

ICAI Study Material MCQs

1. An Assessee uses plant and machinery for the purpose of carrying on his business under section 31. He shall be eligible for deduction on account of
 - a. Both capital and revenue expenditure on repairs
 - b. Current repairs
 - c. Current repairs plus 1/5th of capital expenditure on repairs
 - d. Both (a) & (b)

2. An electricity company charging depreciation on SLM on each asset separately sells one of its machinery in April, 2018 at INR 1,20,000. The WDV of the machinery at the beginning of the year i.e. on 1st April 2018 is INR 1,35,000. No new machinery was purchased during the year. The shortfall of INR 15,000 is treated as-
 - a. Terminal depreciation
 - b. Short term capital loss
 - c. Normal depreciation
 - d. Any of the above at the option of the Assessee

3. Mr. X acquires an asset which was previously used for scientific research for INR 2,75,000. Deduction under section 35(1)(iv) was claimed in the previous year 2015-16. The asset was brought into use for the business of Mr. X after the research was completed. The actual cost of the asset to be included in the block of assets is-
 - a. Nil
 - b. Market value of the asset on the date of transfer to business
 - c. INR 2,75,000 less notional depreciation under section 32 upto the date of transfer
 - d. Actual cost of the asset i.e., INR 2,75,000

4. A Ltd. has unabsorbed depreciation of INR 4,50,000 for the P.Y 2018 -19. This can be carried forward-
 - a. For a maximum period of 8 years and set-off against business income.
 - b. Indefinitely and set-off against business income
 - c. Indefinitely and set-off against any head of income
 - d. Indefinitely and set – off against any head of income except salary

5. Mr. X, a retailer acquired furniture on 10th May 2018 for INR 10,000 in cash and on 15th May 2018, for INR 15,000 and INR 20,000 by a bearer cheque and account payee cheque respectively. Depreciation allowable for A.Y 2019-20 would be-
 - a. 2,000
 - b. 3,000
 - c. 3,500
 - d. 4,500

6. XYZ Ltd. incurred capital expenditure of INR 1,50,000 on 1.4.2018 for acquisition of patents and copyrights. Such expenditure is-
 - a. Eligible for deduction in 14 years from A.Y 2019-20
 - b. Eligible for deduction in 5 years from A.Y. 2019-20
 - c. Subject to depreciation @ 25% under section 32

- d. Subject of depreciation @ 15% under section 32
7. Under section 44AE, presumptive taxation is applicable at a particular rate provided the Assessee is the owner of a maximum of certain number of goods carriages. The rate per month or part of the month relevant for A.Y. 2019-20 and the maximum number specified under the section are-
- INR 7,500 for each goods carriage in the case of an Assessee owning not more than 10 goods carriages at any time during the year
 - INR 7,500 for each goods carriage in the case of an Assessee owning less than 10 goods carriages at any time during the year
 - INR 3,500 per carriage for an Assessee owing not more than 10 goods carriages at the end of the previous year
 - INR 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, for every month or part of a month for heavy goods vehicle and INR 7,500 for every month or part of a month for other goods vehicle for an Assessee owning not more than 10 goods carriages at the end of the previous year
8. Where the total turnover of an Assessee eligible for presumptive taxation u/s 44AD is received entirely by account payee cheque during the previous year 2018-19, the specified rate of presumptive business income is-
- 5% of total turnover
 - 6% of total turnover
 - 7% of total turnover
 - 8% of total turnover
9. The WDV of block (plant and machinery rate of depreciation 15%) as on 1.4.2018 is INR 3,20,000. A second-hand machinery costing INR 50,000 was acquired on 1.9.2018 but put to use on 1.11.2018. During Jan 2018, part of this block was sold for INR 2,00,000. The depreciation for A.Y. 2019-20 would be-
- INR 21,750
 - INR 25,500
 - INR 21,125
 - INR 12,750
10. Employer's contribution to provident fund/superannuation fund/gratuity fund is allowed as deduction in computing income under the head "Profits and gains of business or profession", provided it has been paid-
- Before the end of previous year
 - On or before the due date by which the employer is required to credit an employee's contribution to the employee's account in the relevant fund.
 - On or before the due date for filing the return of income under section 139(1)
 - Before the end of relevant assessment year

ICAI Sample MCQs

11. Mr. Harini earned income of INR4,00,000 from sale of tea grown and manufactured in Shimla. Income from sapling and seedling grown in nursery at Cochin is INR80,000. The basic operations were not carried out by her on land. Her agricultural income is
- INR 4,80,000
 - INR 4,00,000

- c. INR 2,40,000
- d. INR 3,20,000

- 12.** Mr. Prem earned income of INR 22 lakhs from manufacture and sale of coffee grown, cured, roasted and grounded by him in India. The business income chargeable to tax in his hands would be –
- a. INR 8,80,000
 - b. INR 5,50,000
 - c. INR 13,20,000
 - d. INR 16,50,000

MCQs for Practice

- 13.** Which of the following income is chargeable to tax under the head PGBP?

- i. Gift in connection with business/profession
- ii. Payments for not pursuing any business activity or profession/non-compete fee
- iii. Payment under Keyman Insurance Policy received by employee
- iv. Profit on sale of Duty Entitlement Pass Book ('DEPB').
- v. Any interest, salary, bonus, commission or remuneration, by whatever name called, received by a partner of a Firm

Select the correct answer

- a. i, ii, iii, iv, v
 - b. i, ii, iv, v
 - c. i, ii, iv, v
 - d. ii, iii, iv, v
- 14.** Which method of depreciation is normally followed under Income Tax Act for Assesseees
- a. Written Down Value method
 - b. Straight line method
 - c. Either of (a) or (b) at the option of Assessee
 - d. Either of (a) or (b) at the option of Assessing Officer
- 15.** Match the following to their respective rate of depreciation -

P.	MOTOR CAR RUNNING ON HIRE	1.	15%
Q.	BUILDING (residential)	2.	25%
R.	PLANT & MACHINERY	3.	30%
S.	INTANGIBLE ASSETS	4.	5%
		5.	30%

Select the correct answer from the options given below:

	P.	Q.	R.	S.
a.	2	1	4	3
b.	5	1	2	4
c.	3	4	1	2

d.	2	4	3	1
-----------	---	---	---	---

16. Match the following to their respective rate of depreciation -

P.	ENERGY SAVING DEVICE	1.	30%
Q.	SHIPS	2.	100%
R.	MOTOR BUS & TAXI	3.	20%
S.	FURNITURE & FITTING	4.	10%
		5.	40%

Select the correct answer from the options given below:

	P.	Q.	R.	S.
a.	2	1	4	3
b.	5	3	1	4
c.	3	4	1	2
d.	2	4	3	1

17. Match the following to their respective rate of depreciation -

P.	POLLUTION CONTROL EQUIP	1.	10%
Q.	BUILDING (commercial)	2.	40%
R.	AEROPLANE	3.	60%
S.	OIL WELLS	4.	15%
		5.	100%

Select the correct answer from the options given below:

	P.	Q.	R.	S.
a.	2	1	2	4
b.	4	2	1	3
c.	5	4	1	2
d.	5	1	4	3

18. Match the following to their respective rate of depreciation -

P.	GOODWILL	1.	10%
Q.	PRINTER	2.	40%
R.	ELECTRICAL FITTING	3.	60%
S.	COMPUTER	4.	15%
		5.	25%

Select the correct answer from the options given below:

	P.	Q.	R.	S.
a.	4	2	3	3
b.	4	2	1	3
c.	5	4	1	4
d.	5	2	1	2

19. Which of the following will be added to the net profit while calculating income under the head PGBP?

- I. Expenses debited to profit and loss a/c but not allowed
- II. Income not credited to profit and loss a/c but taxable under PGBP

Select the correct answer from the options given below

- a. (I) only
- b. Both (I) and (II)
- c. (II) only
- d. Neither (I) nor (II)

20. Which of the following statement (s) is true and which is false?

- 1) Profit and gains of illegal business are not taxable as business income
- 2) If the business never started or has ceased with no intention to be resumed, then letting income will be taxable as income for other sources
- 3) The loss from speculation business can carried forward for 8 years
- 4) Only revenue loss is allowed to be deducted from business income

Select the correct answer from the options given below-

	1	2	3	4
a.	✓	X	✓	x
b.	✓	X	X	✓
c.	X	✓	X	✓
d.	x	✓	✓	x

21. Which of the following section of the Income tax Act, 1961 deals with method of computing business income?

- a. Section 143
- b. Section 144
- c. Section 145
- d. Section 146

22. Which of the following method of accounting is allowed for computing business income?

- a. Accrual system of accounting
- b. Cash system of accounting
- c. Either (a) or (b)
- d. Hybrid system of accounting

23. Which of the following category of Assessee can claim deduction of investment allowance?

- a. Individual
- b. Partnership firm
- c. Company
- d. Any of the above

24. Which of the following is speculative transaction?

- a. Transaction in which a contract for the purchase or sale of any commodity is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity
- b. Transaction in respect of trading of in derivative in a recognized stock ex-change
- c. Both (a) and (b)
- d. Neither (a) nor (b)

25. Which of the following statement(s) is/are true?

1. Even notional loss relating to business is allowed to be deducted in some cases.
2. Only revenue loss is deductible and not capital loss.
3. Burden of proof to prove admissibility of expenditure lies on department.
4. Any expenditure incurred before commencement of business is allowed immediately in year in which business is actually commenced

Select the correct answer from the options given below-

- a. 2 only
- b. 3 & 4 only
- c. 2 & 4 only
- d. 4 only

26. Provisions relating to investment allowance for investment in new plant and machinery located in notified backward area are contained in _____ of the Income tax Act 1961.

- a. Section 32AC
- b. Section 32AD
- c. Section 32AE
- d. Section 32BB

27. Who will be allowed depreciation in case the Assessee has acquired building on lease basis?

- a. Lessor as he is the real owner
- b. Lessee treating as deemed owner
- c. Partly to lessor partly to lessee
- d. Lessor or lessee at the option of assessing officer

28. Where any building, plant partly use for business or profession and partly for other purpose then_____

- a. The deduction shall be registered to 50% of total amount eligible for deduction
- b. The deduction shall be restricted to fair propionate part thereof
- c. The deduction shall be restricted to amount as agreed by the assessing officer
- d. No deduction is available under the provisions of the Income tax Act, 1961

29. Deduction in respect of Notified Skill Development project is available u/s

- a. 35DCC
- b. 35CDC
- c. 35CCD
- d. 35ADD

- 30.** Deduction in respect of amortization of certain Preliminary Expenses as provided in Section 35D is available to-
- Any company
 - Any company and any resident person other than company
 - Indian company and any resident person other than company
 - Company, Firm including LLP
- 31.** Which of the following statement (s) is/are true?
- Depreciation is allowed to owner of the asset
 - Depreciation is allowed in respect of fractional ownership
 - Depreciation is allowed co-owner also
 - All of the above
- 32.** In which of the following case 100% depreciation is allowed?
- If asset is held by Assessee more than 180 days and put to use less than 180
 - If asset is held by Assessee more than 180 days and put to use more than 180
 - If asset is held by Assessee more than 300 days and put to use more than 180
 - If asset is held by Assessee more than 260 days and put to use more than 180
- 33.** If deduction in respect of investment allowance is claimed in earlier year and said asset is sold within _____ of acquisition then deduction claimed earlier is treated as income in year of sale.
- 3 years
 - 2 years
 - 10 years
 - 5 years
- 34.** Which of the following is added while calculating “Actual cost” of asset as per section 43 (1) of the Income tax Act, 1961?
- Cost attributable to bring asset to its present location and condition
 - Amount of GST in respect of which credit has been allowed
 - Interest on capital borrowed on a period before asset put to use
 - Decrease in cost due to exchange fluctuations
- Select the correct answer from the options given below-*
- 2 and 3
 - 1 and 4
 - 4 and 2
 - 3 and 1
- 35.** For which of the following revenue expenditure on scientific research incurred within 3 years immediately preceding commencement of business 100% deduction is available?
- Purchase of material
 - Basic salary & allowance

3. Expenditure for providing perquisites

Select the correct answer from the options given below

- a. 1 only
- b. 1 and 2 only
- c. 2 and 3 only
- d. None of the above

- 36.** As per section 35(1)(ii) of the Income Tax Act, 1961 in respect of expenditure on scientific research, the deductions shall be allowed an amount equal to _____ times of any sum paid to research association which has as its object the undertaking of scientific research or to a university, college or other institution to be used for scientific research.

- a. 100%
- b. 125%
- c. 175%
- d. 150%

- 37.** When scientific asset used for business after it ceases to be used for scientific business; WDV is taken at _____

- a. Actual cost less depreciation allowed
- b. Actual cost as reduced by depreciation allowed u/s 35A (i)(d)
- c. Actual cost as determined by assessing officer with previous approval of Joint Commissioner
- d. Actual cost as reduced by depreciation allowed u/s 35(1)(iv)

- 38.** As per section 35(1)(ia) of the Income Tax Act, 1961, in respect of expenditure on scientific research, the deductions shall be allowed an amount equal to _____ of any sum paid to an Indian company to be used for scientific research.

- a. 100%
- b. 150%
- c. 175%
- d. 125%

39. Statement I

If asset is acquired by way of gift or inheritance then Actual Cost in the hands of Assessee is taken at ZERO as Assessee has not incurred any actual expenses.

Statement II

If previously used motor car is brought to use in business actual cost of the motor car is taken at cost to Assessee as reduced by an amount of depreciation at the rate in force on the respective year before motor car is put to use.

Select the correct answer from the options given below-

- a. Statement I is true but statement II is false
- b. Statement II is true but statement I is false
- c. Both Statement I and statement II are true

d. Both Statement I and statement II are false

40. Deduction in respect of capital expenditure incurred on scientific research is available _____

- a. To the extent of amount of expenditure incurred
- b. To the extent of amount of expenditure incurred (excluding expenditure on land) and certified by prescribed authority
- c. 150%
- d. a or c

41. In case of individual Assessee deduction in respect of preliminary expense as provide in section 35D is available to the extent of-

- a. 5% of cost of project of 5% of capital employed whichever is less
- b. 10% of cost of project or 10% of capital employed whichever is less
- c. 5% of cost of project
- d. 10% of capital employed

42. Assertion (A):

In case asset first time acquired by the Assessee, Actual Cost to Assessee has to be taken as reduced by the portion of cost met directly or indirectly by any person or authority

Reason (R):

In some cases, Actual Cost is taken at notional figures e.g. when asset transferred to other is reacquired again lower of the following is taken actual cost:

- WDV at the time of transfer
- Price paid for reacquiring

Select the correct answer from the options given below-

- a. A is true but R is false
- b. A is false but R is true
- c. Both A and R are true but R is not correct explanation of A
- d. Both A and R are true and R is correct explanation of A

43. Which of the following Assessee can claim deduction in respect of amortization of expenditure incurred under Voluntary Retirement Scheme u/s 35DDA?

- a. Resident individual
- b. Any company
- c. Any person
- d. Any firm

44. On which of the following assets additional depreciation u/s 32(1) (ia) is available-

- i. New machinery
- ii. New ship
- iii. New aircraft

- iv. New office appliance
- v. New road transport vehicle

Select the correct answer from the options given below –

- a. (i) only
- b. (i), (ii) & (iii) only
- c. (i), (iii), (iv) & (v) only
- d. None of the above

45. Match the following:

P.	Bonus or commission paid to an employee	1.	No deduction
Q.	Provision for bad and doubtful debt	2.	100% deduction
R.	Revenue expenditure by a company for promoting family planning	3.	Deduction is subject to the provisions of section 43B
S.	Expenditure on issue of bonus shares	4.	1/5 of expenditure in 5 successive year
		5.	Revenue in nature, hence deductible

Select the correct answer from the options given below:

	P.	Q.	R.	S.
a.	3	1	4	5
b.	3	1	2	5
c.	5	1	4	3
d.	2	4	3	1

46. If new plant is purchased in current year and put use less than 180 days then _____

- a. Additional depreciation @ 10% is available and remaining 10% cannot be claimed in next year as additional depreciation is available in year of purchase only.
- b. Additional depreciation @ 10% is available and remaining 10% can be claimed in next year
- c. Additional depreciation @ 20% is available whether asset is used 180 days more or not
- d. None of the above

47. Maximum deduction admissible in relation to expenditure incurred on eligible projects or scheme u/s 35AC is _____

- a. 75% of expenditure incurred
- b. 100% of expenditure incurred
- c. 50% of expenditure incurred
- d. 120% of expenditure incurred

48. Which of the following expenditure is/are deductible under the PGBP?

- 1. CSR expenditure
- 2. Advertisement expenditure in magazine published by political party

Select the correct answer from the options given below –

- a. 2 only
- b. Both 1 and 2

- c. 1 only
- d. Neither 1 nor 2

49. As per section 35AD, deduction is available to a hospital with at least _____ for patient if its operations are commenced on or after 1-4-2011.

- a. One hundred beds
- b. Two hundred beds
- c. Three hundred beds
- d. Five hundred beds

50. As per section 35AD deduction is available to a hotel of _____ as classified by central government if its operations are commenced on or after the 1.4.2011

- a. Three star or above category
- b. Five star or above category
- c. Two star or above category
- d. Four star or above category

51. Which of the following expenditure is/are allowed under the head PGBP?

- a. Expenditure on issue of shares
- b. Expenditure on issue of bonus shares

Select the correct answer from the options given below –

- a. Both 1 and 2
- b. 1 only
- c. Neither 1 nor 2
- d. 2 only

52. Match the following:

In case a block is transferred in succession of business and profession, WDV shall be _____

P.	WDV in the hands of successor	1.	WDV in the hands of demerged company
Q.	WDV in the hands of amalgamated company	2.	WDV in the hands of holding company
R.	WDV of asset transferred to resulting company	3.	WDV in the hands of amalgamating company
S.	WDV in the hands of subsidiary company	4.	WDV in the hands of amalgamated company
		5.	WDV in the hands of predecessor

Select the correct answer from the options given below-

	P.	Q.	R.	S.
a.	5	4	1	2
b.	5	3	2	1
c.	3	5	2	1
d.	5	3	1	2

53. As per section 43B, if the sum relates to any previous year for which payment has been made on or before the due date of furnishing the Return of Income of that year then deduction is allowed in the _____

- a. Previous year to which it relates
- b. Next previous year
- c. Next assessment year
- d. None of the above

54. A company has WDV of block of asset on 1.4.2018 INR 30,00,000. Rate of depreciation is 15%. Asset falling in block are purchased during the year for INR 10,00,000. Entire block sold for INR 17,60,000. What is the tax consequence?

Select the correct answer from the options given below –

- a. No depreciation is admissible as block cease to exist and there is STCG INR 22,44,000
- b. Depreciation admissible INR 3,36,000 and block will continue at WDV of INR 19,04,000 after claiming depreciation
- c. Depreciation admissible INR 3,36,000 and block cease to exist
- d. No depreciation is admissible as block cease to exist and there is STCL INR 22,40,000

55. Which of the following payment is subject to provisions of section 43B?

- a. Employees contribution to any provident fund
- b. Any payment to the Indian railway for use of Railway assets
- c. Insurance premium
- d. All of the above

56. Deduction for expenditure by way of payment to associations and institution for carrying out Rural Development Programmes is available u/s-

- a. 35CC
- b. 35CCB
- c. 35CCA
- d. 35CCC

57. _____ of the Income tax Act, 1961 deals with the provisions relating to maintenance of books of account by certain persons carrying on business or profession.

- a. Section 44AB
- b. Section 44 AAA
- c. Section 44AA
- d. Section 44 AAB

58. Deduction for expenditure incurred on notified Agricultural Extension Project is available u/s _____ to the extent of _____ of prescribed expenditure.

- a. 35CCB; 100%
- b. 35CCC; 150%
- c. 35CE; 100%
- d. 35CD; 150%

59. As per section 44AA, maintenance of books of account is compulsory for specified professions if _____

- a. Gross receipts exceeds INR 1,50,000 in all of the 3 immediately preceding previous year
- b. Profession is newly setup and the gross receipts are likely to exceeds INR 1,50,000 during current previous year
- c. Both (a) and (b)
- d. Gross receipt exceeds INR 10,00,000 in all of the 3 immediately preceding previous years

60. An individual or HUF carrying on any business is required to keep books of account if _____

- a. Sales/ turnover/ gross receipt thereof exceeds INR 25,00,000 in any of the three previous years immediately preceding the previous year
- b. Gross receipts exceeds INR 1,50,000 in all of three immediately preceding previous years
- c. His income from business exceeds INR 2,50,000
- d. A or C

61. In case of person carrying on any specified profession tax audit is compulsory if _____

- a. His gross income exceeds INR 25 lakhs in any previous year
- b. His gross receipts exceeds INR 50lakhs in any previous year
- c. Either (a) or (b)
- d. Neither (a) nor (b)

62. Which of the following type of Assessee can opt scheme u/s 44AD?

1. Individual
2. LLP
3. Hindu undivided family
4. Partnership firm
5. Company

Select the correct answer from the options given below-

- a. 1 only
- b. 3 and 1 only
- c. 1,3, and 4 only
- d. 5, 1, 4, 3, 2

63. Raja purchased house property on 1.12.2015 for INR 10,00,000 and the same was self-occupied as residence. On 1.12.2018 the said house was brought into use for his Chartered Accountancy Profession. Rate of depreciation at the time of purchase of house was 15%. Rate of deprecation for AY 2019-20 is 10%. Compute the WDV of assets on 31.3.2019

- a. INR 7,69,500
- b. INR 7,86,250
- c. INR 8,10,000
- d. INR 7,22,500

64. AB Ltd. has disclosed net profit of INR 12.50Lakhs. It has debited INR 60,000 (paid in cash) as advertisement to sister concern of a director, fair value of which is INR 52,000. Taxable income of AB Ltd.

- a. INR 13,10,000
- b. INR 12,58,000
- c. INR 12,50,000
- d. INR 13,02,000

65. Net profit of retail trader is INR 50,000. It was found that some stock omitted to be included in both opening and closing stock, the value of which are INR 9,000 and INR 18,000 respectively business income =?

- a. INR 41,000
- b. INR 77,000
- c. INR 23,000
- d. INR 59,000

66. A retail trader has reported sales of INR 12,11,500 and net profit of INR 1,30,900. Total turnover or gross receipts is received by an account payee cheque/ an account payee bank draft/ use of electronic clearing system through a bank account. If he opts for presumptive income scheme u/s 44AD, his income under the head PGBP will be-

- a. INR 72,690
- b. INR 96,920
- c. INR 90,862.50
- d. INR 1,21,150

67. The business income of X Ltd. before claiming deduction on account of following expenditure on family planning is INR 6,00,000

Revenue expenditure = INR 7,00,000

Capital expenditure = INR 10,00,000

What are the tax implications? Select the correct answer from the options given below-

- a. Unabsorbed family planning expenditure INR 3,00,000
- b. Income chargeable under the head PGBP will be ZERO
- c. Loss under the head PGBP= INR 3,00,000
- d. A & B

68. Rahul is a Practicing Chartered Accountant (FCA). His gross receipt and income under the head PGBP for the PY 2017-18 and PY 2018-19 are INR 9,18,340 and INR 5,40,122 respectively. What are the obligations of Rahul? Select the correct answer from the option given below -

- a. Rahul compulsorily required to maintain books of account u/s 44AA.
- b. Rahul has to get his accounts audited u/s 44AB
- c. Both (a) and (b)
- d. Neither (A) NOR (B)

69. GST debited to Profit and Loss A/c for the P/Y 2018-19 is INR 50,000 out of which INR 20,000 paid on 14.7.2018 and INR 30,000 paid on 15.10.2018. No tax audit is required. Amount of expenditure allowed for sale tax for the PY 2018-19

- a. INR 50,000
- b. INR 30,000

- c. INR 20,000
- d. Nil

70. M/s PQR, a firm engaged in business of electronics made following payments towards purchase on 1.1.2019-

Party	Mode of payment	Amount	Fair value
Rani Ltd.	Cash	1,60,000	20,000
XYZ & Co.	A/c payee cheque	1,30,000	1,30,000
Mr. Karan	Crossed cheque	30,000	16,000
Mr. Karan	Cash	10,000	16,000
Freight paid to Lakhani transporters	Cash	30,000	30,000

All the parties are related parties. State the disallowance to be made u/s 40A (2) and 40A (3)

- a. INR 1,54,000 & INR 26,000
 - b. INR 66,000 & INR 1,34,000
 - c. INR 1,34,000 & INR 66,000
 - d. INR 14,000 & Nil
71. Net profit of Mr. A is INR 93,950 after debiting interest of INR 12,000 payable to resident Indian on which no TDS has been deducted and penalty INR 24,000 for contravention of GST Act. His income chargeable under the head PGBP should be-
- a. INR 1,21,550
 - b. INR 66,350
 - c. INR 1,29,950
 - d. INR 57,950
72. RPL Ltd. paid INR 240lakhs as a compensation as per approved VRS during PY 2018-19. How much is deductible u/s 35DDA while calculating income under the head PGBP?
- a. INR 48Lakhs
 - b. INR 24Lakhs
 - c. INR 60lakhs
 - d. INR 40Lakhs
73. From the following details compute the deduction available u/s 35D to the company?
- Eligible expenditure – INR 22,00,000
 Cost of the project – INR 60,00,000
 Capital employed – INR 80,00,000
 Net profit – INR 28,32,735
- a. INR 80,000
 - b. INR 4,40,000
 - c. INR 30,000
 - d. INR 5,66,547
74. XYZ Ltd. incurred INR 25,55,000 on Skill Development Project in accordance with prescribed guidelines. Its net profit before deduction of above expenditure is INR 75,87,850. Income chargeable under the head PGBP.

- a. INR 37,55,350
- b. INR 38,32,500
- c. INR 1,14,20,350
- d. INR 50,32,850

75. Star Ltd. has WDV of machinery INR 40Lakhs on 1.4.2018. it purchased another machine on 1.11.2018 for INR 14.40Lakhs and put to use on same date. Star Ltd. was amalgamated with Universe Ltd. with effect from 1.1.2019. How much normal depreciation can be claimed by Star Ltd. for the PY 2018-19?

- a. INR 4,95,397
- b. INR 2,13,838
- c. INR 7,08,000
- d. INR 4,95,684

76. Notional profit from speculative business is

- a. Taxable under the head “Income from profits and gains of business and profession”
- b. Taxable under the head “Income from other sources”
- c. Taxable either as income from other sources or as income from profits and gains of business and profession
- d. Not taxable

77. If a Block of assets ceases to exist on the last day of the previous year, depreciation admissible for the 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

78. Sameer sold goods worth INR 50,000 at credit on 1st April, 2016. However, he has written off INR 10,000 of it as bad debts and claimed deduction for the same during the year 2016-17. On 4th April 2018 the defaulting debtor made payment of INR 45,000. The taxable amount of bad debts recovered for the year 2018-19 would be

- a. INR 5,000
- b. INR 50,000
- c. INR 45,000
- d. INR 10,000

79. 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 advertisements
- d. All of the above

- 80.** Vaibhav, deriving business income, owns a car whose WDV as on 1st April 2018 was INR 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-
- INR 2,16,750
 - INR 2,43,000
 - INR 2,55,000
 - None of the above
- 81.** Sunil acquired a building for 15 lakhs in June, 2015 in addition to cost of land beneath the building of INR 3 lakhs. It was used for personal purpose until he commenced business in June 2018 and since then it was used for business purposes. The amount of depreciation eligible in his case for the AY 2019-20 would be-
- INR 1,50,000
 - INR 75,000
 - INR 37,500
 - INR 1,21,500
- 82.** Saraswath Ltd. made provision of 12 lakh for bonus payable for the year ended 31st March 2018. It paid INR 7 lakh on 31st July 2019; 3 lakhs on 30th September 2019 and INR 2 lakh on 15th December 2019. The amount eligible for deduction u/s 43B would be-
- INR 10 Lakh
 - INR 12 lakh
 - INR 7 lakh
 - INR 3 lakh
- 83.** The maximum penalty leviable for failure to get accounts audited or to furnish report u/s 44AB is-
- INR 75,000
 - INR 1,00,000
 - INR 1,50,000
 - INR 3,00,000
- 84.** Ram incurred capital expenditure of INR 15,000 on his business of bee keeping. State the deduction allowed
- INR 15,000
 - INR 2,250
 - INR 1,500
 - Nil
- 85.** If deduction is claimed u/s 35AD in earlier year and said asset is sold within_____ of acquisition then deduction claimed earlier is treated as income in year of sale.
- 3 years
 - 5 years
 - 10 years
 - 8 years

- 86.** Which of the following sentences are true?

- i. Premium paid for medi claim policy taken in the name of employees is allowed to be debited to profit and loss account
- ii. Provision for expenses made on basis of last year's trend is allowed as deduction
- iii. KSA & Co has incurred capital expenditure of 2 lakhs on promotion of family planning and such expenses shall be allowed in the year of expense
- iv. Commodities Transaction Tax paid as a part of his business is allowed to be debited to the profit and loss account.

Select the correct statements

- a. i, ii, iii, iv
- b. i, iii, iv
- c. i, iv
- d. i

87. Which of the following are allowed as allowed to be debited in profit and loss account as per Income Tax Act?

- i. Interest on the loan taken for payment of Income tax.
- ii. Interest on delay in payment of GST, custom duty etc
- iii. Penalty in relation to GST
- iv. Expenses on income tax assessments.

Select the correct statements

- a. i, ii, iii, iv
- b. ii, iii, iv
- c. ii, iii, iv
- d. ii, iv

88. Which of the following are allowed to be debited in profit and loss account as per Income Tax Act?

- i. Expenditure in connection with opening ceremony (Mahurat) of the business/profession.
- ii. Expenditure on carpets.
- iii. Demurrage charges.
- iv. Cost of production of abandoned feature film.
- v. Expenditure on corporate social responsibility

Select the correct statements

- a. i, ii, iii, iv, v
- b. I, ii, iii, iv
- c. ii, iii, iv, v
- d. I, ii, iv

89. In case of non-deduction or non -deposit of tax while making payment to a Resident and Non-Resident, the expense is disallowed to the extent of _____ in case of Resident and _____ in case of Non - Resident.

- a. 100% expense is disallowed in both cases
- b. 30% in case of residents and 100% in case of Non-resident
- c. 100% in case of residents and 30% in case of Non-resident

d. 30% in case of both

90. Maximum amount of salary, bonus, commission etc. allowed to a partner in case of a partnership firm whose book profit is 5,00,000 shall be _____

- a. 4,50,000
- b. 5,00,000
- c. 3,00,000
- d. 3,90,000

91. Share of profit received by a partner from income of Partnership Firm is taxable in hands of partner as

- a. PGBP
- b. Other Source
- c. Salary
- d. Exempt

92. What is limit of cash payment prescribed under section 40(3)? Also, it is applicable on which expenditure?

- a. 20,000; Revenue expenditure
- b. 10,000; Capital Expenditure
- c. 10,000; Both
- d. 20,000; Both

93. Which of the following is included in the Actual Cost as per section 43(1)?

- i. Transportation, Loading and unloading expenses
- ii. Payment for the expert staff to install the plant and machinery
- iii. Interest on loan taken for purchase of machinery till it is installed
- iv. Interest on loan taken for purchase of machinery after it is installed
- v. Subsidy

Select the correct statements

- a. i, ii, iii, iv, v
- b. I, ii, iii, iv
- c. I, ii, iii, v
- d. I, ii, iii

94. Ram, a real estate agent, sold a land for INR 24,00,000. Stamp duty value of the land is INR 25,00,000. Sale value under section 43CA shall be _____.

- a. INR 24,00,000
- b. INR 25,00,000
- c. INR 1,00,000
- d. Either of a or b at the option of Assessing Officer

95. Ram, a real estate agent, sold a land for INR 23,50,000. Stamp duty value of the land is INR 25,00,000. Sale value under section 43CA shall be _____.

- a. INR 23,50,000
- b. INR 25,00,000
- c. INR 1,50,000
- d. Either of a or b at the option of Assessing Officer

96. Failure to maintain books of accounts etc. in accordance with section 44AA will attract a penalty of _____

- a. 20,000
- b. 50,000
- c. 25,000
- d. 1,50,000

97. Which of the following Assesseees are required to get their books audited under section 44 AB

- i. Every person carrying on business, if his sales turnover in business exceeds INR 100 lakhs during the previous year.
- ii. Every person carrying on business, if his sales turnover in business exceeds INR 200 lakhs during the previous year.
- iii. Every person carrying on profession if his gross receipt in profession exceeds INR 50 lakhs during the previous year.
- iv. If income of any person carrying out business or profession is to be computed under section 44AD, 44ADA or 44AE on presumptive basis but such person has rejected presumptive income
- v. Assessee carrying on business for whom provisions of section 44AD(4) are applicable.

Select the correct answer

- a. i, iii, iv,
- b. ii, iii, iv,
- c. ii, iii, iv, v
- d. i, iii, iv, v

98. Limit of turnover for opting presumptive taxation u/s 44AD and presumptive income is as follows

- a. 100 lakhs; 8% (6% in few cases)
- b. 100 lakhs; 8%
- c. 200 lakhs; 8% (6% in few cases)
- d. 200 lakhs; 6% in few cases

99. An Assessee opting for presumptive taxation is required to pay advance tax under which section.

- i. 44AD
- ii. 44ADA
- iii. 44AE

Select the correct answer

- a. i, ii

- b. i
- c. i, ii, iii
- d. None of the above

100. Which of the following statement is true in case of section 44AD

- i. A partnership firm is allowed to deduct salary and interest paid to the partner under section 40(b).
- ii. Such option is allowed only to Resident Individual/ HUF / Firm / LLP but not to Company.
- iii. The Assessee shall be exempt from maintaining books of accounts or audit.
- iv. All expenses including brought forward depreciation shall not be allowed to be adjusted but brought forward business loss shall be allowed to be adjusted.
- v. The Assessee is required to pay advance tax by March 15 of the Previous Year.

Select the correct answer

- a. i, ii, iii, iv
- b. iii, iv, v
- c. ii, iii, iv, v
- d. i, ii, iii, iv, v

Answer Key

1.	b	2.	a	3.	a	4.	d	5.	b	6.	c	7.	d
8.	b	9.	a	10.	c	11.	d	12.	c	13.	b	14.	a
15.	c	16.	b	17.	a	18.	d	19.	b	20.	c	21.	c
22.	c	23.	d	24.	a	25.	a	26.	b	27.	a	28.	b
29.	c	30.	c	31.	d	32.	b	33.	d	34.	d	35.	b
36.	d	37.	d	38.	a	39.	d	40.	a	41.	c	42.	d
43.	c	44.	a	45.	b	46.	b	47.	b	48.	d	49.	a
50.	c	51.	d	52.	d	53.	a	54.	d	55.	b	56.	c
57.	c	58.	b	59.	c	60.	d	61.	b	62.	c	63.	a
64.	a	65.	d	66.	a	67.	d	68.	a	69.	c	70.	a
71.	a	72.	a	73.	a	74.	a	75.	d	76.	d	77.	a
78.	a	79.	d	80.	b	81.	d	82.	a	83.	c	84.	a
85.	d	86.	c	87.	d	88.	b	89.	b	90.	d	91.	d
92.	c	93.	d	94.	a	95.	b	96.	d	97.	d	98.	c
99.	a	100.	c										