (a) True       (b) False

18. Failure to file a return of income within the time limit under section 139(1) will attract
   (a) Penalty u/s 271F       (b) Fees u/s 234F
   (c) Interest u/s 234A      (d) Definitely both (b) and (c)
   (e) Definitely (b) and maybe (c)

19. Filing of return u/s 139(3) is mandatory to carry forward losses under the head “Income from
    House Property”
    (a) True       (b) False
    (c) May be

20. Non Payment of Self Assessment Tax will attract no penalty:
    (a) True       (b) False

21. In case of a charitable trust required to file a return under section 139(4A) failure to do so will
    attract both penalty under section 272A(2)(e) as well as Fees under section 234F
    (a) True       (b) False
CHAPTER 12: NOTICE FOR ASSESSMENT / ENQUIRY / ASSESSMENT

22. If the assessee has not filed a return of income within the time limit of section 139(1) and the Assessing officer wants to do a best judgment it is not necessary for him to issue a notice under section 142(1)(i)
   (a) True   (b) False

23. The assessing officer u/s 142(1)(ii) shall not require the production of any accounts relating to a period
   (a) More than 5 years prior to the previous year
   (b) More than 2 years prior to the previous year
   (c) More than 3 years prior to the previous year
   (d) None of the above

24. The notice issued under section 143(2) is not a show cause notice:
   (a) True   (b) False

25. The direction for special audit under section 142(2A) is appealable to
   (a) CIT(A)   (b) ITAT   (c) All of the above   (d) None of the above

26. The expenses of special audit under section 142(2A) is borne by
   (a) Assessee   (b) The department   (c) Central Government

27. The time limit of completion of special audit under section 142(2A) can be extended
   (a) On an application by Assessee   (b) Suo moto by the Assessing officer
   (c) Both (a) and (b)   (d) Only (a) and not (b)
   (e) Only (b) and not (a)

28. The direction under section 142(2A) for special audit cannot be issued if the books have already been audited under any other law in force
   (a) True   (b) False

29. In case the time limit for completion of audit under section 142(2A) is extended, the original period together with the extended period cannot exceed:
   (a) 365 days   (c) 182 days   (c) 180 days   (d) None of the above

30. Failure to comply with a direction of special audit under section 142(2A) can result in
   (a) Best Judgment u/s 272A   (b) Penalty u/s 271B
   (c) Penalty u/s 272A   (d) Both (a) and (b)
   (e) Both (a) and (c)

31. The time limit for sending intimation under section 143(1) is within 6 months from the end of financial year in which the return of income is furnished
   (a) True   (b) False

32. Revised Return u/s 139(5) can be filed before the expiry of the assessment year but after the receipt of intimation u/s 143(1)
   (a) True   (b) False

33. Intimation under section 143(1) cannot be rectified under section 154
34. Intimation under section 143(1) can be revised under section 264 but cannot be appealed against under section 264A  
(a) True  
(b) False

35. It is possible to file a revised return after receipt of notice under section 143(2)  
(a) True  
(b) False

36. Failure to comply with a reference to Valuation officer under section 142A is a valid ground for initiating best judgment under section 144.  
(a) True  
(b) False

37. The time limit for completion of assessment under section 143(3) & 144 (for AY 18-19) as given in section 153(1) is:  
(a) 18 months from end of assessment year in which the income was first assessable  
(b) 21 months from end of assessment year in which the income was first assessable  
(c) 12 months from end of Assessment year in which the income was first assessable  
(d) None of the above

38. The time limit for completion of assessment under section 147 (for AY 18-19) as given in section 153(2) is:  
(a) 18 months from end of assessment year in which the income was first assessable  
(b) 21 months from end of assessment year in which the income was first assessable  
(c) 12 months from end of financial year in which notice u/s 148 was served  
(d) None of the above

39. When is an assessment deemed to be completed  
(a) When the total income is determined under the initials of the AO  
(b) When the tax payable / refundable is determined under the initials of the AO  
(c) When the total income along with the tax payable is determined under the initials of the AO  
(d) None of the above

40. The list of adjustments that can be made while determining income under 143(1) is exhaustive  
(a) True  
(b) False

41. Assessment of income has to be made in to and not piecemeal. The above statement is  
(a) True  
(b) False  
(c) Inconclusive

42. An assessment made under section 144 is final, conclusive and non appealable. Is this statement  
(a) True  
(b) False

43. Where an effect to an order u/s 250 or 254 or 260 or 262 or 263 or 264 is to be given by the AO otherwise than by making a fresh assessment or reassessment such effect is to be given within a period of:  
(a) 6 months from end of month in which the order u/s 250/254/260A/262 is received by the CIT or the order u/s 263/264 is passed by CIT.  
(b) 3 months from end of month in which the order u/s 250/254/260A/262 is received by the CIT or the order u/s 263/264 is passed by CIT.  
(c) 9 months from end of month in which the order u/s 250/254/260A/262 is received by the CIT or the order u/s 263/264 is passed by CIT.  
(d) None of the above
CHAPTER 13: INCOME ESCAPING ASSESSMENT

44. The time limit for completion of assessment under section 147 (for AY 18-19) as given in section 153(2) is
   (a) 18 months from end of assessment year in which the income was first assessable
   (b) 21 months from end of assessment year in which the income was first assessable
   (c) 12 months from end of financial year in which notice u/s 148 was served
   (d) None of the above

45. The notice required to be issued for making an reassessment u/s 147 is issued under section:
   (a) 147  (b) 148  (c) 149  (d) 150

46. Once a reassessment procedure for a particular assessment year has been initiated and completed, another reassessment procedure for the same year cannot be initiated.
   (a) True  (b) False  (c) Inconclusive

47. Recording of Satisfaction and Quantification of escaped income is a precondition for issuing notice u/s 148 after 4 years from the end of relevant assessment year.
   (a) True  (b) False

48. Can the AO re-open an assessment on the basis of change of opinion
   (a) Yes  (b) No

49. No notice u/s 148 can be issued if four years but not more than 6 years have lapsed from the end of the relevant assessment year unless the income chargeable to tax which has escaped assessment amounts to or is likely to amount to:
   (a) Rs. 200000  (b) Rs. 150000  (c) Rs. 100000  (d) None of the above

50. As per section 150, a notice under section 148 can be issued at any time for the purpose of making an assessment or reassessment under section 147 in consequence of or in order to give effect to the finding or direction contained in an order of Supreme Court passed under section 262
   (a) True  (b) False

51. As per the decision of Supreme Court in Sun Engineering (P) Ltd the assessee can re-agitate settled issued is he can use the 147 proceeding as a review mechanism:
   (a) True  (b) False

52. During a reassessment proceeding is it permissible to raise fresh claim of deduction not raised in the original proceedings:
   (a) Not possible  (b) Possible  
   (c) Possible but only if the expenses relate to the income sought to be reassessed

53. An assessment reopened u/s 147 cannot be dropped.
   (a) True  (b) False

54. An assessment made u/s 147 in pursuance of a notice u/s 148 which is issued after the time limits prescribed in section 147 can be annulled.
   (a) True  (b) False
55. Is it possible to for AO to initiate proceedings u/s 147 in respect of income involving matters which are the subject matter of an appeal?
   (a) Yes   (b) No   (c) Maybe

56. The assessee can ask for the reasons to believe recorded by the AO:
   (a) No
   (b) Yes, but before filing the return
   (c) Yes, but after filing the return

57. During the course of reassessment proceedings the AO does not have the power to reassess any other income which comes to his notice which has escaped assessment but which was not recorded in the original reasons to believe
   (a) True
   (b) False
   (c) Partially true
CHAPTER 14: RECTIFICATION, REVISIONS & APPEALS

58. A intimation under section 143(1) can be rectified u/s 154
   (a) True  (b) False

59. An order passed by an ITAT can be rectified for under section 154 for any mistakes apparent from record
   (a) True  (b) False  (c) Partially true

60. Rectification under section 154 can be done only in respect of mistakes apparent from record in any order passed by an income tax authority under section 116
   (a) True  (b) False

61. The time limit for passing a rectification order under section 154 is within 2 years from the end of the financial year in which the order sought to be rectified was passed.
   (a) True  (b) False  (c) Partially true

62. In case of an application for rectification u/s 154 being made by an assessee the fees payable by the assessee is :
   (a) Rs. 50  (b) Rs. 500  (c) Rs. 1000  (d) Nil

63. Rectification u/s 154 can be made only on an application made by the assessee and not suo moto by the income tax authorities.
   (a) True  (b) False  (c) Partially true

64. Rectification u/s 154 can be made on the basis of a subsequent decision of a Supreme Court.
   (a) True  (b) False

65. Rectification u/s 154 can be done in respect of any mistakes apparent from record in an order other than those matters which are subject matter of an appeal reference or revision.
   (a) True  (b) False

66. The revisionary power under section 263 can be exercised in respect of orders which are
   (a) Not erroneous but prejudicial to the revenue
   (b) Erraneous but not prejudicial to the revenue
   (c) Not erroneous and prejudicial to the revenue
   (d) Both erroneous and prejudicial to the revenue

67. The time limit for passing a revisionary order under section 263 is:
   (a) Within 1 year from the end of financial year in which the order sought to be revised was passed.
   (b) Within 18 months from the end of financial year in which the order sought to be revised was passed.
   (c) Within 2 year from the end of financial year in which the order sought to be revised was passed.
   (d) None of the above

68. Revisionary powers u/s 263 can be exercised in respect of any issues in an order other than those matters which are subject matter of an appeal reference or revision.
   (a) True  (b) False  (c) Partially true.

69. Revision u/s 264 can be exercised either suo motor or on an application by an assessee
70. The time limit for passing a revisionary order under section 264 when an application for revision is made by the assessee is
   (a) Within 1 year from the end of financial year in which the order sought to be revised was passed.
   (b) Within 1 year from the end of financial year in which the application was filed.
   (c) Within 2 year from the end of financial year in which the order sought to be revised was passed.
   (d) None of the above.

71. The time limit for passing a revisionary order under section 264 when the revision is made suo moto is
   (a) Within 1 year from the end of financial year in which the order sought to be revised was passed.
   (b) Within 2 years from the end of financial year in which the order sought to be revised was passed.
   (c) None of the above.

72. Any appeal against the revision order under 263 can be filed with the:
   (a) ITAT
   (b) CIT(A)
   (c) CIT
   (d) High Court (through Writ Petition)
   (e) Supreme Court (Special Leave Petition)

73. Any appeal against the revision order under 264 can be filed with the:
   (a) ITAT
   (b) CIT(A)
   (c) CIT
   (d) High Court (through Writ Petition)
   (e) Supreme Court (Special Leave Petition)
   (f) Both (d) and (e)
   (g) Both (a) and (b)

74. Assessment or reassessment u/s 147 is possible whether or not the Assessing officer has passed an assessment order earlier. However, Revision under section 263 is possible only if the AO has passed an assessment order.
   (a) True
   (b) False
   (c) Nothing can be said from the above statement.

75. In computing the period of limitation for passing an order u/s 263, which of the below is to be excluded
   (a) Time taken for Special Audit u/s 142(2A)
   (b) Time taken for Rehearing u/s 129
   (c) Both (a) and (b)
   (d) None of the above

76. The AO in an assessment under section 143(3) allowed deduction A and B and disallowed C, D and E. The assessee filed an appeal to CIT(A) on disallowance of C, D and E. The CIT(A) allows deduction C, D and E. It is later found by CIT that deductions A, B, C and E are not allowable to the assessee. The CIT can now invoke his powers u/s 263 in respect of:
   (a) A, B, C and E
   (b) A, B and E
   (c) A and B
   (d) A and C

77. CIT under section 264 can declare an assessment to be void ab initio (annual).
   (a) True
   (b) False
   (c) Nothing can be said from the above statement.

78. Where the application for revision under section 264 is filed by the assessee the sum payable by way of fees is
   (a) Rs. 500
   (b) Rs. 1000
   (c) Rs. Nil

79. AO has made the order and no appeal has been filed to CIT(A) and the time period filing the appeal has not expired
   (a) Revision under 264 is not possible
   (b) Revision under 264 is possible
   (c) Revision under 264 is possible only if the assessee expressly waives off his right to appeal.
80. An appeal to CIT(A) lies against an order of assessment or reassessment under section 143(3) / 147 except an order passed in pursuance of directions of Dispute Resolution panel.
   (a) True  (b) False  (c) Nothing can be said from the above statement

81. No appeal can be filed to CIT(A) against the additions made in an intimation under section 143(1)
   (a) True  (b) False

82. The appeal to CIT(A) has to be filed within
   (a) 30 days of the date of order of assessment / penalty
   (b) 30 days of the date of service of demand relating to assessment / penalty
   (c) None of the above

83. The form of filing appeal to CIT(A) is:
   (a) Form 36  (b) Form 36A  (c) Form 37  (d) None of the above

84. Notice of demand is received on 1-1-2018 and copy of order of AO is not received. Assessee applies for the assessment order to the AO on 5-1-2018 and receives the order on 10-2-2018. What is the time period for filing the appeal against the assessment order to the CIT(A)
   (a) 7th March 2018  (b) 9th March 2018  (c) 10th March 2018  (d) 31st January 2018

85. The form of filing the appeal to ITAT is
   (a) Form 36  (b) Form 36A  (c) Form 37  (d) None of the above

86. The power of CIT(A) extends to setting aside of an order with a direction to make a fresh assessment
   (a) True  (b) False

87. The CIT(A) can allow a deduction which was not claimed by the assessee in the return of income and was hence not allowed while making the assessment by the AO
   (a) True  (b) False

88. The time limit for passing of order by ITAT under section 254 is
   (a) With 18 months from the end of financial year in which the appeal is filed
   (b) Within 2 year from the end of financial year in which appeal is filed (where possible)
   (c) Within 4 year from the end of financial year in which such appeal is filed (where possible)

89. The time limit for rectification of mistake in an order passed by ITAT is
   (a) Within 4 years from the end of financial year in the order sought to be rectified was passed.
   (b) Within 6 month from end of month in which the order sought to be rectified was passed.
   (c) Within 2 months from end of month in which the order sought to be rectified was passed.

90. Any application for rectification under section 254(2) by the assessee shall be accompanied by a fees of
   (a) Rs. 50  (b) Rs. 500  (c) Rs. 100  (d) Rs Nil

91. Does the Appellate Tribunal have the power to review or re-appreciate the correctness of it earlier decision under the power of rectification u/s 254(2)
   (a) Yes  (b) No

1.78
92. If the assessee is not satisfied on the determination of question of facts by the ITAT what is the remedy available to him

(a) File an appeal to High Court

(b) Since no remedy is provided by the Act file a Writ to High Court and if not satisfied with the verdict of High Court file a Special Leave Petition to the Supreme court.

(c) No remedy lies since ITAT is the final fact finding authority
CHAPTER 15: SEARCH & SURVEY

93. The power to call for information by AO or CIT(A) is laid down in
   (a) Sec 131    (b) Sec 143(2)    (c) Sec 133    (d) None of the above

94. In exercise of power under section 133, the authority can enter into the premises of the assessee
   (a) During Business hours    (b) After sunrise before sunset
   (c) He cannot enter into premises u/s 133    (d) None of the above

95. Acting under section 133, the income tax authority may seize books and other valuable articles
   (a) True    (b) False

96. Acting under section 133B (Power to collect information), the income tax authority may enter any
    building or premises or place occupied by a person over whom he exercises jurisdiction
    a) During Business hours of the assessee.    b) After sunrise before sunset
    c) Premises cannot be entered

97. Acting under section 133A (power to survey), the income tax authority enter any premises or
    places where an activity of charitable purpose is carried on
    (a) True    (b) False

98. Acting under section 133A(power to survey), the income tax authority may enter any place of
    business or any other place
    a) During business hours    b) After sunrise before sunset
    c) Any place of business during business hours and any other place after sunrise before sunset.

99. Acting under section 133A for the purpose of TDS & TCS, the income tax authority may seize
    books and other valuable articles
    (a) True    (b) False

100. Acting under section 133A, where an enquiry is being made in connection with expenditure
    incurred during a function, ceremony or event, such enquiry can be made
    a) Before the ceremony, function or event    b) During the ceremony, function or event
    c) After the ceremony, function or event

101. TDS / TCS Survey can be conducted on a charitable institution
    (a) True    (b) False

102. Failure to comply with a summons under section 131 or a notice under section 142(1) can be a ground
    for initiating search
    (a) True    (b) False
    (c) Nothing can be said from the above statement.

103. The statement recorded under section 132(4) is under oath and can be used as evidence
    (a) True    (b) False    (c) Partially true

104. During a search, money bullion jewellery and other valuable articles being stock in trade can be
    seized. (Tick the most appropriate answer)
    a) True
    b) False
c) Partially true since bullion being stock in trade cannot be seized
d) Partially true since money being stock in trade cannot be seized.

105. Where the authorised officer conducting the search has no jurisdiction over the person searched, then the books documents assets etc seized by him has to be handed over to the Assessing officer having jurisdiction within
a) 30 days of the last authorisation being executed
b) 60 days of the last authorisation being executed
c) No time limit has been prescribed.

106. As per section 132B, in case of seized assets the time period for the assessee to make an application for release of seized assets is
a) Within 60 days of the last authorisation being made.
b) Within 30 days of the last authorisation being made.
c) Within 30 days from the end of month in which the asset was seized.

107. The time limit for completion of assessment under section 153B in case of the searched assessee is
a) 18 months from the end of financial year in which the search was completed.
b) 21 months from the end of financial year in which the search was completed.
c) 12 months from the end of financial year in which the search was completed.

108. When a search is conducted the following proceedings abate
a) Appeals, Revisions, Assessment, Reassessment & rectification
b) Appeals & Revisions
c) Assessment & Reassessment proceedings will abate but appeals, revisions and rectifications will continue
d) None of the proceedings abate
e) seized.

109. In case of a person referred to section 153C (any other person) in a search, the AO will issue notice on such any other person only if he is satisfied that the book money etc of other person seized of other person has a bearing on the income of such other person
(a) True (b) False
(c) Nothing can be said (d) seized.

110. An order of restraint issued under section 132(3) will be valid for a period of:
(a) 30 days (b) 60 days (c) 120 days (d) 1 year
111. Application to Settlement commission to be made in form 34B/34BA along with a fees of
   (a) Rs. 100 (b) Rs. 500 (c) Rs. 1000 (d) None of the above.

112. The time limit for passing ruling by the Settlement commission is:
   a) 12 months from the End of financial year in which the application was made.
   b) 18 months from end of month in which the application was made.
   c) 18 months from End of Financial year in which the application was made.
   d) 6 months from end of financial year in which the application was made.

113. The Settlement commission can rectify any mistakes apparent from record in its ruling within
   a) 6 months from the end of month in which the ruling was passed or in case where an
      application was made by assessee within 6 months from end of month in which the application
      was made.
   b) 12 months from the end of month in which the ruling was passed or in case where an
      application was made by assessee within 6 months from end of month in which the application
      was made.
   c) 12 months from the end of month in which the ruling was passed or in case where an
      application was made by assessee within 12 months from end of month in which the application
      was made.
   d) No rectification can be made.

114. Every order passed by Settlement commission is conclusive and cannot be questioned or
    reopened in any proceeding under this Act or any other law in force
    a) True
    b) It can be re-opened by filing a writ petition to High Court or a Special Leave Petition to Supreme
       Court
    c) None of the above

115. Where an order of settlement has been passed in respect of an assessee, the assessee can
    subsequently make further applications to settlement commission.
    a) True
    b) False since remedy for being settled is available only once in a life time for the assessee.
    c) None of the above.

116. On receipt of Draft order under section 144C the assessee shall file his acceptance or his objections
    with the Dispute Resolution Panel within
    a) 30 days of receipt of draft order
    b) 60 days of receipt of draft order
    c) 30 days from end of month in which the draft order was received
    d) None of the above

117. An order of assessment passed in pursuance of a direction of Dispute resolution panel is
    appealable to
    (a) CIT(A)  (b) ITAT  (c) High Court  (d) Not appealable

118. The time limit for issuing direction by DRP is:
    a) Within 6 months from end of month in which draft order is forwarded to assessee.
    b) Within 9 months from end of month in which draft order is forwarded to assessee.
c) Within 12 months from end of month in which draft, order is forwarded to assessee.
d) None of the above

119. Upon receipt of directions of DRP, the AO to pass assessment order in conformity with the directions
a) Within 6 months from end of month in which direction is received
b) Within 1 month from end of month in which direction is received
c) Within 3 months from end of month in which direction is received
d) None of the above
120. The power to levy penalties lies with
(a) AO, CIT, ITAT  
(b) AO, CIT(A), ITAT  
(c) AO, CIT, CIT(A)  
(d) CIT, CIT(A), ITAT

121. The penalty leviable in case of mis reporting under section 270A is
(a) 100% of the misreported income  
(b) 200% of the misreported income  
(c) 200% of the tax on the misreported income  
(d) 50% of the tax on the misreported income.

122. The assessee may seek immunity from imposition of penalty under section 270A from the AO
under section
(a) 273B  
(b) 273AA  
(c) 270AA  
(d) 271AAB

123. Where the amount of under reported income is estimated and the books are correct and complete
to the satisfaction of the specified authority but the method employed does not enable proper
determination of income
(a) It shall be treated as under reporting  
(b) It shall be treated as mis reporting  
(c) It shall not be mis reporting  
(d) It shall not be underreporting

124. Failure to record an international transaction shall be treated as
(a) Not an under reporting  
(b) A Mis reporting  
(c) A under reporting but not mis reporting  
(d) None of the above

125. In case of search and seizure, the penalty in respect of undisclosed income of a specified year is
levied under section
(a) 270A  
(b) 271AA  
(c) 271AAB  
(d) None of the above

126. Failure to keep maintain retain books as required by section 44AA will attract a penalty of
(a) Rs. 25000 under section 271 AA  
(b) Rs. 25000 under section 271A  
(c) Rs. 50000 under section 271AA  
(d) Rs. 50000 under section 271A

127. A penalty of 1/2% of total sales or turnover or gross receipts or Rs. 1,50,000 which ever is less due
to failure to get accounts audited under section 44AB is leviable under section:
(a) 271A  
(b) 271BA  
(c) 271B  
(d) None of the above

128. The quantum of penalty leviable under section 271 BA for failure to furnish a report from an
accountant under section 92E is
(a) 2% of the value of international transaction  
(b) Rs. 5,00,000  
(c) Rs. 1,00,000  
(d) (a) or (b) whichever is lesser  
(e) None of the above

129. The quantum of penalty leviable under section 272A(1) for failure to comply with 142(1),
142(2A), 143(2) is
(a) Rs. 100000  
(b) Rs. 50000  
(c) Rs. 100 per day of default  
(d) Rs. 10000

1.84
130. The quantum of penalty leviable under section 272AA for failure to comply with section 133B is
   (a) Rs. 1000  
   (b) Not exceeding Rs. 10000  
   (c) Not exceeding Rs. 1000  
   (d) Rs. 10000  
   (e) None of the above

131. The AO initiated penalty for non maintenance of books. Subsequently during the course of penalty proceedings he dropped the penalty for non maintenance of books but imposed penalty for suppression of profits
   (a) Invalid - since he can impose penalty only for the grounds for which it was initiated.  
   (b) Correct - since he can impose penalty for any other infringement that comes to his notice during the penalty proceedings

132. The additions made to income made by invoking provisions of section 68 are subject to normal rates of tax as applicable to the assessee.
   a) True - they are taxable at the normal rates applicable to the assessee.  
   b) False - They are taxable at special rates of 30%  
   c) False - They are taxable at special rates of 60%

133. The power of AO to grant immunity from imposition of penalty under section 270A is given in
   (a) Sec 273A  
   (b) Sec 273AA  
   (c) Sec 273B  
   (d) Sec270AA  
   (e) None of the above.

134. The power of Commissioner to waive or reduce penalty under section 270A is given in
   (a) Sec273A  
   (b) Sec270AA  
   (c) Sec273B  
   (d) None of the above.

135. Sec 271M deals with imposition of penalty for failure to keep and maintain information and documents etc in respect of international transaction
   (a) True or (b) False

136. If a person fails to get his accounts audited as required under section 44AB he is liable to penalty under section 271B for a sum of
   a) One and one half per cent of turnover or gross receipts or Rs. 100000 whichever is lower.  
   b) One half per cent of turnover or gross receipts or Rs. 150000 whichever is lower.  
   c) One half per cent of turnover or gross receipts or Rs. 100000 whichever is lower.  
   d) None of the above

137. Penalty under section 271C is leviable for
   (a) Failure to deduct tax at source  
   (b) Failure to collect tax at source  
   (c) Failure to submit return of TDS  
   (d) None of the above

138. Penalty under section 271D is leviable for
   a) Failure to comply with Sec 142(2A)  
   b) Failure to comply with Sec 143(2)  
   c) Failure to comply with section 269SS  
   d) Failure to comply with Sec 269T

139. Penalty under section 271F is leviable for
   a) Failure to comply with Sec 131  
   b) Failure to comply with Sec 142(1)
c) Failure to comply with section 139(1)
d) None of the above.

140. Where an appeal has been preferred to ITAT the period of limitation for passing penalty order under section 275 is

a) Within the expiry of financial year in which the proceedings in the course of which penalty proceedings are initiated is completed or 6 months from the end of the month in which the order of ITAT is received by the CIT whichever is later;
b) Within the expiry of financial year in which the proceedings in the course of which penalty proceedings are initiated is completed or 1 year from the end of the financial year in which the order of ITAT is received by the CIT whichever is earlier;
c) None of the above

141. Where an no appeal has been preferred the period of limitation for passing penalty order under section 275 is

a) Within the expiry of financial year in which the proceedings in the course of which penalty proceedings are initiated is completed or 12 months from the end of the month in which the order of ITAT is received by the CIT whichever is later;
b) Within the expiry of financial year in which the proceedings in the course of which penalty proceedings are initiated is completed or 6 months from the end of the month in which penalty proceedings are initiated.
c) None of the above

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CHAPTER 18 - SET-OFF OR CARRY FORWARD AND SET OFF

( DO IF TIME PERMITS )

1. 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
   A. (4), (3), (2) & (1)
   B. (2), (3), (4) & (1)
   C. (3), (4), (1) & (2)
   D. (1), (2), (3) & (4)

2. Choose the correct answer from the following -
   A. Loss from business of owing and maintaining Race horses can be set off against any income.
   B. Speculation business loss can be set off only against speculation business income.
   C. Loss from lottery, card games etc. can be set off against any income.
   D. Long-term capital loss can be set off against long-term or short-term capital loss.

3. 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

4. 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.

5. 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.

6. 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.

7. Loss arising from specified business can be set-off from -
   A. General business profits
   B. Speculation business profits

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8. Loss from specified business can be carried forward for-
   A. 4 Years
   B. 8 Years
   C. Indefinite period
   D. None of the above

9. 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

10. 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

11. The sequence applicable for set off of losses shall be -
    A. (i) Inter source set-off; (ii) Inter head set-off; 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.

12. A company engaged in business of purchase and sale of shares of other companies shall not be
d 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)

13. 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)

14. Brought forward losses (except speculation business loss) under Profits & Gains of Business or
    profession can be set-off against-
    A. Income from house property.
B. Profits of any business (except speculation business profit).
C. Income from any other head.
D. Profits of any business/profession (including speculation business profit).

15. 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 Sources'.
   B. Only income from owning and maintaining race horses.
   C. Income from speculation business.
   D. Income under head house property.

16. 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 –
   A. Speculation losses
   B. Loss from specified business
   C. Loss under the head capital gains
   D. All of the above

17. 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 -
   A. Loss from house property
   B. Loss from speculation business
   C. Loss from discontinued business
   D. Loss from capital assets

18. Mr. AK has earned salary income of Rs.5,00,000 and he has suffered loss from house property amounting Rs.2,00,000. 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

19. 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. Rs.4,00,000

20. 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. Rs.4,00,000
21. Mr. X has earned long term capital gains on sale of equity shares listed in recognised stock exchange on which STT paid at the time of acquisition and sale also 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.5,00,000  
   B. Rs.10,20,000  
   C. Rs.12,20,000  
   D. Rs.9,20,000

22. Amit has speculation business loss brought forward of the assessment years 2013-14 Rs.1,00,000; 2014-15 Rs. 70,000 and 2015-16 Rs. 60,000. He has income from the same speculation business for the assessment year 2019-20 Rs. 5,40,000. His total income chargeable to tax for assessment year 2019-20 would be -
   A. Rs.3,10,000  
   B. Rs.4,10,000  
   C. Rs.4,80,000  
   D. Rs.4,40,000

23. Find out the gross total income of Mr. A for assessment year 2019-20 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

24. 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 2019-20.
   A. Rs.50,000  
   B. Rs.1,00,000  
   C. Rs.80,000  
   D. Rs.30,000

25. Mr. Q has profit from speculation business Rs.80,000; Profit from business A Rs. 1,00,000; Loss from business B Rs. 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

26. 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 2004-05 Rs. 4,000 find out his gross total income for AY 2019-20.
   A. Rs.1,00,000  
   B. Rs.6,000  
   C. Rs.10,000
27. If an individual, having a sales turnover of Rs.60 lakh files his return of income for the assessment year 2019-20 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
   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.

28. What can be the maximum amount of negative income of a self occupied house under the head "Income from house property ".
   A. Rs.30,000
   B. Rs.1,00,000
   C. Rs.1,50,000
   D. Rs.2,00,000

29. XYZ & Company, a partnership firm has three partners, X, Y and Z having equal share in profits of the firm. X retired on 31-12-2018, profits of the firm for year ending 31-3-2019 were Rs. 1,50,000 and brought forward business losses for assessment year 2017-18 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

30. In the above case find out the amount of accumulated loss/unabsorbed depreciation that can be carried forward to the next assessment year?
   A. Rs.66,671
   B. Rs.7,500
   C. Rs.5,833
   D. Nil

31. Short-term capital loss can be set-off from -
   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.

32. 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.
33. 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 and acquisition (iii) Long-term capital gain on sale of land 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

34. Loss from the activity of owning and maintaining race horses could be set-off -
A. Against income under any of the five heads of income
B. Only against income under the head 'income from other sources'
C. Only against income under the head 'profits gains of business or profession'
D. Only against income from same

35. For the previous year 2017-18, 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 3rd July, 2018 but he submitted the return on 9th September, 2018. The assessee in this case ...
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 Rs. 1,80,000

36. Business loss of an amalgamating company shall :
A. be carried forward and set-off in the hands of amalgamated company unconditionally
B. be carried forward and set-off in the hands of amalgamated company subject to certain conditions
C. not be carried forward
D. be allowed to be carried forward only by amalgamating company

37. 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 company 4 years in the hands of amalgamating company
D. Further 4 years in the hands of amalgamated company

38. 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. continues the business of the amalgamating company for a minimum period of 5 years from the date of amalgamation;
C. 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.
D. All of these

39. 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 resulting company.
   C. Further 8 years in the hands of demerged undertaking.
   D. Remaining period out of 8 years in the hands of demerged undertaking.

40. In case of reorganization of business whereby firm is succeeded by a company fulfilling conditions given u/s 47(xiii)1 (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

41. 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

42. 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 co-operative 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 co-operative bank.
   D. Further 4 years in the hands of predecessor co-operative bank.

43. 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.

44. In case of succession of any business/profession otherwise than by inheritance, the losses can be carried forward and set-off .-
   A. Only by the person incurring the loss.
   B. Only by the successor.
   C. Partly by the person incurring the loss and partly by the successor.
   D. None of the above.
45. 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 2018-19. On 1st April, 2018, two partners retired. The amount that assessee-firm can set-off against its income for the assessment year 2019-20 would be –

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.

ANSWERS

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CHAPTER 19 - CLUBBING OF INCOME

( DO IF TIME PERMITS )

1. Transfer of income without transfer of asset would be taxable in the hands of:
   A. Transferor only
   B. Transferee only
   C. Either transferor or transferee
   D. Both transferor and transferee

2. A transfer which contains any provision for the re-transfer, directly or indirectly, of the whole or any part of the income or asset to the transferor, regarded as:
   A. Transfer of income without transfer of asset
   B. Indirect transfer
   C. Revocable transfer
   D. Irrevocable transfer

3. X transfers his house property to a trust for benefit of Y till his death. In this case, till death of Y, the income from house property shall be taxable in the hands of and afterwards in the hands of ----
   A. X, Y
   B. X, legal heirs of Y
   C. Y, legal heirs of Y
   D. Y, X

4. Mr. 'X' transfers his house property to Mr. Y with a condition that 25 of the income therefrom should be handed over to him. Mr. Y earns Rs.1,00,000 from such house property. In this case-
   A. Total amount Rs.1,00,000 shall be assessed in the X.
   B. Only Rs.25,000 will be assessed in the hands of hands of X.
   C. Rs. 25,000 will be assessed in the hands of X and Rs.75,000 will be assessed in the hand of Y.
   D. Total amount Rs.1,00,000 shall be assessed in the hands of Y.

5. Mr. A, a fashion designer having lucrative business, pays salary to his wife, who is a model. Remuneration received by Mrs. A shall be included in the total income of:
   A. Mrs. A
   B. Mr. A
   C. Mrs. A or Mr. A (whose total income is higher before this clubbing)
   D. Mr. A and Mrs. A proportionately.

6. The shares of Jetha Ltd. are held by, Mr. Jetha 8, Mrs.Jetha 10 and Mrs. Jetha's Father-in-law 6. Who amongst the following have substantial interest in Jetha Ltd.?
   A. Mr. Jetha
   B. Mrs. Jetha
   C. Mr. Jetha and Mrs. Jetha, both
   D. Neither Mr. Jetha, nor Mrs. Jetha
7. If Mr. A and Mrs. A both have substantial interest in a concern and both are in receipt of remuneration from that concern, then what will be the tax consequences?
   A. Remuneration shall be clubbed in the total income of Mr. A.
   B. Remuneration shall be clubbed in the total income of Mrs. A.
   C. Remuneration shall be clubbed in the total income of that individual whose total income (before this clubbing) is higher.
   D. Clubbing shall not apply.

8. Mr. A transferred a capital asset to Mrs. A in natural love and affection. She transferred the capital asset to her friend and she earned a capital gains of Rs.2,50,000. The capital gains income shall be regarded:
   A. Mrs. A
   B. Mr. A
   C. Mrs. A or Mr. A (whose total income is higher before this clubbing)
   D. Mr. A and Mrs. A proportionately.

9. Shyam transferred 2,000 shares of X Ltd. to Ms. Babita without any consideration. Later, Shyam and Ms. Babita got married to each other. The dividend income from the shares transferred would be -
   A. Taxable in the hands of Shyam both before and after marriage
   B. Taxable in the hands of Shyam before marriage but not after marriage
   C. Taxable in the hands of Shyam after marriage but not before marriage
   D. Never taxable in the hands of Shyam.

10. Rohit (a Chartered Accountant) is working as Accounts Officer in Raj (P) Ltd. on a salary of Rs.20,000 p.m. He got married to Ms. Pooja who holds 25% shares of this company. What will be the impact of salary paid to Rohit by the company in the hands of Ms. Pooja –
    A. 100% salary to be clubbed
    B. 50% salary to be clubbed
    C. No amount be clubbed
    D. 25% salary be clubbed.

11. An individual is said to have substantial interest in a concern if he or she, along with his or her relatives, is, at any time during the previous year-
    A. Beneficial owner of equity shares carrying 20% or more of the voting power.
    B. Entitled to 20% or more of the profits of such concern
    C. Either (a) or (b)
    D. Both (a) and (b)

12. In the above case meaning of relative of an individual does not include the following -
    A. Grandfather's brother
    B. Spouse
    C. Brother and sister
    D. Grandfather-in-law of the spouse.

13. Income from assets transferred to spouse for inadequate consideration, clubbed in the total income of -
14. Income from assets transferred to son's wife for inadequate consideration, shall be included in the total income of:
A. Transferor
B. Son's wife
C. Both (a) and (b)
D. Individual whose total income (before this clubbing) is higher.

15. In the above case, relationship between transferor and transferee should subsist at the time of:
A. Transfer of the asset
B. Accrual of the income
C. Either (a) or (b)
D. Both (a) and (b)

16. Mr. A transfers his house property to his fiancee, in this case the income from house property shall be taxable in the hands of:
A. Mr. A
B. Mr. A's fiancee
C. Such individual whose total income (before this clubbing) is higher.
D. None of the above.

17. Exemption of will be available u/s 10(32) to the parent in respect of minor's income clubbed with the parent.
A. Rs.1,500
B. Rs.5,000
C. Rs. 15,000
D. Rs.1,00,000

18. In case of clubbing of income of two minor children exemption of will be available.
A. Rs. 1,500
B. Rs.3,000
C. Rs.1,000
D. None of these

19. Income of minor child has to be included in the income of the assessee for determining rate of income tax applicable to income of the assessee.
A. Agricultural
B. Gross total
C. Business
D. None of these.

20. Income of a minor child shall be included in the income of:
A. That parent whose total income (before this clubbing) is greater.
B. Minor child
C. That parent whose total income (before this clubbing) is lower.
D. That parent whose total income (after this clubbing) is greater.

21. Income of a minor child on account of ............... shall be taxable in his hands.
A. Any manual work done by him.
B. Any activity involving application of his skill, talent or specialized knowledge and experience.
C. Either (a) or (b)
D. None of these

22. Minor child includes -
A. Step child
B. Adopted child
C. Both (a) & (b)
D. None of these.

23. Mr. Mahesh's, minor son Suresh, earning interest Rs.40,000 on fixed deposit with ABC Ltd.,
which was gifted to him by his grandfather. Mahesh's income is higher than that of Mrs. Mahesh.
What will be the tax consequences?
A. Rs. 40,000 shall be taxable in the hands of Suresh.
B. Rs. 40,000 shall be clubbed in the total income of Mrs. Mahesh.
C. Rs. 40,000 shall be clubbed in the total income of Mr. Mahesh
D. Rs.40,000 shall be taxable in the hands of ABC Ltd.

24. In the above case, if Suresh is blind then,
A. Rs.40,000 shall be taxable in the hands of Suresh.
B. Rs. 40,000 shall be clubbed in the total income of Mrs Mahesh.
C. Rs. 40,000 shall be clubbed in the total income of Mr Mahesh.
D. Rs.40,000 shall be taxable in the hands of Mrs. Mahesh.

25. Mr.A transfers Rs25,000 to Mrs. A.She purchases investment Rs.20,000 in X Ltd. out of such
cash transferred to her by Mr. A. She earns interest Rs.5,000 from such investment.Hence this al an-
A. Cross transfer
B. Indirect transfer
C. Revocable transfer
D. Irrevocable transfer

26. In the above case interest income Rs. 5,000 shall be included in the total income of -
A. Mrs. A
B. Mr. A
C. Mrs. A or Mr. A (whose total income is higher before this clubbing)
D. Mr. A and Mrs. A

27. Mr. Y gifts 12.75 debentures worth Rs.10 lakhs to Mrs. X (wife of Mr. X, his brother) and Mr. X
gifted a flat worth same amount to Mrs. Y. The flat yields a rental income of Rs.1,30,000 p.a.
Interest income will be included in the total income of and rental income will be included in the total income of...........................
A. Mr. Y and Mrs. X respectively.
B. Mrs. Y and Mr. X respectively.
C. Mr. X and Mr. Y respectively.
D. Mrs. Y and Mrs. X respectively.

28. Raja gifts Rs. 2 lakhs to his wife on 1-4-2018 which she invests in a firm on interest @18 p.a. On 1-1-2019, Mrs. Raja withdraws the money and gifts it to their son's wife. In this case interest of the period 1-4-2018 to 31-12-2018 and 1-1-2019 to 31-3-2019 shall be clubbed in the total income of..........................
A. Mr. and Mrs. Raja respectively.
B. Mr. Raja
C. Mrs. Raja and their son's wife respectively.
D. Mrs. Raja

29. In whose total income, the income of a minor child is included -
A. Father
B. Mother
C. Father and mother both
D. Parent whose total income is greater.

30. When the income of an individual includes Rs.20,000 as the income of his minor child in terms of section 64(IA), taxable income in this respect will be –
A. Nil
B. Rs. 20,000
C. Rs. 18,500
D. None of the above.

31. Income arising to a minor married daughter is -
A. To be assessed in the hands of the minor married daughter
B. To be clubbed with the income of that parent whose total income, before including minor's income, is higher
C. Completely exempt from tax
D. To be clubbed with the income of her husband.

32. The following income that accrue to a minor child will not be included in the total income of his parent.
A. Income earned from fixed deposits transferred by his grand father.
B. Income earned from house property transferred by his father
C. Income earned from agricultural land transferred by his mother
D. Income from participation in dance competition

33. Mr. AK has four minor children consisting 2 daughters and 2 sons. The annual income of 2 daughters was Rs.7,500 and Rs.5,000 and of sons was Rs.5,500 and Rs.1,250 respectively. The daughter who was having income of Rs.5,000 was suffering from a disability specified under
section 80U. Work out the amount of income earned by minor children to be clubbed in the hands of Mr. AK.
A. Rs. 9,250  
B. Rs. 14,250  
C. Rs. 9,750  
D. Rs. 10,000

34. A proprietary business was started by Smt. Rani in the year 2016. As on 1-4-2017 her capital in business was Rs.3,00,000. Her husband gifted Rs.2,00,000 on 10-4-2017, which amount Smt. Rani invested in her business on the same date. Smt. Rani earned profits from her proprietary business for the Financial year 2017-2018, Rs.1,50,000 which remained invested in the business. The profit earned by Mrs. Rani in financial year 2018-2019 Rs.3,90,000. Compute the income, to be clubbed in the hands of Rani’s husband for the Assessment year 2019-2020 with reasons.
A. Rs.2,70,000  
B. Rs.1,20,000  
C. Nil  
D. Rs. 3,90,000

35. Income from asset transferred to spouse will be taxable in the hands of transferor if :
A. asset has been transferred in pursuance of an agreement to live apart;  
B. asset was transferred for an adequate consideration;  
C. asset was transferred before marriage;  
D. asset was transferred for inadequate consideration

36. Incomes of two minor children are included in the income of their father. Father is entitled to exemption under section 10(32) upto –
A. Rs.1,500  
B. Rs. 1,000  
C. Rs.3,000  
D. Rs.2,000.

37. If the self acquired property of an individual (being a member of HUF) is _ then the income derived by the joint family on account of such property shall be included in the total income of the individual who was the owner of such property.
A. Converted into joint family property.  
B. Transferred by him directly or indirectly, to HUF otherwise than for adequate consideration.  
C. Transferred by him, directly or indirectly to HUF for adequate consideration.  
D. Either (a) or (b)

38. Where the converted property has been the subject-matter of a partition amongst the members of the family, the income derived from such converted property as is received by ____________on partition shall be deemed to arise to the individual from assets transferred indirectly by the individual to the ____________and shall be clubbed in the hands of such individual.
A. Minor child, minor child  
B. Brother, brother  
C. Spouse, spouse  
D. Sister, sister
39. For the purposes of clubbing of income of the specified person in the income of the individual under section 64, the word 'income' includes ___________ 
A. Salaries  
B. Loss  
C. Capital gains  
D. Income from other sources

40. Mr. A gifts cash of Rs. 1,00,000 to his brother's wife Mrs. B. Mr. B gifts cash of Rs. 1,00,000 to Mrs. A. From the cash gifted to her, Mrs. B invests in a fixed deposit, income therefrom is Rs.10,000. Aforesaid Rs. 10,000 will be included in the total income of ___________
A. Mr. A  
B. Mr B  
C. Mrs. A  
D. Mrs B

**ANSWERS**

<table>
<thead>
<tr>
<th>Question Number</th>
<th>Answer</th>
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<tbody>
<tr>
<td>1</td>
<td>Transferor only</td>
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<td>2</td>
<td>Revocable transfer</td>
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<td>3</td>
<td>Y, X</td>
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<td>4</td>
<td>Rs. 25,000 will be assessed in the hands of X and Rs.75,000 will be assessed in the hand of Y.</td>
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<td>5</td>
<td>Mrs. A</td>
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<td>6</td>
<td>Mr. Jetha</td>
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<td>7</td>
<td>Remuneration shall be clubbed in the total income of that individual whose total income (before this clubbing) is higher.</td>
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<td>8</td>
<td>Mr. A</td>
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<td>9</td>
<td>Never taxable in the hands of Shyam.</td>
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<td>10</td>
<td>No amount be clubbed</td>
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<td>11</td>
<td>Either (a) or (b)</td>
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<td>12</td>
<td>Grandfather's brother</td>
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<td>13</td>
<td>Transferor</td>
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<td>14</td>
<td>Transferor</td>
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<td>15</td>
<td>Both (a) and (b)</td>
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<td>16</td>
<td>Mr. A's fiancee</td>
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<td>Rs.1,500</td>
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<td>18</td>
<td>Rs.3,000</td>
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<td>19</td>
<td>Agricultural</td>
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<td>20</td>
<td>That parent whose total income (before this clubbing) is greater.</td>
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<td>21</td>
<td>Either (a) or (b)</td>
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<td>Indirect transfer</td>
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<td>26</td>
<td>Mr. A</td>
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<td>27</td>
<td>Mr. X and Mr. Y respectively.</td>
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<td>28</td>
<td>Mr. Raja</td>
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<td>Parent whose total income is greater.</td>
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<td>Rs. 18,500</td>
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<td>32</td>
<td>Income from participation in dance competition</td>
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<td>33</td>
<td>Rs. 10,000</td>
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<td>34</td>
<td>Rs. 1,20,000</td>
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<td>35</td>
<td>Asset was transferred for inadequate consideration</td>
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<td>36</td>
<td>Rs. 3,000</td>
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<td>37</td>
<td>Either (a) or (b)</td>
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<td>38</td>
<td>Spouse, spouse</td>
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<td>39</td>
<td>Loss</td>
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<td>40</td>
<td>Mr B</td>
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CHAPTER 20 - INCOME FROM OTHER SOURCES
(SEE IF TIME PERMITS)

1. Income of every kind, which is not to be excluded from the total income under this Act and not charged to income-tax under any of the other four heads, shall be chargeable to income-tax under the head _________.
   A. Income from salaries
   B. Income from House Property
   C. Profits and gains from business and profession
   D. Income from Other Sources

2. Which is the charging section for income chargeable under the head Income from other sources?
   A. Section 15
   B. Section 28
   C. Section 22
   D. Section 56

3. John, engaged in fertiliser trade received rent by sub-letting a building. This will be taxable under the head -
   A. Income from house property
   B. Income from capital gains
   C. Income from profits & gains of business & profession
   D. Income from other sources.

4. Under the Income-tax Act, 1961, dividend derived from the shares held as stock-in-trade are taxable under head –
   A. Income from other sources
   B. Income from profits and gains of business or profession
   C. Capital gains
   D. Either capital gains or income from profits and gains of business or profession.

5. Which of the following incomes are chargeable under the head 'Income from other sources'?
   A. Dividends
   B. Winnings from lotteries
   C. Betting
   D. All of these

6. Agriculture income received from outside India will be -
   A. Taxable under the head Profit and Gains of Business or Profession
   B. Taxable under the head Income from other sources
   C. Exempt from tax
   D. None of these

7. AK was dealing in the business of lotteries. He himself won a lottery. Income earned from such lottery will be
1. Taxable under the head Profit and Gains of Business or Profession

2. Taxable under the head Income from other sources

3. Exempt

4. None of these

8. Salary paid to a member of parliament will be –

A. Taxable under the head Profit and Gains of Business or Profession

B. Taxable under the head Income from other sources

C. Exempt

D. None of these

9. Any sum of money received as an advance or otherwise in the course of negotiations for transfer of a capital asset is forfeited and the negotiations do not result in transfer of such capital asset will be taxable under the head -

A. Profit and Gains of Business or Profession

B. Income from other sources

C. Capital gains

D. Income from house property

10. Aman entered into an agreement with Brij for sale of a building for Rs. 20 lakh in June; 2018. Aman received advance of Rs. 2 lakh. Subsequently, the agreement was cancelled and Aman forfeited the advance money. The advance money is –

A. To be reduced from the cost of acquisition

B. To be reduced from indexed cost of acquisition

C. Taxable as capital gains

D. Taxable as income under the head 'income from other sources

11. Ramesh received Rs. 7 lakh by way of enhanced compensation in March, 2019. A further sum of Rs. 2 lakh decreed by the court is due but not received till 3rd March, 2019. The amount of income chargeable to tax for A/Y 2019-20 would be

A. Rs. 3,50,000

B. Rs. 7,00,000

C. Rs. 9,00,000

D. Rs. 4,50,000

12. AK received Rs.10,000 as directors fee from a company. This amount will be taxable under the head _

A. Profit and Gains of Business or Profession

B. Income from other sources

C. Exempt

D. None of these

13. An assessee earned interest on post office savings bank account: Rs.6,000. Such sum shall be taxable under the head:

A. Salaries

B. Profit & Gains of Business & Profession

C. Capital Gains
14. AK owned a machinery. He let it on hire to Raghu for Rs.2,40,000 p.a. Such amount shall be taxable under head:
A. Income from other sources
B. Income from house property
C. Income from Business and profession
D. Any of the above

15. Income from letting on hire of plant, machinery or furniture is chargeable under the head -
A. Income from other sources.
B. Profits and gains of Business or Profession.
C. Capital Gains.
D. Either (a) or (b)

16. Under which head income from letting on hire of machinery etc. will be taxed if the same is not chargeable under the head 'Profits and gains of Business and Profession'?
A. Income from Other Sources.
B. Salaries
C. Capital Gains
D. Income from House Property

17. Income earned by an assessee from letting on hire machinery, plant or furniture belonging to him and also buildings, and where letting of buildings is inseparable from the letting of the said machinery, plant or furniture shall be taxable under the head:
A. Income from other sources
B. Income from house property
C. Income from Business and profession
D. Any of the above

18. Any sum received by employer from employees as contribution to certain funds is taxable under the head:
A. Salaries
B. Profit & Gains of Business & Profession
C. Capital Gains
D. Income from Other Sources

19. Amount paid to or received by a shareholder in proportion to its shareholding in a company out of the total sum so distributed is known as:
A. Share
B. Dividend
C. Bonus
D. Profit

20. The date fixed by a company for entitlement of dividend or by a mutual fund administration/specified company for entitlement of dividend or bonus units is known as:
A. Due date
21. Radha held 1,000, 12 Preference shares of Rs100 each in Rosa Ltd. Dividend was received by her on 25th March, 2019. Calculate the amount chargeable to tax.
A. Exempt  
B. 12,000  
C. 120  
D. None of the above

22. Deemed dividends as given in Section 2(22), which provides" dividend" includes _
A. Distribution of accumulated profits, entailing release of assets by the company to its shareholders.  
B. Distribution of debentures/ deposit-certificates to shareholders or bonus shares to preference shareholders to an extent to which the company possesses accumulated profits.  
C. Distribution to shareholders on liquidation to the extent to which the distribution is attributable to the accumulated profits of the company immediately before its liquidation.  
D. All of the above.

23. Which of the following distributions by a company to its shareholders are not considered as deemed dividends?
A. Debentures  
B. Debenture Stock  
C. Shares issued for full cash consideration  
D. Bonus shares

24. A private limited company engaged in manufacturing activity had general reserve of Rs. 20 lakh. It granted a loan of Rs. 5 lakh to a director who held 13 shareholding cum voting rights in the company. The said loan was re-paid by him before the end of the year. The amount of deemed dividend arising out of the above transaction is –
A. Rs. 2,60,000  
B. Rs. 2,40,000  
C. Rs. 5,00,000  
D. Nil.

25. Mr. X resident individual 45 years of age gives the following information pertaining to the assessment year 2019-20: Particulars Dividend from shares of Indian company on which the company has paid dividend Rs.12,50,000 distribution tax u/s 115-0 Expenses incurred on collecting such dividends Rs.12,500 Determine the amount of Total Income and tax liability for the assessment year 2019-20.
A. Rs. 1,28,750  
B. Rs. 1,27,460  
C. Rs. 25,750  
D. Rs. 26,000
26. AK Ltd. reduced its share capital and for that distributed to its shareholders an amount of Rs. 55,00,000. The company possessed accumulated profits of Rs. 35,00,000 as on the date of distribution. What shall be the amount to be assessed as deemed dividend?
   A. Rs. 55,00,000
   B. Rs. 35,00,000
   C. Rs. 20,00,000
   D. No deemed dividend

27. XYZ Pvt. Ltd. gave a loan of Rs. 5,00,000 to its shareholder. The shareholder was the beneficial owner of equity shares of the company as he held 12 of the voting power of the Company. The company possessed accumulated profits of Rs. 3,00,000 as on the date of advancement of loan. What shall be the amount to be assessed as deemed dividend in the hands of shareholder?
   A. Rs. 5,00,000
   B. Rs. 3,00,000
   C. Rs. 2,00,000
   D. No deemed dividend

28. XYZ Ltd. gave a loan of Rs. 9,00,000 to its shareholder. The shareholder was the beneficial owner of equity shares of the company as he held 14 of the voting power of the Company. The company possessed accumulated profits of Rs. 1,00,000 as on the date of advancement of loan. What shall be the amount to be assessed as deemed dividend in the hands of shareholder?
   A. Rs. 9,00,000
   B. Rs. 1,00,000
   C. Rs. 8,00,000
   D. No deemed dividend

29. As per section 2(22)(e), loan/advances given by a private company to a concern in which its shareholder has substantial interest, then to the extent of accumulated profits held by the private company (capitalised accumulated profits not included), it shall be considered as deemed dividend taxable in the hands of shareholder. A person is deemed to have a substantial interest:
   A. If he holds 20 of the voting power (equity shares) in the company;
   B. If he is beneficially entitled to 20 or more of the income of such concern.
   C. Either (a) or (b)
   D. None of these.

30. ABC Pvt. Ltd. gave a loan of Rs. 9,00,000 to PQR & Co. 'C', a shareholder of ABC Pvt. Ltd. was holding 20 of the voting power (equity shares) in the concern PQR & Co. The company possessed accumulated profits of Rs. 5,20,000 as on the date of advancement of loan to the PQR & Co. What shall be the amount to be assessed as deemed dividend in the hands of shareholder?
   A. Rs. 3,80,000
   B. Rs. 9,00,000
   C. Rs. 5,20,000
   D. No deemed dividend

31. ABC Pvt. Ltd. gave a loan of Rs. 9,00,000 to PQR & Co. The company possess nil accumulated profits as on the date of advancement of loan to PQR & Co., then what shall be the amount to be assessed as deemed dividend in the hands of shareholder?
32. ABC Pvt. Ltd. gave a loan of Rs. 9,00,000 to PQR & Co. The company possess accumulated profits of Rs. 11,00,000 as on the date of advancement of loan to PQR & Co., then what shall be the amount to be assesseed as deemed dividend in the hands of shareholder?
A. Rs. 3,80,000
B. Rs. 9,00,000
C. Rs. 5,20,000
D. No deemed dividend

33. Dividend received from a foreign company (net) Rs. 8,000. Nothing has been paid to the Government of India out of tax deducted at source. Calculate the amount to be included while computing income under the head 'Income from Other Sources'.
A. NIL
B. Rs. 8,000
C. Rs. 11,428
D. Rs. 2,400

34. The maximum limit of exemption is case of lotteries or crossword puzzles or card game is :
A. Rs. 2,500
B. Rs. 50,000
C. Rs. 10,000
D. Rs. 5,000

35. The maximum limit of exemption in case of horse races is:
A. Rs. 2,500
B. Rs. 10,000
C. Rs. 5,000
D. Rs. 1,000

36. Winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature, taxable under the head 'Income from other sources' after grossing up is taxed without allowing basic exemption limit at flat rate of :
A. 30%
B. 20%
C. 10%
D. 15%

37. Winnings from lotteries (gross) Rs. 90,000. Calculate the amount to be included while computing income under the head 'Income from Other Sources'.
A. Rs. 90,000
B. Rs. 1,28,571
C. Rs. 27,000
38. Winnings from horse race (net) Rs. 35,000. Calculate the amount to be included while computing income under the head 'Income from Other Sources'.
   A. Rs. 35,000
   B. Rs. 50,000
   C. Rs. 10,500
   D. Rs. 60,500

39. Miss. AK received an amount of Rs. 27,760 on 1-12-2018 in connection with winning from camel races. Cost of race tickets purchased was Rs. 2,000. Calculate amount to be included under the head 'Income from Other Sources':
   A. Rs. 27,760
   B. Rs. 25,760
   C. Nil
   D. Rs. 2,000

40. Rs. 30,000, 11 securities (unlisted) of a textile company. What shall be the amount of interest income earned from securities to be taxable under the head of Income from Other Sources?
   A. Rs.30,000
   B. Rs. 3,300
   C. Rs.26,700
   D. Not taxable

41. An assessee received an income of Rs. 9,000 as interest on securities of a listed paper manufacturing company. What shall be the amount of interest income earned from securities to be taxable under head Income from Other Sources?
   A. Rs. 9,000
   B. Rs. 10,000
   C. Rs. 8,100
   D. Not taxable

42. Ritu received rent of Rs. 60,000 from letting a residential building (in Mumbai) along with plant and machinery (letting out building is inseparable from letting of plant and machinery). She expended Rs. 6,000 for repairs and insurance of the buildings and plant and machinery. The WDV of building was Rs. 2,00,000 as on 1-4-2018 and the plant and machinery was purchased on 9th May 2018 for Rs. 20,000. Amount taxable is:
   A. Rs. 54,000
   B. Rs. 41,000
   C. Rs. 60,000
   D. Rs. 44,000

43. If interest on securities is received after deduction of tax at source then the amount to be included in the total income is:
   A. Gross interest
   B. Net interest
   C. No amount to be included
44. Sum received under a Keyman insurance policy including bonus shall be taxable under the head:
A. Income from other sources
B. Income from house property
C. Income from Business and profession
D. Any of the above

TAXABILITY OF GIFTS
45. AK received a gift of Rs. 35,000 each on 22nd May, 2018 from his three friends. The amount chargeable to tax in this case would be _
A. Rs. 50,000
B. Rs.1,05,000
C. Nil
D. Rs. 55,000

46. Cash gifts exceeding ____ shall be chargeable under the head income from other sources:
A. Rs. 5,000
B. Rs. 20,000
C. Rs. 50,000
D. Rs. 25,000

47. The taxability of gift shall not apply if this gift is received from:
A. Relative
B. Local authority
C. By way of inheritance
D. All of these

48. Mrs. X received the following gifts during the year. Which gifts shall be included in computing the income from other sources?
A. Gift of Rs. 26,000 from her employer.
B. Gift of Rs. 21,000 on December from her mother's friend.
C. Gift of Rs. 1,21,000 from her husband's brother.
D. Gift of Rs. 60,000 on 25th November from her father's brother.

49. Mrs. X received the following gifts during the year. Which gifts shall not be included in computing the income from other sources?
A. Scholarship of Rs. 1,20,000 from a charitable institution registered under section 12AA.
B. Gifts of Rs. 51,000 each received from her four friends on the occasion of her marriage on 21st October.
C. Gift of Rs. 1,41,000 from her husband's brother.
D. All of the above.

50. Richa received gift of jewellery, fair market value of which is Rs. 3,00,000 on 17th October from her fiancee. What will be the taxable amount?
A. Nil
B. Rs. 3,00,000
51. Mohan received a watch worth Rs. 60,000 from his cousin grandfather (brother of his grandfather). What will be the taxable amount?
   A. Nil
   B. Rs. 60,000
   C. Rs. 10,000
   D. Rs. 50,000

52. If A receives Rs. 31,000 from B and Rs. 20,000 from C, then, what will be the taxable amount?
   A. Nil
   B. Rs. 1,000
   C. Rs. 51,000
   D. Rs. 50,000

53. Sohan received a share of Rs. 60,000 from his cousin grandfather (brother of his grandfather). What will be the taxable amount?
   A. Nil
   B. Rs. 60,000
   C. Rs. 10,000
   D. Rs. 50,000

54. Nisha received a gift from his sister in Netherlands of Rs. 2,50,000. What will be the taxable amount?
   A. Exempt
   B. Rs. 2,50,000
   C. Rs. 2,00,000
   D. Rs. 50,000

55. Rakesh received Rs. 70,000 from his friend on the occasion of his birthday.
   A. The entire amount of Rs. 70,000 is taxable
   B. Rs. 20,000 is taxable
   C. The entire amount is exempt
   D. None of the above.

56. Hemali received a cash gift of Rs. 80,000 from her friend on her 25th wedding anniversary. Amount taxable is:
   A. Exempt
   B. Rs. 80,000
   C. Rs. 30,000
   D. Rs. 50,000

57. Gift of Rs. 5,00,000 received on 10th July, 2018 through account payee cheque from a non-relative regularly assessed to income-tax, is -
   A. A capital receipt not chargeable to tax
B. Chargeable to tax as income from other sources
C. Chargeable to tax as business income
D. Exempt up to 50,000 and balance chargeable to tax as income from other sources.

58. Mr. A received cash gift worth Rs. 55,000 from his grandfather's brother Mahesh, on the occasion of the marriage of his son. What will be the taxable amount?
   A. Rs. 55,000
   B. Nil
   C. Rs. 50,000
   D. Rs. 5,000

59. Mr. J received a Watch worth Rs. 55,000 from his employer on the occasion of his birthday. What will be the tax consequences?
   A. Rs. 55,000 taxable in the hand of J, as income from salaries
   B. Rs. 55,000 taxable in the hands of J, as Fringe benefit.
   C. Rs. 55,000 taxable, as income from other sources
   D. None of these

60. On 5th February, 2019 Rajat gets a gift of a motor car from a relative Madan. Fair market value of the car is Rs. 3,60,000. The amount taxable in the hands of Rajat under section 56(2)(vii) is
   A. Rs. 3,60,000
   B. Rs. 3,10,000
   C. Nil
   D. Rs. 50,000

61. X & Co. received a gift of 900 shares of RST Pvt. Ltd. at a consideration of Rs. 1,60,000. The aggregate fair market value of shares is Rs. 2,30,000. What will be the taxable amount under the head Income from Other Sources?
   A. Nil
   B. Rs. 50,000
   C. Rs. 70,000
   D. Rs. 1,60,000

62. VSC Pvt. Ltd. issued 1,00,000 shares. The face value of shares is Rs. 200, Fair Market value Rs. 190 and issue price Rs. 210. Calculate the amount to be considered as income in hands of VSC Pvt. Ltd. as per section 56(2)(viib).
   A. Nil
   B. Rs. 20,00,000
   C. Rs. 10,00,000
   D. Rs. 5,00,000

63. If in the above case, face value of shares is Rs. 200, Fair Market value Rs. 190 and issue price Rs. 198. Calculate the amount to be considered as income in hands of VSC Pvt. Ltd. as per section 56(2)(viib).
   A. Nil
   B. Rs. 20,00,000
   C. Rs. 10,00,000
64. USC Pvt. Ltd. issued 1,00,000 shares. The face value of shares is Rs. 200, Fair Market value Rs.220 and issue price Rs. 230. Calculate the amount to be considered as income in hands of USC Pvt. Ltd. as per section 56(2)(viib).
A. Nil
B. Rs. 20,00,000
C. Rs. 10,00,000
D. Rs. 5,00,000

65. XYZ Pvt. Ltd. issued shares. Mr. K, resident of India, purchased the shares at a consideration of Rs. 5,00,000. The fair market value of such shares was of Rs. 4,50,000. What will be the taxable amount under the head Income from Other Sources?
A. Nil
B. Rs. 50,000
C. Rs. 4,50,000
D. Rs. 5,00,000

66. Sameer received the following income during financial year 2018-19 : Director's fees Rs. 5,000, income from agricultural land in Pakistan Rs. 15,000, rent from let-out of land in Jaipur Rs. 20,000, interest on deposit with HDFC Bank Rs. 1,000 and dividend from Indian company Rs. 5,000. His income from other sources is –
A. Rs. 41,000
B. Rs. 46,000
C. Rs. 31,000
D. Rs. 26,000

67. Rishab received the following gifts during the previous year:
(i) Rs. 50,000 from his employer (ii) Rs. 1,00,000 from mother's sister (iii) Rs. 10,000 from his friend on the occasion of his marriage (iv) Rs. 60,000 in the form of scholarship from a registered charitable trust. The amount of taxable gift under the head 'income from other sources' is _
A. Nil
B. Rs. 50,000
C. Rs. 1,50,000
D. Rs. 2,10,000

68. Comfort (Pvt.) Ltd. issued 10,000 equity shares to Pawan at Rs. 18 per share when the fair market value of each share was determined at Rs. 11 per share. The tax implication of the transaction is -
A. Rs. 70,000 taxable as income for Comfort (Pvt.)
B. Rs. 20,000 taxable as income for Pawan Ltd.
C. Rs. 10,000 taxable as income for Pawan
D. Nil

69. Interest on compensation/ enhanced compensation shall _
A. be taxable in the year of receipt.
B. be taxable in the year of accrual.
C. be taxable receipt/ accrual, whichever is earlier.
D. not be taxable.

70. Sarath has received a sum of Rs. 3,40,000 as interest on enhanced compensation for compulsory acquisition of land by State Government in May, 2018, of this, only Rs. 12,000 pertains to the current year and the rest pertains to earlier years. The amount chargeable to tax for the assessment year 2019-20 would be -
A. Rs. 12,000
B. Rs. 6,000
C. Rs. 3,40,000
D. Rs. 1,70,000

71. Adhoc deduction available in respect of income of interest on compensation/ enhanced compensation shall be:
A. 50
B. 30
C. Nil
D. 100

72. Assessee received interest on enhanced compensation of Rs. 50,000 as per court decree in December 2018 by Mr. Yogesh. Out of the said amount a sum of Rs. 35,000 relates to preceding financial years. The taxable income is:
A. Rs. 25,000
B. Rs.15,000
C. Rs. 17,500
D. Rs. 35,000

73. Incomes taxable under the head of Income from Other Sources are:
A. Interest on bank deposits and loans.
B. Interest on foreign Government securities.
C. Agricultural income received from outside India
D. All of the above.

74. Which of the following income is not taxable under the head income from other sources?
A. Income from letting.
B. Income from sub letting.
C. Director's fees.
D. Commission received by the director on giving bank guarantee for the company.

75. Royalty received from a publisher by Nina was of Rs. 42,700. She spent Rs. 2,700 on books, stationery, typing, etc. Calculate the amount of income chargeable to tax under head Income from other sources?
A. Exempt
B. Rs. 42,700
C. Rs. 40,000
D. Rs. 2,700
76. Mr. Ram was earning income from sub-letting of motor car to his friend. Such income shall be taxable under which head of income?
A. Income from other sources
B. Income from house property
C. Income from Business and profession
D. Any of the above

77. The amount deductible from family pension is upto -
A. Rs. 15,000 or 1/3rd of family pension whichever is less
B. Rs. 15,000 or 1/2 of family pension whichever is less
C. Rs. 10,000 or 1/3rd of family pension whichever is less
D. No deduction.

78. Ms. Chandni is in receipt for family pension of Rs. 15,000 p.m. during 2018-19. Income chargeable to tax for assessment year 2019-20 of Ms. Sitara is-----------------------
A. Rs. 1,80,000
B. Rs. 1,20,000
C. Rs. 15,000
D. Nil.

79. J took a house on lease for 10 years and let it further to a tenant for his residence at a monthly rent of Rs. 2,400. He incurred following expenses during year: Lease rent: Rs. 1000 p.m., Salary of Durban : Rs. 200 p.m. and Interest on loan taken to pay for acquisition of lease : Rs. 200 p.m.
Compute income chargeable under head Income from other sources?
A. Rs. 12,000
B. Rs. 28,800
C. Rs. 16,800
D. Nil

80. What is the taxability of dividend income under section 2(22)(a) to 2(22)(d) in hands of shareholders?
A. Dividend tax @ 12.5
B. Exempt u/s 10(34) upto Rs. 10,00,000.
C. Dividend tax @ 12.5 + Surcharge + Education Cess
D. None of these

81. What is the taxability of dividend income under section 2(22)(a) to 2(22)(d) in hands of company?
A. Dividend distribution tax@15
B. Exempt
C. Dividend distribution tax @ 15 on the gross amount of dividends + 12% Surcharge + 4% HEC i.e. 20.5552 of the net amount of dividends
D. None of these

82. Company is i.e. liable to pay dividend distribution tax under section 115-0 @ 15% on the gross amount of dividends + 12% Surcharge + 4% HEC 20.5552. On the ____ amount of dividend.
A. Gross
83. **What is the taxability of dividend income under section 2(22)(e) in the hands of company?**
   A. Dividend tax @ 15%
   B. Taxable
   C. Dividend tax @ 30% + Surcharge +HEC
   D. Not Taxable

84. **What is the taxability of dividend income under section 2(22)(e) in the hands of shareholder?**
   A. Exempt u/s 10(34)
   B. Taxable
   C. Not Taxable
   D. None of these

85. **Interim Dividend declared by a company is accrued in which of the following year?**
   A. Previous year in which it is declared.
   B. Previous year in which it is given.
   C. Financial year in which it is actually given.
   D. None of these.

86. **In which year dividend declared by a company or distributed or paid by it u/s 2(22) is deemed to be the income?**
   A. Previous year in which it is discussed.
   B. Previous year in which it is given.
   C. Previous year, in which it is so declared, distributed or paid, as the case may be.
   D. None of these.

87. **"Specified foreign company" means:**
   A. Foreign company in which Indian company holds 26% or more in nominal value of the equity share capital of the company.
   B. Foreign company in which Indian company holds 51 or more in nominal value of the equity share capital of the company.
   C. Company which is registered in India.
   D. None of these.

88. **Dividend received by an Indian company from specified foreign companies shall be taxable at :**
   A. 15% [Surcharge 12% + 4%HEC@. No deduction allowed in respect of any expenditure or allowance under any provision.
   B. 15% [Surcharge 12% + 4%HEC@. deduction allowed in respect of any expenditure or allowance under any provision.
   C. 10% [Surcharge 12% + 4%HEC@. deduction allowed in respect of any expenditure or allowance under any provision.
   D. 10% [Surcharge 12% + 4%HEC@. No deduction allowed in respect of any expenditure or allowance under any provision.
89. In order to be entitled to concessional rate of tax for dividend received from a foreign company, the Indian company should have the following minimum shareholding in such foreign company—
A. 10%
B. 25%
C. 26%
D. 51%

90. An assessee earned income of interest on securities amounting to Rs. 65,000. He paid a reasonable sum of Rs. 32,000 as commission to a banker for realising such interest on behalf of the assessee. Such amount of expenditure shall be:
A. Allowed
B. Disallowed
C. Partly allowed and partly disallowed
D. Any of the above

91. The deduction for family pension under section 57 can be determined as:
A. One third of the family pension
B. 15,000
C. Lower of (a) or (b)
D. Higher of (a) or (b)

92. Family pension received by a widow of a member of the armed forces where the death of the member has occurred in the course of the operational duties in the circumstances and subject of prescribed conditions is—
A. Exempt upto 3,00,000
B. Exempt upto 3,50,000
C. Totally exempt under section 10(19)
D. Totally chargeable to tax

93. Family pension received by Mr. Ram from the Government of Madhya Pradesh was of Rs. 15,000. Calculate the amount of income chargeable to tax under the head of income from other sources?
A. Rs. 15,000
B. Rs. 10,000
C. Rs. 5,000
D. Nil

94. Bahadur, a defence personnel, died in a war. His wife received the family pension of Rs. 7,500 per month during the year 2018-19. Calculate the amount of income chargeable to tax under the head of income from other sources?
A. Rs. 90,000
B. Rs. 75,000
C. Rs. 15,000
D. Nil

95. If in the above case bahadur did not die in a war then calculate the amount of income chargeable to tax?
1. Final C.A. – D.T- MCQ’s
   A. Rs. 90,000
   B. Rs. 75,000
   C. Rs. 15,000
   D. Nil

96. Amounts that are not deductible while computing Income from Other Sources:
   A. Personal expenses of the assessee; Wealth tax assessee.
   B. All disallowances under section 40A. paid by
   C. Interest/ Salaries payable outside India on which tax has not been paid or deducted.
   D. All of the above.

97. Which of the following amount is not deductible while computing income from other sources?
   A. Any sum paid on account of income tax.
   B. Any personal expenses of the assessee.
   C. Any sum paid on account of wealth tax.
   D. (b) & (c) but not (a)

98. An assessee earned an income of Rs. 65,000 from lottery. Expenditure incurred by him in regard to earn this income was of Rs. 18,000. Deduction of such amount of expenditure shall be:
   A. Allowed
   B. Disallowed
   C. Partly allowed and partly disallowed
   D. Any of the above

99. The transaction whereby owner of securities transfers his securities to another person and such that the income of such security becomes due to such other person and the owner avoids tax thereon is known as:
   A. Bond Washing
   B. Bonus stripping
   C. Dividend stripping
   D. All of these

100. Where any person buys/acquires any securities or unit within 3 months prior to record date, and sells/transfers the same within 3 months (9 months in case of unit) after record date and the dividend income thereon is exempt, then, while computing his income chargeable to tax, the loss, if any, arising to him on account of such purchase and sale shall be ignored to the extent of dividend or income from securities/unit. Such transaction made to avoid tax is known as:
   A. Bond Washing
   B. Bonus stripping
   C. Dividend stripping
   D. All of these

101. Chandu purchased units of UTI worth Rs. 15,46,000 on 1-5-2018. He received dividend of Rs. 2,00,000 on such units on 1-6-2018 (Record date: 31-5-2018). He sold the units on 31-11-2018 for Rs. 12,00,000. His other income under the head 'Capital Gains' is Rs. 10,00,000. Compute his total income for the assessment year 2019-20.
   A. Rs. 8,54,000
B. Rs. 10,00,000  
C. Rs. 13,46,000  
D. Nil

102. Where any person buys/ acquires any units within 3 months prior to record date; he is allotted bonus units thereon and he sells any of the original units within a period of 9 months after record date, while continuing to hold any of the bonus units, then, the loss, if any, arising to him on account of purchase and sale of original units shall be ignored in computing his total income and the loss so ignored shall be deemed to be the cost of purchase or acquisition of such bonus units as are held by him on the date of such sale. Such transaction made to avoid tax is known as:

A. Bond Washing  
B. Bonus stripping  
C. Dividend stripping  
D. All of these

103. He received a royalty of Rs. 1,00,000 from a book of stories written by him. He claimed Rs. 12,000 as expenditure on stationery and typing. He let-out of his buildings along with plant, machinery and furniture for Rs. 50,000 per month. He claimed the following expenses as deduction for this building - Insurance : Rs. 10,000; repairs : Rs. 15,000; depreciation: Rs. 40,000. Interest credited to his recurring deposit account and cumulative time deposit account in post office were Rs. 32,000 and Rs. 48,000 respectively. Compute the income taxable.

A. Rs. 6,55,000  
B. Rs. 7,03,000  
C. Rs. 7,80,000  
D. Nil

104. Compute income taxable under head income from other sources:

Interest on bank deposits Rs. 3,000 Winnings from lotteries (net) Rs. 33,936 Interest on Post office savings bank account Rs. 500

A. Rs. 51,480  
B. Rs. 51,980  
C. Rs. 36,936  
D. Rs. 37,436

105. Compute income taxable under head income from other sources:

Dividend from shares of Indian company Rs. 3,000 Winnings from lotteries (net) Rs. 70,000  
Rental Income of Plant and machinery Rs.51,000

A. Rs.1,51,000  
B. Rs.1,21,000  
C. Rs.1,54,000  
D. Rs.1,24,000

106. Compute income taxable under head income from other sources received by Mr. X:

Cash gift received from his brother on occasion of his marriage anniversary - Rs. 75,000  
Winnings from lotteries (net) - Rs. 70,000
Forfeited advance money received on occasion of transfer of capital asset- Rs.51,000
A. Rs.1,96,000  
B. Rs.1,51,000  
C. Rs.1,75,000  
D. Rs. 1,00,000

107. Mrs. Laxmi, 70 years old, received Rs. 30,000 every month from SBI under reverse mortgage scheme by mortgaging her residential house property. She also received monthly family pension of Rs. 15,000. Her total income for the assessment year 2019-20 is------
A. Rs. 5,40,000  
B. Rs. 1,80,000  
C. Rs. 1,65,000  
D. Rs. 3,60,000

108. The dividend received by an individual from an company in excess of ............is chargeable to tax @....................
A. Rs. 10,00,000, 10%  
B. Rs. 5,00,000, 20%  
C. Rs. 1,00,000, 10%  
D. None of the above

109. Mr. AK has acquired a building from hid friend on 10.10.2018 for Rs. 15 Lakh. The stamp duty value of the building on the date of purchase is Rs. 15,70,000. Income Chargeable in hand of Mr. AK-
A. Rs.70,000  
B. Rs.50,000  
C. Nil  
D. Rs.20,000

ANSWERS

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<th>Answer</th>
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<td>Income from Other Sources</td>
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<td>2</td>
<td>Section 56</td>
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<td>3</td>
<td>Income from other sources.</td>
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<td>Income from other sources</td>
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<td>All of these</td>
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<td>6</td>
<td>Taxable under the head Income from other sources</td>
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<td>Rs. 3,50,000</td>
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<td>Income from other sources</td>
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<td>15</td>
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<td>Income from Other Sources.</td>
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<td>Rs. 50,000</td>
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<td>All of these</td>
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<td>48</td>
<td>Gift of Rs. 21,000 on December from her mother's friend.</td>
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<tr>
<td>54</td>
<td>Exempt</td>
</tr>
<tr>
<td>55</td>
<td>The entire amount of Rs. 70,000 is taxable</td>
</tr>
<tr>
<td>56</td>
<td>Rs. 80,000</td>
</tr>
<tr>
<td>57</td>
<td>Chargeable to tax as income from other sources</td>
</tr>
<tr>
<td>58</td>
<td>Rs. 55,000</td>
</tr>
<tr>
<td>59</td>
<td>Rs. 55,000 taxable in the hand of J, as income from salaries</td>
</tr>
<tr>
<td>60</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>Final C.A. – D.T- MCQ’s</strong></td>
<td><strong>CA Aarish Khan</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>61</td>
<td>Rs. 70,000</td>
</tr>
<tr>
<td>62</td>
<td>Rs. 20,00,000</td>
</tr>
<tr>
<td>63</td>
<td>Nil</td>
</tr>
<tr>
<td>64</td>
<td>Rs. 10,00,000</td>
</tr>
<tr>
<td>65</td>
<td>Rs. 50,000</td>
</tr>
<tr>
<td>66</td>
<td>Rs. 41,000</td>
</tr>
<tr>
<td>67</td>
<td>Nil</td>
</tr>
<tr>
<td>68</td>
<td>Rs. 70,000 taxable as income for Comfort (Pvt.) be taxable in the year of receipt.</td>
</tr>
<tr>
<td>69</td>
<td>Rs. 1,70,000</td>
</tr>
<tr>
<td>70</td>
<td>50</td>
</tr>
<tr>
<td>71</td>
<td>Rs. 25,000</td>
</tr>
<tr>
<td>72</td>
<td>All of the above.</td>
</tr>
<tr>
<td>73</td>
<td>Income from letting.</td>
</tr>
<tr>
<td>74</td>
<td>Rs. 40,000</td>
</tr>
<tr>
<td>75</td>
<td>Income from other sources</td>
</tr>
<tr>
<td>76</td>
<td>Rs. 15,000 or 1/3rd of family pension whichever is less</td>
</tr>
<tr>
<td>77</td>
<td>Rs. 15,000</td>
</tr>
<tr>
<td>78</td>
<td>Rs. 12,000</td>
</tr>
<tr>
<td>79</td>
<td>Exempt u/s 10(34) upto Rs. 10,00,000.</td>
</tr>
<tr>
<td>80</td>
<td>Dividend distribution tax @ 15 on the gross amount of dividends + 12% Surcharge + 4% HEC i.e. 20.5552 of the net amount of dividends</td>
</tr>
<tr>
<td>81</td>
<td>Net</td>
</tr>
<tr>
<td>82</td>
<td>Dividend tax @ 30% + Surcharge +HEC</td>
</tr>
<tr>
<td>83</td>
<td>Exempt u/s 10(34)</td>
</tr>
<tr>
<td>84</td>
<td>Previous year in which it is declared.</td>
</tr>
<tr>
<td>85</td>
<td>Previous year, in which it is so declared, distributed or paid, as the case may be.</td>
</tr>
<tr>
<td>86</td>
<td>Foreign company in which Indian company holds 26% or more in nominal value of the equity share capital of the company.</td>
</tr>
<tr>
<td>87</td>
<td>15% [Surcharge 12% + 4%HEC@. No deduction allowed in respect of any expenditure or allowance under any provision.</td>
</tr>
<tr>
<td>88</td>
<td>26%</td>
</tr>
<tr>
<td>89</td>
<td>Allowed</td>
</tr>
<tr>
<td>90</td>
<td>Lower of (a) or (b)</td>
</tr>
<tr>
<td>91</td>
<td>Totally exempt under section 10(19)</td>
</tr>
<tr>
<td>92</td>
<td>Rs. 5,000</td>
</tr>
<tr>
<td>93</td>
<td>Nil</td>
</tr>
<tr>
<td>94</td>
<td>Rs. 15,000</td>
</tr>
<tr>
<td>95</td>
<td>All of the above.</td>
</tr>
<tr>
<td>96</td>
<td>(b) &amp; (c) but not (a)</td>
</tr>
<tr>
<td>97</td>
<td>Disallowed</td>
</tr>
<tr>
<td>98</td>
<td>Bond Washing</td>
</tr>
<tr>
<td>99</td>
<td>Dividend stripping</td>
</tr>
<tr>
<td>100</td>
<td>Rs. 8,54,000</td>
</tr>
<tr>
<td>101</td>
<td>Bonus stripping</td>
</tr>
<tr>
<td>102</td>
<td>Rs. 6,55,000</td>
</tr>
<tr>
<td>103</td>
<td>Rs. 51,480</td>
</tr>
<tr>
<td>104</td>
<td></td>
</tr>
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</table>

1.122
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>105</td>
<td>Rs. 1,51,000</td>
</tr>
<tr>
<td>106</td>
<td>Rs. 1,51,000</td>
</tr>
<tr>
<td>107</td>
<td>Rs. 1,65,000</td>
</tr>
<tr>
<td>108</td>
<td>Rs. 10,00,000, 10%</td>
</tr>
<tr>
<td>109</td>
<td>Nil</td>
</tr>
</tbody>
</table>
CHAPTER 21 – ALTERNATE MINIMUM TAX

( DO IF TIME PERMITS )

1. Mr. AK assesse has has Profit of Rs 30 lakh from Business and taxes as per normal Income Tax is less than MAT/AMT on Book Profit. What is the Rate of Tax Applicable on assessee?
   A. MAT is applicable @ 18.5% since it is not a company
   B. AMT is applicable @ 18.5% since it is not a company
   C. Income Tax @ 30% is applicable & No MAT/AMT applies.
   D. AMT is applicable @ 9% since it is not a company

2. What is the rate of MAT/AMT applicable in case of non-Corporate Assessee being a unit located in International Financial Services Centre. (From F.Y 18-19)
   A. Mat is applicable @ 18.5% since it is a non company.
   B. AMT is applicable @ 18.5% since it is a non company.
   C. Income Tax @ 30% is applicable & No MAT/AMT applies.
   D. AMT is applicable @ 9% since it is a non company.

3. Alternate Minimum Tax shall not be applicable to a non-corporate assessee who has claimed any deduction under:
   A. Sections 80-IA to 80RRB
   B. section 80P;
   C. Section 10AA
   D. Section 35AD

4. The provisions of Alternate Minimum Tax under Chapter XII-BA shall not apply whom if the Adjusted Total Income of such person does not exceed Rs.20,00,000
   A. an Individual or an Artificial Juridical Person
   B. a Hindu Undivided Family;
   C. an Association of Persons or a Body of Individuals (whether incorporated or not)
   D. All of the above

5. The taxable income for the year 2018-19 of Mr. AK (resident and age 40 years) computed as per the provisions of Income-tax Act is Rs. 28,40,000. The taxable income has been computed after deduction of Rs. 2,00,000 under section 80QQB in respect of royalty on books. Will he be liable to AMT? What will be his tax liability for the year?
   A. AMT is applicable & tax Rs. 6,91,080
   B. AMT is applicable & tax Rs. 5,84,896
   C. AMT not applicable & tax Rs. 5,84,896
   D. AMT not applicable & tax Rs. 6,91,080

6. The taxable income for the financial year 2018-19 of Mr. AK (resident and age 39 years) computed as per the provisions of Income-tax Act is Rs. 20,84,000. The taxable income has been computed after deduction of Rs. 5,00,000 under section 80JJA. Will he be liable to AMT? What will be his tax liability for the year?
   A. AMT is applicable & tax Rs. 4,55,208
7. The tax liability of AK Enterprises (a partnership firm) for the financial year 2018-19 under the normal provisions of the Income-tax Act is Rs. 8,40,000 and the liability as per the provisions of AMT is Rs. 10,00,000. Will it be entitled to claim any AMT credit in the subsequent years?

A. Rs. 1,60,000
B. Rs. 8,40,000
C. Rs. 10,00,000
D. None of this

8. Period upto which AMT credit can be carried forward-

A. 10 Years
B. 12 Years
C. 8 Years
D. 15 Years

9. Every non corporate assessee to whom AMT provisions are applicable required report from Chartered Accountant on Which form No-

A. 29
B. 29 C
C. 29A
D. 29B

10. In case of non-corporate taxpayer, AMT is levied @ _______ % of adjusted total income.

A. 20.00
B. 18.50
C. 15.00
D. 10.00

ANSWERS

<table>
<thead>
<tr>
<th>Question Number</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AMT is applicable @ 18.5 % since it is a not a company</td>
</tr>
<tr>
<td>2</td>
<td>AMT is applicable @ 9 % since it is a non company.</td>
</tr>
<tr>
<td>3</td>
<td>section 80P;</td>
</tr>
<tr>
<td>4</td>
<td>All of the above</td>
</tr>
<tr>
<td>5</td>
<td>AMT is applicable &amp; tax Rs. 6,91,080</td>
</tr>
<tr>
<td>6</td>
<td>AMT is applicable &amp; tax Rs. 4,97,162</td>
</tr>
<tr>
<td>7</td>
<td>Rs. 1,60,000</td>
</tr>
<tr>
<td>8</td>
<td>15 Years</td>
</tr>
<tr>
<td>9</td>
<td>29 C</td>
</tr>
<tr>
<td>10</td>
<td>18.50</td>
</tr>
</tbody>
</table>
CHAPTER 21 – CLASSIFICATION OF EXPENDITURE UNDER PGBP

( DO IF TIME PERMITS )

1. Expenditure incurred by an assessee on the activities relating to corporate social responsibility referred to in section 135 of the Companies Act, 2013 is:
   A. An Allowable expenditure
   B. Illegal expenditure
   C. Deferred revenue expenditure
   D. Not an allowable expenditure

2. An assessee paid insurance premium against risk of damage or destruction of stocks or stores used for the purposes of his business or profession. Such expenditure shall be considered as:
   E. Revenue expenditure
   F. Capital expenditure
   G. Deferred revenue expenditure
   H. Illegal expenditure

3. Insurance premium was paid by a Federal Milk Co-operative Society on the life of cattle owned by member of such co-operative society. Such society was engaged in supplying milk raised by its members to such federal milk co-operative society. Such expenditure shall be considered as:
   A. Revenue expenditure
   B. Capital expenditure
   C. Deferred revenue expenditure
   D. None of the above

4. An assessee purchased a computer on which depreciation is admissible. Such expenditure shall be considered as:
   A. Revenue expenditure
   B. Capital expenditure
   C. Deferred revenue expenditure
   D. None of the above

5. One of the employees of the organization was terminated in the interest of business and was paid one time compensation of Rs.75,000. For the organization such expenditure shall be considered as:
   E. Revenue expenditure
   F. Capital expenditure
   G. Deferred revenue expenditure
   H. None of the above

6. Mis. Kalyani and Company paid Rs. 84,000 as advertisement in the annual magazine of Bhartiya Janata Party. For the organization such expenditure shall be:
   A. Considered as revenue expenditure
   B. Considered as capital expenditure
   C. Considered as deferred revenue expenditure
7. The employer made a contribution of Rs. 25,000 to recognized provident fund for the previous year 2018-19. Such payment was made on 12th March, 2019. Such expenditure shall be considered as:
   A. Revenue expenditure
   B. Capital expenditure
   C. Deferred revenue expenditure
   D. None of the above

8. The assessee employer received a sum from his employee as contributions to Provident Fund or Employee State Insurance Fund or Superannuation fund or any other employee-welfare fund. Such sum is first treated as income of the employer and later claimed as expenditure. Such expenditure shall be considered as:
   A. Revenue expenditure
   B. Capital expenditure
   C. Deferred revenue expenditure
   D. Illegal expenditure

9. An assessee was engaged in the business of cattle rearing. He incurred a loss in respect of animals which were used for the purposes of his business (otherwise than as stock-in-trade) and which have died. Such expenditure shall be considered as:
   A. Revenue expenditure
   B. Capital expenditure
   C. Deferred revenue expenditure
   D. None of the above

10. Contribution was made by PFI towards Credit Guarantee Fund Trust. Such expenditure shall be considered as:
    A. Revenue expenditure
    B. Capital expenditure
    C. Deferred revenue expenditure
    D. Illegal expenditure

11. An assessee was engaged in the business of dealing in securities. He had paid Securities Transaction Tax of Rs. 25,000 on the securities. Income arising from taxable securities transactions computed under the head "Profits and Gains of Business or Profession" was of Rs. 2,50,000. Such expenditure of payment of Securities Transaction Tax shall be considered as:
    A. Revenue expenditure
    B. Capital expenditure
    C. Speculative transaction expenditure
    D. Illegal expenditure

12. An assessee was engaged in the business of dealing in commodities. He had paid Commodities transaction tax of Rs. 15,000 in respect of the taxable commodities transactions. Income arising of Rs. 3,00,000 from such taxable commodities transactions was included in the income computed...
under the head "Profits and gains of business or profession". Such expenditure of payment of Commodities transaction tax shall be considered as:

A. Revenue expenditure  
B. Capital expenditure  
C. Speculative transaction expenditure  
D. Illegal expenditure

13. An considered assessee as:

Paid penalty of Rs. 42,000 paid for non-compliance of the provisions of Customs Act. Such expenditure shall be

A. Revenue expenditure  
B. Speculative transaction expenditure  
C. Capital expenditure  
D. Disallowed under Section 37(1)

14. An assessee incurred expense of tax on non monetary perquisites of employees. Such expenditure shall be considered as:

A. Revenue expenditure  
B. Deferred revenue  
C. Capital expenditure  
D. Expressly disallowed

15. An assessee made an expenditure on issue of shares. Such expenditure, including fees paid to Registrar of Companies, was incurred to increase the authorized share capital, resulting in expansion of the capital base. Such expenditure shall be considered as:

A. Revenue expenditure  
B. Deferred revenue expenditure  
C. Capital expenditure  
D. Expressly disallowed

16. An expenditure on stamp duty and registration fees for the issue of bonus shares. Such expenditure shall

A. Revenue expenditure  
B. Deferred revenue expenditure  
C. Capital expenditure  
D. Expressly disallowed

17. XYZ & Co. incurred a liability by giving discount on issue of debentures. Such expenditure shall be considered as:

A. Revenue expenditure  
B. Deferred revenue expenditure  
C. Capital expenditure  
D. Illegal expenditure

18. Assessee Company redeemed its debentures on premium. Such expenditure of paying premium shall be considered as:

A. Revenue expenditure
19. Expenditure incurred by an hotelier on replacement of linen and carpets in his hotel. Such expenditure shall be considered as:
   A. Revenue expenditure
   B. Deferred revenue expenditure
   C. Capital expenditure
   D. Illegal expenditure

20. An assessee made a payment of Rs. 25,000 as a secret commission, prohibited by law, for some offensive purpose. Such expenditure shall be considered as:
   A. Revenue expenditure
   B. Deferred revenue expenditure
   C. Capital expenditure
   D. Non deductible expenditure

21. An assessee incurred a sum of Rs. 35,000 for perfecting title or removing defects in title. Such expenditure shall be considered as:
   A. Revenue expenditure
   B. Deferred revenue expenditure
   C. Capital expenditure
   D. Non deductible expenditure

22. An assessee incurred a sum of Rs. 1, 10,000 for alteration of the memorandum and articles of association. Such expenditure shall be considered as:
   A. Revenue expenditure
   B. Deferred revenue expenditure
   C. Capital expenditure
   D. Non deductible expenditure

23. An assessee incurred a loss of Rs. 50,000 on account of foreign exchange fluctuations on loans taken from foreign banks for revenue purposes or trading liabilities. Such loss/expenditure shall be considered as:
   A. Revenue expenditure
   B. Capital expenditure
   C. Deferred revenue expenditure
   D. Non deductible expenditure

24. An assessee incurred an expenditure of Rs. 35,000 on shifting of its administrative office. Such loss/expenditure shall be considered as:
   A. Revenue expenditure
   B. Deferred revenue expenditure
   C. Capital expenditure
   D. Non deductible expenditure
25. Under the Income-tax Act, 1961, which of the following outlays incurred by Sun Ltd. during the previous year ended 31st March, 2019 will not be admissible as deduction while computing its business income -

A. Contribution to a political party in cash  
B. Interest on loan taken for payment of income-tax  
C. Capital expenditure on advertisement  
D. All of the above.

ANSWERS

<table>
<thead>
<tr>
<th>Question Number</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Not an allowable expenditure</td>
</tr>
<tr>
<td>2</td>
<td>Revenue expenditure</td>
</tr>
<tr>
<td>3</td>
<td>Revenue expenditure</td>
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<tr>
<td>4</td>
<td>Capital expenditure</td>
</tr>
<tr>
<td>5</td>
<td>Revenue expenditure</td>
</tr>
<tr>
<td>6</td>
<td>Disallowed under Section 37(2B)</td>
</tr>
<tr>
<td>7</td>
<td>Revenue expenditure</td>
</tr>
<tr>
<td>8</td>
<td>Revenue expenditure</td>
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<tr>
<td>9</td>
<td>Revenue expenditure</td>
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<td>10</td>
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<td>Revenue expenditure</td>
</tr>
<tr>
<td>12</td>
<td>Revenue expenditure</td>
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<tr>
<td>13</td>
<td>Disallowed under Section 37(1)</td>
</tr>
<tr>
<td>14</td>
<td>Expressly disallowed</td>
</tr>
<tr>
<td>15</td>
<td>Capital Expenditure</td>
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<tr>
<td>16</td>
<td>Revenue expenditure</td>
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<tr>
<td>17</td>
<td>Deferred revenue expenditure</td>
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<td>18</td>
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<tr>
<td>24</td>
<td>Revenue expenditure</td>
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<tr>
<td>25</td>
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</table>

************************ALL THE BEST************************