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- 1. Income from letting of machinery, plant and furniture is–**
 - a. always chargeable to tax under the head “Profits and Gains of Business and Profession”
 - b. always chargeable to tax under the head “Income from Other Sources”
 - c. chargeable under the head “Income from Other Sources” only if not chargeable under the head “Profits and Gains of Business and Profession”.
 - d. chargeable to tax under the head “Income from House Property”
- 2. In respect of winnings from lottery, crossword puzzle or race including horse race or card game etc.**
 - a. No deduction under Chapter VI-A is allowed and basic exemption limit cannot be exhausted.
 - b. No deduction under Chapter VI-A is allowed but unexhausted basic exemption can be exhausted.
 - c. Both deduction under Chapter VI-A and basic exemption are allowed.
 - d. Deduction under Chapter VI-A is allowed but basic exemption limit cannot be exhausted.
- 3. The deduction allowable in respect of family pension taxable under “Income from Other Sources” is**
 - a. 33-1/3% of the pension
 - b. 30% of the pension or INR 15,000, whichever is less
 - c. 33-1/3% of the pension or INR 15,000, whichever is less
 - d. 30% of the pension
- 4. Deemed dividend under section 2(22)(e) is chargeable to tax-**
 - a. On the basis of method of accounting regularly employed by the Assessee
 - b. On the basis of mercantile system of accounting only
 - c. On payment basis as prescribed under section 8 of the Income-tax Act, 1961.
 - d. On cash basis only.
- 5. Ganesh received INR 60,000 from his friend on the occasion of his birthday.**
 - a. The entire amount of INR 60,000 is taxable.

- b. INR 50,000 is taxable.
 - c. The entire amount is exempt.
 - d. 10,000 is taxable
- 6.** Mr. X aged, 61years, received dividend of INR 12,00,000 from a domestic company in P.Y. 2018-19. Tax chargeable under section 115BBDA is @10% on –
- a. The entire amount of INR 12,00,000
 - b. INR 2,00,000
 - c. Nil
 - d. INR 9,00,000
- 7.** In respect of dividend received from domestic companies in excess of INR 10,00,000 by an individual-
- a. No deduction under Chapter VI-A is allowed but loss under other heads can be set-off against such income.
 - b. No deduction under Chapter VI-A is allowed and no loss can be set-off against such income.
 - c. Both deduction under Chapter VI-A and set-off of losses against such income are allowed.
 - d. Deduction under Chapter VI-A is allowed but set-off of losses under other heads against such income is not allowed.
- 8.** Mr. Y has received a sum of INR 51,000 on 24.10.2018 from relatives on the occasion of his marriage.
- a. Entire INR 51,000 is chargeable to tax.
 - b. Only INR 1,000 is chargeable to tax
 - c. Entire INR 51,000 is exempt from tax
 - d. Only 50% i.e., INR 25,500 is chargeable to tax
- 9.** Mr. Mayank has received a sum of INR 75,000 on 24.10.2018 from his friend on the occasion of his marriage anniversary.
- a. Entire INR 75,000 is chargeable to tax.
 - b. Entire INR 75,000 is exempt from tax
 - c. Only INR 25,000 is chargeable to tax
 - d. Only 50% i.e., INR 37,500 is chargeable to tax
- 10.** The deduction in respect of interest on enhanced compensation of INR 1,50,000 received during the previous year 2018-19, would be–
- a. INR 1,50,000, being 100% of INR 1,50,000
 - b. INR 75,000, being 50% of INR 1,50,000
 - c. INR 45,000, being 30% of INR 1,50,000
 - d. Nil

MCQs for practice

11. Which of the following is/are essential condition(s) for taxability of any income under the head Income from Other Sources?

1. There must be income
2. Income is exempt under the provisions of Income tax Act 1961
3. Income is not chargeable to tax under any other heads

Select the correct answer from the options given below

- a. (1) only
- b. (3) only
- c. (1) & (3) only
- d. (1), (2) & (3)

12. Which of the following incomes are normally included under the head 'Income from Other Sources'?

1. Income from sub-letting of a house property
2. Gifts received by individual from employer
3. Examinership fees received by a teacher from University
4. Agricultural income from agricultural land situated outside India
5. Remuneration received by MLAs or MPs
6. Compensation received in connection with the termination of employment

Select the correct answer from the options given below

- a. (1) & (4) only
- b. (2), (3), (4) & (5)
- c. (4), (3), (1), (5) & (6)
- d. (3) & (4) only

13. Ex-gratia payment made to the widow or other legal heirs of an employee who dies while still in active service, will not be taxable as income under the Income tax Act 1961, if it is paid by_____

- a. Central Government
- b. Local Authority
- c. Public Sector Units
- d. Any of the above

14. Dividend u/s 2(22) (a) to 2(22) (d) shall be _____

- a. Liable to tax @ 15% on the gross amount of dividends + 12% surcharge + 4% EC i.e. 21.17% in hands of company
- b. Exempt in the hands of shareholders
- c. Both (a) and (b)
- d. Either (a) or (b)

15. Which of the following is/are exempted income and hence cannot be taxed under the head 'Income from Other Sources'?

- P. Interest on 6% National Plan Paper

- Q. 9% tax free government loan of Uttar Pradesh
- R. Interest on National Saving Certificate
- S. Dividend from UTI

Select the correct answer from the options given below

- a. P, Q & S
- b. Q & P
- c. Q & S
- d. P & S

16. Which of the following expense is /are not allowed while calculating 'Income under the head Other Sources'?

- I. Interest paid outside India on which TDS is deducted
- II. Excessive expenditure or unreasonable payment to certain specified persons as provided in section 40A(2)
- III. Income tax
- IV. Expenditure incurred by the Assessee for the activity of owning and minting race horses

Select the correct answer from the options given below

- a. (I) & (III)
- b. (II) & (IV)
- c. (III) & (II)
- d. (IV), (II), (III)

17. In which of the following case(s) deemed dividend is/are taxable in relation to bonus issue u/s 2(22)(b)?

- a. Issue of bonus share to equity shareholder
- b. Sale of bonus shares by equity shareholder to third person
- c. Redemption of bonus equity shares by the company
- d. All of the above

18. Which of the following is deemed dividend within the meaning of section 2(22) of the Income tax Act 1961?

- a. Distribution by a company of deposit certificates of its shareholders
- b. Issuance of bonus share to its preference shareholders
- c. Both (A) and (b)
- d. Neither (a) nor (b)

19. Which of the following is/are exempted income and hence cannot be taxed under the head 'Income from Other Sources'?

- P. Gifts received by individual of INR 49,000
- Q. Agricultural income of India
- R. Interest on bonds of notified public sector companies
- S. Preference dividend of Indian companies

Select the correct answer from the options given below-

- a. Q & S
- b. Q, R & S

- c. P, Q, R & S
- d. S, P

20. Which if the following amounts to deemed dividend u/s 2(22)(e) of the income tax Act 1961?

- a. Any payment by private company by way of advance to the extent of accumulated capitalized profits to equity shareholders who is beneficial holding is less than 10% of the voting power
- b. Any distribution to its shareholders by a company on the reduction of its capital, to the extent to which the company possessed accumulated profits, whether capitalized or not
- c. Both (a) and (b)
- d. Neither (a) and (b)

21. Interest on Post Office Saving bank account shall be exempt from tax to the extent of _____ in case of joint account

- a. INR 10,500
- b. INR 7,000
- c. INR 15,000
- d. INR 20,000

22. Which of the following income will be taxable as Income from Other Sources?

- a. Purchase of house from husband for inadequate consideration
- b. Purchase of painting from registered dealer at invoice value less than fair market value
- c. Cash gift from a non-resident friend on marriages anniversary
- d. All of the above

23. Which of the following dividend is taxable in hands of shareholder

- 1) Dividend under section 2(22)(a)
- 2) Dividend under section 2(22)(b)
- 3) Dividend under section 2(22)(c)
- 4) Dividend under section 2(22)(d)
- 5) Dividend under section 2(22)(e)

Select the correct answer-

- a. (1), (2), (3), (4), (5)
- b. (1), (2), (3), (4)
- c. (5)
- d. (1), (2), (4), (5)

24. A shareholder holding 15% shares in a closely held company received 12 lakhs as loan from the company. The amount taxable in the hands of shareholder u/s 2(22)(e) is _____.

- a. 2 lakhs
- b. 12 lakhs
- c. Nil

d. None of the above.

25. Following is not considered as deemed dividend u/s 2(22)(e):

- 1) loan granted in the ordinary course of its business and lending of money is a substantial part of the company's business,
- 2) Trade Advances
- 3) Loan or advance given by the company and it was considered to be dividend and subsequently the company has distributed dividends and it was deposited in the loan account
- 4) Any payment made by a company on purchase of its own shares from a shareholder in accordance with the provisions of section 77A of the Companies Act, 19563

Select the correct answer-

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

26. Which of the following statement is correct?

- 1) Income from owning and maintaining race horses is taxable as Income from Other Sources at slab
- 2) Income from owning and maintaining race horses is taxable as Income from Other Sources at 30%
- 3) Income from owning and maintaining horse horses is taxable as Income from Other Sources at slab
- 4) Income from owning and maintaining horse horses is taxable as Income from PGBP at slab

Select the correct answer

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

27. In which of the following cases, section 56(2)(viib) is not applicable:

- 1) Shares issued by a widely held company.
- 2) Shares issued by a venture capital company or a venture capital fund. Venture capital undertaking,
- 3) Shares issued by a closely held company to a Resident.
- 4) Shares issued at premium

Select the correct answer

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

28. The effective tax rate applicable in case of income u/s 68, 69, 69A, 69C, 69D including surcharge and cess is _____.

- a. 60%
- b. 75%
- c. 78%
- d. 30%

29. Income under the head “Income from Other Sources” shall be computed in accordance with

- a. Cash system of accounting.
- b. Mercantile system of accounting.
- c. Cash system or Mercantile system at the option of Assessee
- d. Cash system or Mercantile system at the option of Assessing officer

30. In respect of an eligible Assessee earning Income by way of royalty in respect of a patent developed and registered in India, state which of the following are correct u/s 115BBF

- 1) Rate of tax is 10% of Royalties
- 2) Rate of tax is 10% of Royalties after deduction of expenses
- 3) Option can be exercised on or before the due date specified u/s 139 (1) for furnishing the return of income
- 4) Where the Income has not been offered by Assessee as per the provision of the section in any previous year, the Assessee shall not be eligible to claim the benefit of this section for the next 4 succeeding assessment years.

Select the correct answer-

- a. (1), (3),
- b. (1), (3), (4)
- c. (2), (3) and (4)
- d. (2), (3)

31. Which of the following incomes are normally included under the head ‘Income from Other Sources’?

- 1) Advance money received for sale of capital asset and forfeited by seller from 01.04.2014
- 2) Advance money received for sale of capital asset and forfeited by seller before 01.04.2014
- 3) Maturity amount on keyman insurance received by employer
- 4) Maturity amount on keyman insurance received by employee
- 5) Sitting fee or commission to Directors
- 6) Dividend Income earned by a person who is a dealer in shares.

Select the correct answer from the options given below-

- a. (1), (4), (5)
- b. (2), (5), (6)
- c. (1), (5), (6)
- d. (1) & (5) only

32. Which of the following is liable to tax under Section 56(2)(viib) as ‘Income from Other Sources’?

- a. Issue of shares by private company at premium which exceeds fair market value of shares and fair market value is more than face value
- b. Issue of shares by private company at discount which exceeds fair market value of shares and fair market value is less than face value
- c. Issue of shares by private company at premium which exceeds fair market value of shares and fair market value and issue price both are less than face value
- d. Both (a) and (b)

33. Income by way of interest received on compensation or enhanced compensation is taxable under the head _____ and a deduction of sum equal to _____ of such interest income shall be allowed

- a. 'Income from Other Sources'; 25%
- b. 'Capital Gain'; 50%
- c. 'Income from Other Sources'; 50%
- d. 'Capital Gain'; 25%

34. If a person buys securities _____ before the record date sales it within _____ after the record date, then loss on sale of securities to the extent of dividend income shall be ignored.

- a. 3 months; 3 months
- b. 3 months; 9 months;
- c. 9 months; 3 months
- d. 3 months; 6 months

35. Dividend received from domestic company is-

- a. Fully taxable in the hands of shareholder
- b. Fully taxable but deduction is available under Chapter VI-A
- c. Fully exempt in the hands of shareholder except where the aggregate amount of dividend exceeds INR 10,00,000, where such excess is chargeable to tax @10% as provided in Section 15BBDA.
- d. Fully exempt in the hands of shareholder except where the aggregate amount of dividend exceeds INR 5,00,000, where such excess is chargeable to tax @ 20% as provided in Section 15BBDA.

36. Which of the following statement is/are false?

- (A) Deemed dividend u/s 2 (22) (e) is taxable to the extent of accumulated profit excluding capitalized profits
- (B) Interest on securities is always taxable under the head 'Income from Other Sources'
- (C) Dividend declared by UTI is exempt up to INT 10,000

Select the correct answer from the options given below-

- a. (A) only
- b. (B) only
- c. (A), (B) and (C)
- d. (B) and (C) only

37. An income which does not fall under any first four head of income _____

- a. shall always be exempted income

- b. is taxable under the head 'Income from Other Sources'
- c. is taxable under the head 'Income from Other Sources' if not otherwise exempt
- d. is taxable under the head 'Income from Other Sources' only if it is covered by Section 56.

38. Anil let house to Sunil at monthly rent of INR 12,000 which Sunil sub-let to Mohan at monthly rent of INR 15,000. Sunil's income-

- a. INR 1,80,000 taxable under the head 'Income from House Property'.
- b. INR 1,80,000 taxable under the head 'income from Other Sources'.
- c. INR 36,000 taxable under the head 'Income from House Property'.
- d. INR 36,000 taxable under the head 'Income from Other Sources'.

39. Anil entered into agreement to sale his house with Mahesh on 1.4.2018 and received advance of INR 3,75,000. However, Mahesh made default and Anil forfeited Advance money. What are the tax implications?

- a. Advance money forfeited will be reduced from cost of acquisition while calculating income chargeable to tax under the head 'Capital Gain'.
- b. Advance money forfeited is not chargeable to tax under any head of income.
- c. Advance money forfeited will be taxable under the head 'Income from Other Sources'
- d. Advance money forfeited will be taxable under the head 'Income from House Property'

40. M (Pvt.) Ltd. issued 10,000 each to its five shareholders. Accumulated profit of the company on that date was INR 1,00,000.

- a. INR 10,000 is taxable in the hands of each shareholder as deemed dividend u/s 2(22)(a)
- b. INR 50,000 is deemed dividend u/s 2(22)(a) and not taxable in the hands of shareholder
- c. INR 50,000 is deemed dividend u/s 2(22)(a) and taxable in the hands of company
- d. (B) and (C)

41. PQR (Pvt.) Ltd. issued 1,00,000 shares of INR 100 each at INR 120 per share. Fair value of shares is INR 130 per shares. Which of the following is correct tax implication of this transaction?

- a. The provisions of section 56 (2) (viib) is not attracted at all.
- b. The provisions of section 56 (2) (viib) is attracted and INR 10 per share i.e. INR 10,00,000 is taxable under the head 'Income from Other Sources'
- c. The provisions of section 56 (2)(viib) is attracted since shares are issue at premium. However, no sum is chargeable to tax under the head 'Income from Other Sources' as issue price is less than fair market value.
- d. The provisions of section 56 (2)(viib) is not attracted at all and no sum is chargeable to tax under the head 'Income from Other Sources'

42. Rakhi won lottery and received INR 14,000 from the lottery company. How much amount will be included as income while calculating total income of Rakhi?

- a. INR 14,000
- b. INR 20,000
- c. INR 17,500
- d. INR 15,555

- 43.** A private Ltd. company engaged in manufacturing activity had general reserve of INR 4,00,000. It granted a loan of INR 5,00,000 to a director who held 13% shareholding cum voting rights in the company. The said loan was repaid by him before the end of the year. The amount of deemed dividend arising out of the above transaction is-
- INR 2,60,000
 - INR 2,40,000
 - INR 5,00,000
 - INR 4,00,000
- 44.** Ms. Sitara is in receipt of family pension of INR 15,000 p.m. during PY 2018-19. Income chargeable to tax for A.Y. 2019-20 in hands of Ms. Sitara is-
- INR 1,80,000
 - INR 1,20,000
 - INR 1,65,000
 - Nil
- 45.** Sunita receives gift of INR 51,000 from her friend Babita on her birthday. Sunita spent INR 1,000 on the birthday. Amount taxable as per section 56 (2) (x) shall be _____.
- INR 50,000
 - Nil
 - INR 51,000
 - INR 49,000
- 46.** Arun receives gift of immovable property on his birthday from his friend Varun. Stamp duty value of immovable property is INR 75,000. However, market value of the property on the date of gift is INR 90,000. Amount taxable per section 56 (2)(x) shall be _____.
- INR 40,000
 - INR 90,000
 - INR 75,000
 - INR 25,000
- 47.** Maya gifts kitchen appliances of INR 51,000 to her friend Mrs. Malini Gupta on her birthday. Amount taxable per section 56(2)(x) shall be _____.
- INR 1,000
 - INR 51,000
 - INR 50,000
 - Nil
- 48.** Mr. A receives gift of INR 30,000 from B and INR 21,000 from C on his passing CA Inter exams. Amount taxable per section 56 (2)(x) shall be _____.
- INR 1,000
 - INR 21,000
 - INR 50,000
 - INR 51,000

49. Mrs. Rameshwari receives following gifts during the PY 2018-19

- a. INR 90,000 on her marriages out of which INR 70,000 is received from relatives
- b. INR 18,000 from cousin of her mother
- c. A cell phone worth INR 21,000 from her employer
- d. INR 25,000 from elder brother of her grandfather
- e. INR 2000 from her friend

Amount taxable per section 56 (2)(x) shall be _____.

- a. INR 65,000
- b. INR 86,000
- c. Nil
- d. INR 45,000

50. Mrs. Gita receives following gifts during the PY 2018-19 on her wedding anniversary

- a. Cash gifts of INR 51,000 on her 25th birthday
- b. Diamond necklace of INR 2,00,000 from her sister living in London.

Amount taxable per section 56(2)(x) shall be _____.

- a. INR 51,000
- b. INR 2,51,000
- c. INR 2,01,000
- d. Nil

51. Mrs. Amruta receives cash gift of INR 1,02,000 from her friend on occasion of marriage of her son. How much amount will be included in Total Income of Mrs. Amruta as “Income from Other Sources”?

- a. INR 52,000
- b. INR 50,000
- c. Nil
- d. INR 1,02,000

52. Ram received two plots of land as gift from Shyam and Mohan having stamp value of INR 4,00,000 and INR 50,000 respectively. How much will be taxable under the head Income from Other Sources?

- a. INR 4,00,000
- b. INR 4,50,000
- c. INR 3,50,000
- d. Nil

53. Gupta received gift of sculpture and jewellery worth INR 45,000 and INR 30,000 from Sharma and Verma? How much income will be taxable under the head Income from Other Sources?

- a. INR 25,000
- b. INR 30,000
- c. INR 75,000

d. Nil

54. Mulchand received a painting of famous artist from his nephew on his wedding anniversary. Value of painting is INR 2,10,000. He incurred expense of INR 10,000 in framing of painting. Amount taxable under the head income from Other Sources shall be _____.

a. INR 2,10,000

b. INR 2,00,000

c. INR 1,60,000

d. Nil

55. Ram received a land from his friend for INR 25,00,000. Stamp duty value of the land is INR 24,00,000. Amount taxable under the head income from Other Sources shall be _____.

a. INR 1,00,000

b. INR 50,000

c. INR 1,25,000

d. Nil

56. Ram received a land from his friend for INR 23,50,000. Stamp duty value of the land is INR 25,00,000. Amount taxable under the head income from Other Sources shall be _____.

a. INR 1,50,000

b. INR 50,000

c. INR 1,25,000

d. Nil

Answer Key

1.	C	2.	A	3.	C	4.	C	5.	A	6.	B	7.	B
8.	C	9.	A	10.	B	11.	C	12.	C	13.	D	14.	C
15.	D	16.	C	17.	C	18.	C	19.	C	20.	D	21.	B
22.	C	23.	None	24.	C	25.	C	26.	D	27.	C	28.	C
29.	C	30.	A	31.	C	32.	A	33.	C	34.	B	35.	C
36.	D	37.	C	38.	D	39.	C	40.	C	41.	C	42.	B
43.	D	44.	C	45.	C	46.	C	47.	D	48.	D	49.	C
50.	A	51.	D	52.	A	53.	C	54.	A	55.	D	56.	C

Note:

In MCQ 26, option (c) and (d), instead of “horse horses”, please treat it as Race Camels.