

M.COM DEGREE (CSS) EXAMINATION
THIRD SEMESTER - FACULTY OF COMMERCE (Private Registration)

CM010302 - INCOME TAX - LAW AND PRACTICE
MULTIPLE CHOICE QUESTIONS

1. The highest Administrative Authority of Income Tax setup in India is
(a) Director of Income Tax (b) CBDT
(c) President of India (d) Finance Minister
2. Finance Bill becomes the Finance Act when it is passed by:
(a) The Lok Sabha and signed by Prime Minister of India
(b) Both Lok Sabha and Rajya Sabha
(c) Both House of Parliament and signed by the President of India
(d) Both House of Parliament and signed by Prime Minister of India
3. is empowered to levy and collect income tax in India
(a) State governments (b) Central Government
(c) Reserve Bank of India (d) Local self-government
4. According to Section 2(7), of Income Tax Act 1961 'Assessee' means
(a) A person by whom any tax or other sum of money is payable
(b) A person against whom any proceeding under the Act has been taken
(c) A person who is deemed to be an assessee in default under any provision of this Act
(d) All of the above
5. As per Section 2(31), the following is not included in the definition of 'Person':
(a) A minor (b) A Local Authority
(c) A company (d) An individual
6. According to section 2(24), definition of income is
(a) Descriptive (b) Exhaustive
(c) Exclusive (d) Inclusive
7. Gifts received in cash from a non-relative is considered as an income from other source. However, exempt amount is:
(a) 25,000 per annum per person
(b) 75,000 per annum per person
(c) 50,000 per annum in aggregate
(d) 5,000 per annum in aggregate
8. How many heads of income are there to compute Gross total income?
(a) Six (b) Five (c) Four (d) Three

9. Assessment Year is the period of 12 month commencing on 1st day of:
 (a) April every year (b) March every year
 (c) January every year (d) July every year
10. Choose the correct one:
 (a) Assessment year and previous year are same concepts.
 (b) Assessment year is the year next to the previous year.
 (c) Previous year is the year next to the assessment year.
 (d) None of the above
11. The year in which the income is earned is known as
 (a) Previous year (b) Assessment year
 (c) Both (a) and (b) (d) None of the above
12. In which of the following cases, income of a person in Previous Year is assessable in the Previous Year itself:
 (a) A person who is running a charitable institution
 (b) A person in employment in India
 (c) A person who is doing illegal business in India
 (d) A person leaving India
13. Scope of Total Income of a person is determined on the basis of:
 (a) Residential status (b) Citizenship in India
 (c) None of These (d) Both (a) and (b)
14. An individual is said to be resident in India, if he satisfies
 (a) First basic condition given under section 6(1)
 (b) Second basic condition given under section 6(1)
 (c) Both basic conditions given under section 6(1)
 (d) Any one of the basic conditions given under section 6(1)
15. A company incorporated outside India having its place of effective management fully situated in India in the previous year will be treated as
 (a) Resident in India
 (b) Not Ordinarily Resident in India
 (c) Non-Resident in India
 (d) None of these
16. Incomes which accrue or arise outside India, but are received directly in India are taxable in case of:
 (a) Resident - Ordinarily Resident in India
 (b) Resident - Ordinarily Resident in India as well as Not Ordinarily Resident in India
 (c) Non-Resident in India
 (d) All type of assesses

17. Agriculture Income from outside India is:
 (a) fully exempt from income tax (b) partially chargeable to income tax
 (c) fully chargeable to income tax (d) None of these
18. Deduction for entertainment allowance from gross salary is allowed only to
 (a) Private employees (b) Government employees
 (c) Foreign employee (d) All of the above
19. The standard deduction is allowed u/s 16(1) from gross salary to the maximum of
 (a) 40,000 (b) 50,000
 (c) 25,000 (d) 5,000
20. An employee is covered under Payment of Gratuity Act, 1972. The maximum amount exemption of gratuity shall be:
 (a) 10,00,000 (b) 3,50,000
 (c) 20,00,000 (d) None of the above
21. Commuted pension received by employees of Central Government and State Government is:
 (a) Fully exempt from tax (b) Fully chargeable from tax
 (c) 50% exempt and rest taxable (d) 80% exempt and rest taxable
22. Children education allowance is exempt up to:
 (a) 300 p.m. for 2 children
 (b) 500 p.m. for 2 children
 (c) 100 p.m. per child for 2 children each
 (d) 200 p.m. per child for 2 children each
23. Which of the following allowance is fully exempt from income tax
 (a) Dearness allowance (b) medical allowance
 (c) Tiffin Allowance (d) allowances paid by UNO to its employees
24. Under the head of house property is taxable
 (a) Income from subletting of a building
 (b) Income from urban land
 (c) Income from building and land which is attached to building
 (d) None of the above
25. Municipal taxes to be deducted from GAV should be
 (a) Paid by the tenant during the previous year
 (b) Paid by the owner during the previous year
 (c) Accrued during the previous year
 (d) Paid during the previous year either by tenant or owner
26. Municipal Taxes paid by the owner can deducted from
 (a) Gross annual value (b) Net annual value

- (c) Gross total income (d) not deductible
27. Mr. Kumar owns a house property with Municipal value is 20,000, fair rental value 25,000, standard rent 22,000 and actual Rent 18,000. He seeks your help to determine Gross annual value.
- (a) 22,000 (b) 20,000
(c) 25,000 (d) None of the above
28. Any person who has taken loan before 01/04/1999 for purchase or construction of the house property which is self-occupied, maximum amount of deduction for the interest allowed shall be:
- (a) 1,20,000 (b) 30,000 (c) 2,00,000 (d) 1,50,000
29. Under Section 24(a), the statutory deduction under the head House Property is of Net Annual Value
- (a) 35% (b) 30% (c) 25 (d) 40
30. An asset is purchased during the year and put to use for less than 180 days; depreciation allowed is:
- (a) for whole of the year
(b) depreciation allowed at half the normal rates
(c) allowed for only for 180 days
(d) not at all allowed
31. Which one of the following is allowed as deduction while computing the business income?
- (a) Wealth tax paid (b) Income-tax paid
(c) Provision for Taxation (d) None of the above
32. For person carrying on profession, tax audit is compulsory if the gross receipt of the previous year exceeds
- (a) 50,00,000 (b) 75,00,000
(c) 10,00,000 (d) 40,00,000
33. The due date of furnishing audit report under section 44AB shall be:
- (a) 31st July of relevant assessment year
(b) 30th September of relevant assessment year
(c) 30th November of relevant assessment year
(d) None of the above
34. Capital asset excludes all assets except
- (a) Stock in trade (b) Personal assets
(c) Jewellery (d) Rural agricultural land
35. Listed equity shares are treated as long-term capital asset, if they are held for a period of more than
- (a) 48 months (b) 6 months
(c) 24 months (d) 12 months

36. Short-term capital gain is gain arising from the transfer of an immovable property which is held by the assessee for not more than:
- 36 months from the date of its acquisition
 - 12 months from the date of its acquisition
 - 48 months from the date of its acquisition
 - 24 months from the date of its acquisition
37. Mr. Ramesh purchased a car for his personal use for 7,00,000 in April, 2020 and sold the same for 7,50,000 in July, 2020. The taxable amount of capital gains is
- Nil
 - 7,50,000
 - 50,000
 - 4,00,000
38. For calculating long-term capital gain, the amount to be deducted from sale consideration shall be:
- Cost of acquisition and cost of improvement
 - Market value as on 1/4/2001 of capital asset
 - Indexed cost of acquisition and indexed cost of improvement
 - only indexed cost of improvement
39. Cost of improvement incurred before 01/04/2001 for the calculation of Capital Gain in all cases.
- Shall be ignored
 - always be considered
 - May be considered
 - is based on the discretion of Assessing Officer
40. Conversion of capital asset into stock in trade will lead to computation of capital gain of the previous year
- In which such converted asset is sold or transferred
 - In which such conversion took place
 - both of the above
 - none of the above
41. Where a capital asset other than urban agricultural land is compulsorily acquired then the capital gain shall arise in the previous year:
- of compulsory acquisition
 - in which part or full consideration is received
 - in which full consideration is received
 - in any year at the discretion of the government
42. An interim order in relation to enhanced compensation for a capital asset was passed by court, amount was also received in pursuance of order. Compensation so received shall be taxable
- When the amount is received
 - When final order of the court is passed
 - Any of the above
 - None of the above

43. Capital gain on transfer of depreciable asset would be
 (a) long term capital gain, if held for more than 36 months
 (b) long term capital gain, if held for more than 12 months
 (c) long term capital gain, if held for more than 24 months
 (d) short term capital gain, irrespective of the period of holding
44. In order to enjoy exemption under section 54EC, 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
45. A Residential house is sold for 90,00,000 and the long-term capital gains computed are 50,00,000. On the next month, the assessee bought a residential house in the for 30,00,000. The amount eligible for exemption under section 54 would be:
 (a) 30,00,000 (b) 50,00,000
 (c) 30,00,000 (d) Nil
46. Exemption under section 54 is available to:
 (a) all assessees (b) individuals only
 (c) individual as well as HUF (d) HUF only
47. For claiming exemption under section 54, the assessee should purchase another residential property within
 (a) 2 years after the date of transfer
 (b) 3 years after the date of transfer
 (c) one year before or two years after the date of transfer
 (d) one year before and 3 years after the date of transfer
48. For claiming exemption under section 54EC, the amount of capital gain should be invested in bonds of:
 (a) ONGC Ltd (b) NHAI Ltd.
 (c) BPCL Ltd. (d) BHEL Ltd.
49. Long term capital gains on zero coupon bonds are chargeable to tax at a rate
 (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)
50. Short term capital gains arising from the transfer of listed equity shares in a company charged with security transaction tax are subject to income tax at the rate of
 (a) 10% (b) 15% (c) 20% (d) Normal rate

51. Mr. Manoj is engaged in fertilizer trade, he received rent by sub-letting of a building. This will be taxable under the head
- (a) Income from house property
 - (b) Income from capital gains
 - (c) Profits and gains of business or profession
 - (d) Income from other sources
52. Winning from lotteries, crossword puzzles, horse races & other races, card game, etc. are casual income & hence
- (a) Fully exempt
 - (b) Exempt up to 5,000
 - (c) Fully taxable
 - (d) Exempt up to 10,000
53. Examination Invigilator's remuneration is taxable under which head of income
- (a) Other sources
 - (b) Salary
 - (c) House property
 - (d) Not taxable at all
54. Income from other sources is also known as head of income
- (a) Residuary head
 - (b) Miscellaneous head
 - (c) Complementary head
 - (d) None of the these
55. Income by way of interest on securities is chargeable under the head of
- (a) Business and Profession
 - (b) House Property
 - (c) Salary
 - (d) Other Sources
56. Any income from gambling, betting etc. is known as and taxable at a rate
- (a) Normal income, Slab rate
 - (b) Normal income, 30%
 - (c) Casual income, 30%
 - (d) Other income, 30%
57. Deduction under Chapter VI-A from casual income
- (a) Is allowed
 - (b) Is not allowed
 - (c) May be allowed
 - (d) May not be allowed
58. The interest on Post Office Savings Bank account would be exempt from tax only upto for an individual account
- (a) 3,500
 - (b) 5,500
 - (c) 7,000
 - (d) Without limit
59. Rent received by original tenant from subtenant is taxable under the head
- (a) Income from other sources
 - (b) Income from house property
 - (c) Income from salary
 - (d) None of the above
60. Expenses of purchasing lottery tickets are deducted out of winnings from lottery under head income from other sources. Is the statement, true?
- (a) True
 - (b) False
 - (c) Partly true
 - (d) None of the above

61. Under a lucky draw competition, Mr. John won a car which has FMV of 7,00,000. What amount is taxable in his hands
 (a) 7,00,000 (b) 4,90,000 (c) 2,10,000 (d) Nil
62. Deduction allowable in respect of family pension taxable under income from other sources is
 (a) 15,000 or $\frac{1}{3}$ rd of family pension whichever is less
 (b) 15,000 or $\frac{1}{2}$ of family pension whichever is less
 (c) 10,000 or $\frac{1}{3}$ rd of family pension whichever is less
 (d) No deduction is allowed
63. Which of the following is not eligible for section 80C deduction -?
 (a) Subscription to NSC (national saving certificate)
 (b) Subscription to Kishan Vikas Patra
 (c) Sun deposited in Sukanya Samriddhi Account
 d) Contribution to approved superannuation fund
64. Mr. Vinod transfers income of 51,000 from rent to his major son without transfer of house property. Rent of 51,000 is
 (a) taxable in the hands of the transferor - father
 (b) taxable in the hands of his son
 (c) taxable in the hands of the that parent whose total income is higher
 (d) exempt from tax
65. Transfer of income without the transfer of the asset shall be taxable
 (a) transferor or transferee at their mutual consent
 (b) only for the transferor
 (c) only for the transferee
 (d) neither for the transferee nor for the transferor
66. If there is revocable transfer of an asset by any person to another person, any income arising from such asset shall include in the income of:
 (a) Transferor (b) Transferee
 (c) Both transferor & transferee (d) None of the above
67. In certain cases, income of other person is included in the income of assesses. It is called
 (a) Clubbing of income (b) Increase in income
 (c) Addition to income (d) Set-off of income
68. When income of minor child is clubbed in the income of the parent, such parent will be allowed exemption of:
 (a) 1,500 pm
 (b) 1,500 pa per minor child
 (c) to the extent of actual income clubbed or 1,500 pa per minor child, whichever is less.
 (d) No exemption is allowed

69. If both parents are earning then income of a minor child will be clubbed with
- Income of parent having higher income
 - Proportionately with both parent's incomes
 - Income of parent having lower income
 - Will not be clubbed and will be taxable for child
70. Loss from a speculation business can be set off from:
- Any head of income.
 - Profits and gains from any business.
 - Profits and gains from any business other than speculation business.
 - Income of speculation business.
71. Short-term capital loss can be set off against:
- short-term capital gain only
 - long-term capital gain only
 - Short-term capital gain or long-term capital gain
 - Not from income of capital gains but from other source of income
72. Losses from specified business u/s 35AD can be set off from income from
- | | |
|--------------------------------------|-----------------------|
| (a) specified business u/s 35AD only | (b) Any business |
| (c) Capital gains | (d) Cannot be set off |
73. Business loss cannot be set off against
- Any income other than business income
 - Long-term capital gain
 - Either LTCG or STCG
 - Salary income
74. House property loss can be
- carry forwarded for 8 years
 - can't be carried forward
 - carry forwarded for 4 years
 - may be carry forwarded
75. Speculation loss can be carried forward for the maximum of:
- 8 assessment years
 - 4 assessment years
 - 10 assessment years
 - unlimited number of years
76. Loss of specified business under section 35AD can be carried forward:
- for 8 assessment years
 - for 4 assessment years
 - for an indefinite period of time
 - nothing is mentioned in law

77. Loss from lottery, gambling and card games can be carried forward for
 (a) next 8 assessment year (b) next 4 assessment year
 (c) indefinite period (d) Cannot be carried forward
78. Deduction u/s 80C is allowed to maximum of:
 (a) 2,00,000 (b) 1,00,000 (c) 1,50,000 (d) 2,50,000
79. Maximum amount of deduction allowed to individual for self (not a senior citizen) u/s 80D is
 (a) 40,000 (b) 20,000 (c) 30,000 (d) 25,000
80. Deduction u/s 80DD allowed shall be
 (a) Actual expenditure or 75,000 whichever is less
 (b) 1,25,000 irrespective of actual expenditure
 (c) 75,000 irrespective of actual expenditure
 (d) Flat deduction of 75,000 p.a. or 1,25,000 p.a. depending on% of disability
81. Deduction u/s 80E is allowed on account of:
 (a) Repayment of loan taken from certain specified institutions for higher education
 (b) Repayment of loan and interest on loan taken from certain specified institutions for higher education
 (c) Payment of interest on loan taken from certain specified institutions for higher education
 (d) None of the above
82. Deduction u/s 80TTA is allowed to
 (a) Any individual
 (b) Any individual who is a senior citizen
 (c) Any individual who is very senior citizen
 (d) Any individual who is not a senior citizen
83. Maximum deduction allowed u/s 80TTB is
 (a) 10,000 p.a. (b) 50,000 p.a. (c) 40,000 p.a. (d) 20,000 p.a.
84. The quantum of deduction allowed u/s 80U allowed to individual who has disability of less than 40% shall be
 (a) 30,000 (b) 50,000 (c) 75,000 (d) NIL
85. Rate of AMT shall be
 (a) 15% (b) 17% (c) 18.5% (d) 20%
86. In case of a partner, the share of the profits from the firm shall be:
 (a) Fully taxable as income of PGBP
 (b) Fully Exempt u/s 10(2A)
 (c) Included in the total income of the partner and relief of income tax shall be allowed
 (d) Exempt up to 2,50,000

87. Scholarship received by a student to meet the cost of education is:
- Casual income
 - Fully taxable as income of other sources
 - Fully exempt u/s 10(16)
 - Exempt if he is undergoing education in a primary school
88. Dividend received by shareholder from a domestic company is:
- Fully exempt u/s 10(34)
 - Taxable as income from other sources
 - Exempt to the extent of 10,00,000
 - Exempt to the extent of 5,00,000
89. Tax holiday u/s 10AA for new units in SEZ is allowed for a total period of
- 5 Years
 - 10 Years
 - 15 Years
 - 20 Years
90. Income tax liability is rounded off to:
- Nearest of ten rupees
 - Nearest of one rupee
 - Nearest of hundred rupees
 - No rounding off is done
91. Loss under head 'Business and Profession' cannot be set-off against following incomes:
- Capital Gain
 - Income from Salaries
 - Income from Other Sources
 - None of these
92. General rate of tax on long-term capital gain is:
- 20%
 - 30%
 - 10%
 - None of these
93. Which of the following is not included in taxable income
- Income from smuggling activity
 - Casual income
 - Capital Receipt, except gains on transfer of capital asset
 - Income received in kind
94. Rebate u/s 87A is allowed to
- Individual who is resident of India
 - Individual who is non-resident of India
 - HUF which is resident of India
 - Both a) and b)
95. If the assessee is engaged in the business of manufacturing of tea, the agricultural income shall be:
- 40% of the income from such business
 - 60% of the income from such business
 - 65% of the income from such business
 - 75% of the income from such business

96. Tax liability of an individual whose adjusted total income is more than 20,00,000 shall be
 (a) AMT (b) Normal tax liability
 (c) Lower of (a) or (b) (d) Higher of (a) or (b)
97. Deduction from Gross Total Income are listed under chapter of the income tax Act 1961.
 (a) Chapter V (b) Chapter VI A
 (c) Chapter V A (d) Chapter IV A
98. Deductions from Gross Total Income are available from the following incomes except:
 (a) Long term capital gains
 (b) Short term capital gains u/s 111A
 (c) Winnings from lotteries, races, etc.
 (d) All of the above
99. Deduction under section 80C can be claimed for fixed deposit made in any scheduled bank for a minimum period of -
 (a) 5 Years (b) 8 Years
 (c) 10 Years (d) 12 Years
100. Deduction u/s 80EEB is allowed to an individual upto 1,50,000 in respect of interest on Loan taken from any financial institution for purchase of:
 (a) Rural Agricultural land (b) Industry in North eastern Region
 (c) Residential House Property (d) Electronic Vehicle.

ANSWER KEY

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