

ANSWERS TO MCQs -INCOME TAX

CHAPTER 1

THE BASIC CONCEPTS

1	Answer: Option (a)	20	Answer: Option (c)
2	Answer: Option (c)	21	Answer: Option (d)
3	Answer: Option (b)	22	Answer: Option (a)
4	Answer: Option (c)	23	Answer: Option (a)
5	Answer: Option (a)	24	Answer: Option (d)
6	Answer: Option (a)	25	Answer: Option (b)
7	Answer: Option (b)	26	Answer: Option (D)
8	Answer: Option (b)	27	Answer: Option (C)
9	Answer: Option (b)	28	Answer: Option (B)
10	Answer: Option (a)	29	Answer: Option (B)
11	Answer: Option (d)	30	Answer: Option (B)
12	Answer: Option (c)	31	Answer: Option (a)
13	Answer: Option (a)	32	Answer: Option (i)
14	Answer: Option (c)	33	Answer: Option (a)
15	Answer: Option (b)	34	Answer: Option (d)
16	Answer: Option (b)	35	Answer: Option (a)
17	Answer: Option (d)	36	Answer: Option (d)
18	Answer: Option (b)	37	Answer: Option (b)
19	Answer: Option (b)	38	Answer: Option (b)

CHAPTER 2

INCOME FROM SALARIES

1	Answer: Option (d) (There must be Employer and Employee relationship between Payer and Payee to tax an income under the head salaries.)	41	Answer: Option (a)
2	Answer: Option (b) [4,80,000+(75,000 -2700x12)-50,000]	42	Answer: Option (c)
3	Answer: Option (c)	43	Answer: Option (b)
4	Answer: Option (a) [1,10,000+32400]	44	Answer: Option (a) (Fully Taxable)
5	Answer: Option (a) [Refer to Sec 10(10AA)](Payment in lieu of leave means leave salary. It is exempted only on retirement but taxable during employment)	45	Answer: Option (d) (Gifts in kind up to ₹ 5,000 in one year shall be exempted)
6	Answer: Option (a)	46	Answer: Option (b) (Gifts in cash shall be fully taxable)
7	Answer: Option (d)	47	Answer: Option (a)

8	Answer: Option (d)	48	Answer: Option (b) (For Handicapped employee – Exempted up to 3,200 p.m.)
9	Answer: Option (b) [Accommodation provided on official tour – not taxable]	49	Answer: Option (d)
10	Answer: Option (a) [Hints: 15% of salary or rent paid by the employer whichever is the lower (-) amount reimbursed from the employee i.e,150000 or 120000 whichever is lower – 48000 =72,000]	50	Answer: Option (C)
11	Answer: Option (a)	51	Answer: Option
12	Answer: Option (c) (no exemption if the employee stays in his own house)	52	Answer: Option C WORKINGS- ₹24,000 – 7000(GOVT. HOSPITAL FULLY EXEMPT) = 17,000
13	Answer: Option (a)	53	Answer: Option A Workings- 1,50,000 x 10% x 9/12
14	Answer: Option (a) (Average = 94,400/10 = 9440)	54	Answer: Option A
15	Answer: Option (a)	55	Answer: Option (C)
16	Answer: Option (d)	56	Answer: Option (B)
17	Answer: Option (c)	57	Answer: Option (D)
18	Answer: Option (d) (15% of salary or rent paid by the employer; lower i.e. ₹ 45000)	58	Answer: Option (C)
19	Answer: Option (c)	59	Answer: Option (B)
20	Answer: Option (b)	60	Answer: Option (C)
21	Answer: Option (b)	61	Answer: Option (A)
22	Answer: Option (a)	62	Answer: Option (A)
23	Answer: Option (c)	63	Answer: Option (B)
24	Answer: Option (d) [Loan up to ₹ 20,000 – Exempted]	64	Answer: Option (a)
25	Answer: Option (b)	65	Answer: Option (B) [10% of (12,000 x 9)]
26	Answer: Option (a) (meals up to ₹ 50 per day is exempted and the balance is taxable- 300 x [70-50])	66	Answer: Option B Salary (computed) 8,60,000 Tax on non-monetary perks paid by employer - NIL Deduction u/s. 80C – own cont, to RPF (1,20,000)
27	Answer: Option (a)	67	Answer: Option (B)
28	Answer: Option (a)	68	Answer: Option (b)
29	Answer: Option (b)	69	Answer: Option (d) [(4000 – 600) x 12]
30	Answer: Option (c)	70	Answer: Option (b) Least of the following exempted u/s 10(10):

			(a) 75,000 (b) $15/26 \times 3,000 \times 31 = 53,654$ (c) 20,00,000
31	Answer: Option (a) (if the employer provides furniture then he amount to be added shall be 10% p.a. of the actual cost of the furniture)	71	Answer: Option(a) (commuted pension received 3,60,000 – 1/3 rd of full value of commuted pension exempted). Full value of commuted pension = $3,60,000/60\% = 6,00,000$
32	Answer: Option (c)	72	Answer: Option (b) (transport allowances exempted up to 3200 p.m. for blind or orthopedically handicapped in lower extremities in bodies)
33	Answer: Option (a) (VRS is taxable under the head salaries)	73	Answer: Option (b)
34	Answer: Option (c)	74	Answer: Option (b) (2,80,000+employers contribution in excess of 12%)
35	Answer: Option (d) (Medical allowances is fully taxable)	75	Answer: Option (a) (15% of salary 2,40,000 plus 38,400 i.e.41,760 or 50,000 whichever is lower)
36	Answer: Option (d)		
37	Answer: Option (c) (Other perks)		
38	Answer: Option (c) (Other perks)		
39	Answer: Option (b)		
40	Answer: Option (b)		

CHAPTER 3

INCOME FROM HOUSE PROPERTY

1	Answer: Option a	18	Answer: Option (a) [GAV is higher of expected rent and actual rent i.e. 1,00,000 less municipal taxes paid ₹8,000 = ₹ 92,000]
2	Answer: Option c	19	Answer: Option (b) (recovery of unrealised rent is taxable even if the assessee is not the owner of the property at the time of receipt)
3	Answer: Option c	20	Answer: Option (a)
4	Answer: Option (a)	21	Answer: Option (c) (maximum interest allowable in case of self-occupied property is ₹ 2,00,000.)
5	<p>Answer: Option b</p> <p><u>1st Property (50% let out portion)</u></p> <p>Municipal value(72,000/2) 36,000</p> <p>Actual rent 48,000</p> <p>Gross Annual Value 48,000</p> <p>Less: municipal tax (10% of 36,000) <u>3,600</u></p> <p><u>Net Annual Value</u> <u>44,400</u></p> <p>Less : Standard deduction @ 30% 13,320</p> <p>Income from 1st property 31,080</p> <p>(50% portion used for business purpose therefore not taxable under house property)</p> <p><u>2nd property</u></p> <p>Income from house property nil (since self-occupied)</p>	22	Answer: Option (b) (Deemed owner)
6	Answer: Option (d)	23	Answer: Option (c)
7	Answer: Option (a) Deemed owner	24	Answer: Option (b) (Unrealised rent is allowed as deduction from actual rent if all the conditions are satisfied)
8	Answer: Option (a)	25	Answer: Option (b)
9	Answer: Option (d)	26	Answer: Option (b) (90,000 – 30% standard deduction)
10	Answer: Option (c) [(₹ 1,00,000 – standard deduction @ 30%) no deduction for repair expenses]	27	Answer: Option (b) (Rent is not from building)
11	Answer: Option (c) (Assessee must be the owner)	28	Answer: Option (c) (annual rent is lower than expected rent due to vacancy hence GAV is 58)
12	Answer: Option (b)	29	Answer: Option (d)
13	Answer: Option (c)	30	Answer: Option (b) (Refer Section 27)

14	Answer: Option (a) (Recovery of unrealised rent taxable after 30% standard deduction)	31	Answer: Option (b) (Refer Chapter composite rent)
15	Answer: Option (c) [GAV ₹1,00,000 Less: Municipality taxes ₹1,20,000 NAV (20,000) Less – interest on loan (25,000) income from house property (45,000) note – no standard deduction when NAV is negative]	32	Answer: Option (b) (Refer Chargeability of House Property)
16	Answer: Option (b) (Deemed to be self-occupied)	33	Answer: Option (d)
17	Answer: Option (b)	34	Answer: Option (a) (Refer Section 27)

CHAPTER 4

PROFITS OR GAINS OF BUSINESS OR PROFESSION

1	Answer: Option (b)	51	Answer: Option (d)
2	Answer: Option (b)	52	Answer: Option (a)
3	Answer: Option (d)	53	Answer: Option (b)
4	Answer: Option (c)	54	Answer: Option (b)
5	Answer: Option (d)	55	Answer: Option (c)
6	Answer: Option (d)	56	Answer: Option (c) Interest is allowed for working as well as non-workings partners.
7	Answer: Option (b)	57	Answer: Option (c) Op. WDV ₹ 10,00,000 (+) purchase ₹ 5,00,000 (-) sale proceeds ₹ 1,00,000 ₹ 14,00,000 Normal Dep. @ 15% 210000 <u>Add.dep.@20%</u> on ₹ 5 lakh <u>100000</u> Total Dep. 310000
8	Answer: Option (c) (Refer Sec 43B)	58	Answer: Option (c)
9	Answer: Option (a) (Depreciation is calculated on the closing WDV on the last day of the previous year. If closing WDV is Nil then Depreciation shall also be nil.)	59	Answer: Option (c) Sec. 35AD- 100% of 50 lakhs
10	Answer: Option (b) (Total cash payment on a single day exceed ₹ 10,000)	60	Answer: Option (d) [₹ 60000 - ₹ 25000]
11	Answer: Option (a) [45,000 – (50,000 – 10,000)]	61	Answer: Option (D) (5% of 10 lakhs. Since used for less than 180 days in the year of acquisition)

12	Answer: Option (d) (All the Expenses are disallowed)	62	Answer: Option (b)
13	Answer: Option (c) (Deduction under section 35AD is allowed for building and operating Hotel of two star and above)	63	Answer: Option (a) Franchisee rights is an intangible assets subjected to dep. @ 25%
14	Answer: Option (C) Sec. 44AD- 8% of 50 lakhs + 6% of 50 lakhs = ₹ 7 lakhs	64	Answer: Option (c)
15	Answer: Option (a)	65	Answer: Option (d) [Except income tax, wealth tax and FBT, all other tax is allowable under PGBP]
16	Answer: Option (b) WDV as on 1.4.2018 3,00,000 Less: Dep @ 15% X 2/3 rd <u>30,000</u> 2,70,000 Less: Dep @ 15% x 2/3 rd <u>27,000</u> 2,43,000	66	Answer: Option (b) Sales ₹102 lakhs (-) purchases ₹90 lakhs (-) Penalty for violation of contract ₹ 21 (-) sales tax paid by return filing date ₹5 Business Income ₹ 5 lakhs Penalty for violation of law is not allowed but penalty for violation of contract is allowed.
17	Answer: Option (a)	67	Answer: Option (a)
18	Answer: Option (b)	68	Answer: Option (B) [share of income exempt, interest is taxable to the extent firm get deduction]
19	Answer: Option (a) (Deduction for family planning expenditure is allowed equally over 5 years)	69	Answer: Option (B) [4,10,000 + 3,50,000 – 2,00,000 = ₹ 5,60,000]
20	Answer: Option (d)	70	Answer: Option (A) [Cost is Nil.]
21	Answer: Option (c) (Interest is allowed up to 12% even if paid to non-working partner)	71	Answer: Option (A)
22	Answer: Option (c) (Amount paid or 1,50,000 Whichever is Lower)	72	Answer: Option (C) [Sec. 36(1)(vii)]
23	Answer: Option (d)	73	Answer: Option (D) [40(a)(ia)]
24	Answer: Option (b)	74	Answer: Option (A) Working- Net profit before remuneration (4,40,000) Less: Allowable remuneration(max) (1,50,000) Business Income (5,90,000)
25	Answer: Option (c)	75	Answer: Option (D)
26	Answer: Option (b) (sec. 35(2AA)- 150% of amount paid)	76	Answer: Option (B) [Refer Sec. 40A(3)]
27	Answer: Option (d) (deduction u/s 35CCD allowed only to company)	77	Answer: Option (B)
28	Answer: Option (d) (deduction u/s 35CCD is not allowed for land and building)	78	Answer: Option (C) [8% of 43 lakhs – Deduction u/s. 80C- 30,000] ₹ 3,14,000- assuming no amt is recd. Through a/c payee cheque/ECS etc.

29	Answer: Option (d)	79	Answer: Option B [Losses under specified business u/.s 35AD cannot be set off against non-specified business]
30	Answer: Option (b) (Allowed only to company assessee)	80	Answer: Option (B) Note- COST OF ASSET = 5,75,000 – 75000 + 25000 = 5,25,000. Dep @ 15%
31	Answer: Option (c) (Additional Depreciation is allowed only for new machinery)	81	Answer: Option(C) [Refer Section 41- Deemed Business Income]
32	Answer: Option (b) (7500 x 2 x12) (date of purchase is important and not date of put to use)	82	Answer: Option (A) [Refer Section 40(a)(ia)- 30% of 6 lakhs]
33	Answer: Option (c)	83	Answer: Option (B) Working- Profit before remuneration and interest is ₹6,20,000 Less: Interest allowable <u>1,20,000</u> 5,00,000 Less: Allowable remuneration Lower of - a) Actual ₹1,80,000 <u>1,80,000</u> b) %age of book profit 3,20,000
34	Answer: Option (d)	84	Answer: Option (C) [35% of 100 lakhs- assuming factory is situated in a notified backward area in the state of Bihar]
35	Answer: Option (c)	85	Answer: Option (B) [Refer Sec. 28]
36	Answer: Option (b)	86	Answer: Option (A) [90% of 1.2 lakhs or 1.5 lakhs, whichever is higher]
37	Answer: Option (a) (102-90-1)(deduction not allowed for income tax, salary paid in cash in excess of 10,000 and sales tax not paid)	87	Answer: Option (D) [No dep. Since block ceases to exist]
38	Answer: Option (d)	88	Answer: (A) Workings: 8% of 70,00,000 (no deduction for expenses is allowed) - assuming no amt. is received though a.c payee cheque/DD/ECS.
39	Answer: Option (b) (interest up to 12% is allowed for deduction)	89	Answer: Option (B)
40	Answer: Option (c)	90	Answer: Option (A)
41	Answer: Option (c) (allowed only to company assessee)	91	Answer: Option (D)
42	Answer: Option (c) (allowed as 150% of expenses for other than land and building)	92	Answer: Option (B) [related to Provident Fund– 8,70,000 – 5,00,000-2,50,000]
43	Answer: Option (B)	93	Answer: Option (C) [Sec. 28-Point(5)]

44	Answer: Option (A)	94	Answer: Option C [no dep on cost of land, cost of building is 12,00,000] Or. Cost 12,00,000 (-) Dep. @10% <u>1,20,000</u> 10,80,000 (-) Dep. @ 10% <u>1,08,000</u> Cost 9,72,000 <u>Dep.@10%</u> 97,200
45	Answer: Option (a) (10-3-2)	95	Answer: Option (C) (150% of 10 lakhs)-Refer page 109
46	Answer: Option (c)	96	Answer: Option (A) (paid before return filing date i.e., 30.9.2019 is 10 lakhs). Disallowed u/s. 43B 2 lakhs
47	Answer: Option (a) Workings: ₹ 6 crores – Deduction u/s 35AD [i.e., 100% of 2 + 1.8) crores = ₹ 2.2 crores]	97	Answer: Option (B) [100% of such exp. is disallowed in the year of payment]
48	Answer: Option (c)	98	Answer: Option (C) (no deduction for expenses allowed if income computed under PTS u/s. 44AD)
49	Answer: Option (d) [Refer Page 106 sec. 35AD(7B)]	99	Answer: Option (B) (7500 X 8 X 12= 7,20,000) [assuming gross vehicle weight does not exceeds 12tons]
50	Answer: Option (a)	100	Answer: Option (c) [Sec. 44AA]

CHAPTER 5

CAPITAL GAINS

1	Option (d)	2	Option (a) [STCG @ 15%]
3	Option (b) [FVC 76,00,000 (-) COA 30,00,000 = STCG ₹ 46,00,000]. Exemption u/s. 54EC allowed for LTCG	4	Option (a) FVC ₹ 1 crores (-) ICOA ₹ 2,80,000 = ₹ 97,20,000
5	Option (d) sec. 45(2)] Business Income = 150 lakhs – 75 lakhs – 30 lakhs = 45 lakhs Cap. Gains=30 lakhs – 20 lakhs =10 lakhs	6	Option (a) [Refer Sec. 50CA] FVC - ₹ 60 x 2000 = 1,20,000 (-) cost ₹ 20 x 1000 = <u>20,000</u> STCG 1,00,000 Cost for bonus shares in NIL.
7	Option (b) FVC ₹ 2 cr – ICOA ₹ 75 lakhs = 125 lakhs	8	Option (a) [Adv. Money forfeited on or after 1.4.2014 shall be taxable under other sources u/s. 56(2)(ix) in the same year]
9	Option(a) [The relevant period shall be 24 months]	10	Option (b) [Any expenditure incurred to acquire a capital asset is included in the cost of acquisition].
11	Option (c) Sec 55A	12	Option (a) [Refer Section 55A]
13	Option(a) [In case of exempted transfer the cost of previous owner shall be taken.]	14	Option (d) [As per section 2(47) all of these are included in the definitions of transfer.]
15	Option (d) [As per section 2(14)]	16	Option (d) [As per sec. 47 all are exempted]

17	Option (d) [As per section 2(47) all of these are included in the definitions of transfer]	18	Option (d) [Compulsory acquisition and insurance claim taxable in the year of received. In case of conversion of cap. Asset into stock in trade taxable in the year of actual sale and not in the year of conversion.]
19	Option(d) [As per sec. 112A]	20	Option(b) [Only STCG on listed equity shares which are sold through recognized stock exchange and subjected STT are liable for 15% tax rate and all other cases normal tax rate will be applied.]
21	Option(d) [As per section 50C, in the case of Land or Building or both where the value of Stamp Valuation authority exceeds the Sales Value then the Value of Stamp Valuation authority on the date of registration shall be regarded as Full value of consideration. i.e, 70 lacs in the given case. Thereafter SVA or FMV whichever is lower.]	22	Option (a) FVC ₹60 lacs (-) COA 20 lacs = Gross STCG 40 lacs (-) Ex. u/s. 54EC NIL = Taxable STCG 40 lacs
23	Option(b) [NO exemption allowed under capital gains on purchase of commercial house. However, exemption u/s. 54EC shall be allowed on purchase of bonds of NHAI/RECL within 6 months from the date of transfer of any long term capital assets].	24	Option(b) [Section 54 is applicable to both Individual and HUF]
25	Option(a) [In case of depreciable asset FMV on 1.4.2001 shall not be considered. In such a case depreciation is provided on actual cost under PGBP generally.]	26	Option (a) [Refer section 54.]
27	Option (d)	28	Option (d) [House hold furniture is not a capital asset being of personal movable effect. Hence no capital gain.]
29	Option (c) [Point (a) and (b) are exempted transfer u/s. 47. However, point (c) is taxable – refer sec. 45(4)]	30	Option (b) [refer Sec. 54B page 134]
31	Option (c) [In case of tenancy right the COA is NIL unless purchased. Therefore the entire consideration is taxable as capital Gains.]	32	Answer: Option (d) FVC 30 lacs (-) COA as that of previous owner 2 lacs (-) COI <u>1</u> lacs STCG 27 lacs
33	Answer Option (a) [In case of exempted transfer, the period of holding of previous owner is considered and previous owner means the person who actually acquired the assets i.e, in the given case, Mr. X]	34	Answer: Option (b) [Where all the assets in the block are sold the resulting figure is STCG or STCL].
35	Answer: Option (c) [Ref. Sec. 54]	36	Answer: Option (a)
37	Answer: Option (c)	38	Answer: Option (a) [Maximum exemption is 50 lakhs whether invested

			in this financial year or next financial year]
39	Answer: Option (a) (long term capital gain taxable u/s. 112A = ₹ [FVC 2,00,000 – cost FMV as on 31.1.2018 i.e 50,000]	40	Answer: Option (b) [Sec. 49(1)- refers to cost to previous owner]
41	Answer: Option (a)	42	Answer: Option (c)
43	Answer: Option (b)	44	Answer: Option (a)
45	Answer: Option (c)	46	Answer: Option (b) [Exempted u/s. 47]
47	Answer: Option (b) [Goodwill of business is taxable but goodwill of profession is not taxable]	48	Answer: Option (b)
49	Answer: Option (d)	50	Answer: Option (a)
51	Answer: Option (b)	52	Answer: Option (a)
53	Answer: Option (a) Business income = sale price – FMV on the date of conversion = 3,50,000 Cap. Gains = FMV- cost = 1,50,000	54	Answer: Option (D) [amount received under reverse mortgage scheme is exempted]
55	Answer: Option B u/s. 112A - 10 % without indexation in excess of 1,00,000. 10% on (7,00,000 – 5,00,000) – 1,00,000= 10,000	56	Answer: Option A Workings- Original shares -FVC4,00,000 (-) Cost (FMV as on 31.1.2018)4,00,000 = NIL Bonus shares -4,00,000 Cost <u>NIL</u> STCG 4,00,000
57	Answer: Option B FVC 120 lakhs – ICOA 18 lakhs – 54EC max. 50 lakhs = LTCG 52 lakhs	58	Answer: Option (A) Personal movable effect
59	Answer: Option (B) [Ref. sec. 45(2A)]	60	Answer: Option (C) Maximum exemption u/s. 54EC - ₹50 lakh
61	Answer: (A)	62	Answer: (C)
63	Answer: (B) [mas it is allowed proportionate to net consideration]	64	Answer: Option C (exemption allowed w.r.t one house)
65	Answer: Option D [sec. 56(2)(ix)]	66	Answer: Option (d) (50% of 3,40,000)
67	Answer: Option (a)	68	Answer: Option (b)
69	Answer: Option (a) [in some cases capital gains is taxable on receipt basis]	70	Answer: Option (c)
71	Answer: Option C FVC 6,00,000 ICOA (64,000 x 280/100 = 179200) LTCG = 420800	72	Answer: Option c [Capital assets includes Jewellery]
73	Answer: Option c [Capital assets includes Jewellery]	74	Answer: Option D [cost of improvement for goodwill is NIL]
75	Option B [personal furniture and goodwill of professions are not taxable]		

CHAPTER 6

INCOME FROM OTHER SOURCES

1	Answer: Option b	2	Answer: Option d
3	Answer: Option c	4	Answer: Option C
5	Answer: Option A [1,00,000 – (40-25) = 15 lakhs sec. 56(2)(viib)]	6	Answer: Option (b)
7	Answer: Option (d)	8	Answer: Option (c)
9	Answer: Option (b) [Refer meaning of property]	10	Answer: Option (c)
11	Answer: Option(d)	12	Answer: Option (b) [Since forfeited before 1.4.2014]
13	Answer: Option (a)	14	Answer: Option (a) [No exp. is allowed]
15	Answer: Option (a) [div. from mutual fund is exempted, div. from ind. Co is exempted upto 10 lakhs]	16	Answer: Option (a) [1,00,000 (-) (1/3 rd of 1 lac or 15,000; lower) = 85,000]
17	Answer: Option (d)	18	Answer: Option (b) [60 lakhs – 50 lakhs, since exceeds ₹ 50,000, therefore the difference amt is taxable u/s. 56(2)(x)]
19	Answer: Option (d)	20	Answer: Option (d) [Director remuneration is taxable under the head Salaries]
		21	Answer: Option (b) (advance money forfeited is taxable in the year of forfeited, so amt. forfeited in 2014-15 is taxable in 2014-15 and not in current year)
22	Answer: Option (d)	23	Answer: Option (a) [brother of father in law is not covered in the definition of relative u/s. 56(2)(x)]
24	Answer: Option (b) [Ref. sec. 56(2)(x)]	25	Answer: Option C Deemed dividend u/s. 2(22)(e), but taxable in the hands of company and not in the hands of Mr. Gautam, change the option c in the question as NIL.
26	Answer: Option D Motor car is not a capital asset as per Sec.56(2)(x)	27	Answer: Option B Taxable as per section 56(2)(x)
		28	Answer: (A)]
29	Answer: (C) Workings: Family pension (15000 X 12) – (1/3 RD or 15,000; lower) ₹ 30,000 received under reverse mortgage scheme is not taxable.	30	Answer: (A) [Award recd. 1,20,000 (-) exp. incurred]
31	Answer: Option C (profit in lieu of salary)	32	Answer: Option C Total Family pension = 15000 x 12 = 1,80,000 (-) 15,000 or 1/3 rd , whichever is lower <u>15,000</u> 1,65,000
33	Answer: Option C [u/s. 2(22)(e)]	34	Answer: Option (a) [dividend when taxable is always chargeable under the head other sources whether held as stock in trade or not]

35	Answer: Option (c) [point (a) is exempt, point(b) invoice value is the market value, hence question of purchase at low consideration does not arises]	36	Answer: Option a
37	Answer: Option a (5,000 + 15,000 + 20,000+ 1,000+ exempt)	38	Answer: Option b
39	Answer: Option c		

CHAPTER 7

CLUBBING

1	Option (c)	2	Option (a)
3	Option (c) [Interest to be clubbed, 12% of 5 lakhs x 1/2 – Vasudevan, 10% of 5 lakhs x 1/2 – Indrajeet]	4	Option (a)
5	Option (d)	6	Option (d)
7	Option (b)	8	Option (a)
9	Option (a)	10	Answer: Option c
11	Answer: Option b	12	Answer: Option b [for remuneration from firm – no clubbing and share of profit is exempt]
13	Answer: Option d	14	Answer: Option b
15	Answer: Option c	16	Answer: Option a [since father's income is higher, exemption is actual income or 1500, whichever is lower]
17	Answer: Option c [Ref. Sec. 61]	18	Answer: Option d [Ref. sec. 64(1)(vi) & 64(1)(viii)]
19	Answer: Option B Rental income shall be clubbed in the hands of Mr. Shiva (10,500 * 12)= 1,26,000-6000= 1,20,000-30% of 1,20,000= 84,000 Income from other sources <u>2,60,000</u> 3,44,000	20	Answer: Option (d)
21	Answer: Option C [₹ 1500 for each minor child whose income is clubbed]	22	Answer: Option c

CHAPTER 8

SET OFF AND CARRY FORWARD

1	Answer: Option b H.P Loss 3 lakhs but maximum 2 lakhs can be set off against business income. Total Income [12 lakhs – 2 lakhs] - ₹ 10 lakhs. HP loss 1 lakhs to be c.f	2	Answer: Option a STCL and business loss(non-speculative) can be set off against LTCG. Total income is 18 lakhs – 15 lakhs – 2 lakhs = 1 lakhs
3	Answer:(C) [5,40,000 – 60,000]	4	Answer: (C)

	Sp. Loss can be c/f for 4 years. b/f loss of A.Y 2013-14 and 2014-15 can not be set off in A.Y 2019-20 as time barred.		[no restriction for set off of current year loss but business loss cannot be c/f if return is not filed within the due date] [option (c) shall be rectified as under – “Shall be allowed to set off current year business loss to the extent of ₹ 1,80,000 but shall not be allowed to carry forward the balance loss of ₹ 70,000”]
5	Answer: (B) [bad debt recovery is taxable as business income and can be set off against loss]	6	Answer: Option B [1st current year exp, then b/f business loss and at last unabsorbed dep.]
7	Answer: Option (c) [current year business loss cannot be c.f if return is not filed in time. However, no such restriction for c/f of unabsorbed dep.]	8	Answer: Options b
9	Answer: Options b	10	Answer: Options b
11	Answer: Option d	12	Answer: Option a
13	Answer: Option c [loss under business specified u/s 35AD cannot be set off against income of non-specified business]	14	Answer: Option d [Refer exception to sec. 43(5)]
15	Answer: Option c	16	Answer: Option d
17	Answer: Option b	18	Answer: Option c
19	Answer: Option C	20	Answer: Option C [business loss can not be set off against income from salaries]
21	Answer: Option (D)	22	Answer: Option (C)
23	Answer: (D)	24	Answer: (A) [refer section 139(3)]
25	Answer: Option (c) [26	B
27	D	28	c

CHAPTER 9

ADVANCE TAX

1	Answer: Options (b) [Sec. 234C is for deferment of advance tax]	2	Answer: Options (c)
3	Answer: Option (d)	4	Answer: Option b [no adv. tax for snr. Citizen without business income]
5	Answer: Option b (15% of the tax liability is payable on or before 15 th June of the previous year)	6	Answer: Option C [Tax liability is below ₹ 10,000]
7	Answer: Option a [Since at least 90% of tax has been paid in P.Y]	8	Answer: Option b
9	Answer: Option (a)	10	Answer: Option a
11	Answer: Option b [For sec. 44AD and ADA , one installment but for sec. 44AE -four installment]	12	Answer: Option (D)
13	Answer: (D) [Snr. Citizen without business income, no need to pay adv. tax]	14	Answer: Option A [Tax liability 4,29000 x 15% = ₹ 64,350]

15	Option B [u/s. 234A and 234B- its assessed income but u/s. 234C its returned income]	16	Answer: Option (d)
16	B	18	b

CHAPTER 10 INCOME EXEMPTED FROM TAX

1	Answer: Option (c)	2	Answer: Option (b)
3	Answer: Option (a)	4	Answer: Option (d) [Exempted u/s. 10(16)]
5	Answer: Option (a)	6	Answer: Option (a) [Exempted u/s. 10(17A)]
7	Answer: Option (d)	8	Answer: Option (b) [As per sec. 14A]
9	Answer: Option D [rectify option b as “Dividend received from notified mutual Fund”]	10	Answer: Option B [Exempted u/s.10(30)]
11	Option C [Ref. sec. 10AA]	12	Answer: Option (C) [40% of 540000]
13	Answer: Option (A) [daily allowances to MP is exempted u/s. 10(17)]	14	Answer: Option(C)
15	Answer: (a) [Dried and cured are agricultural process but ginned is a manufacturing process]	16	Answer: Option (a)
17	Option b [15,00,000 – 10 lakhs exempt u/s. 10(34) = 5 lakhs taxable]	18	Option (c) [Exempt u/s. 10(26AAA)]
19	Answer: Option d	20	Answer: Option a
21	Answer: Option c [being income from agricultural operations]	22	Answer: Option d
23	Answer: Option b	24	Answer: Option (d) [ref. section 2(1A)]
25	Answer: Option (b)		

CHAPTER 11 RESIDENTIAL STATUS

1	Answer: Option (a)	2	Answer: Option (c)
3	Answer: option (a) Total No. of days in India = 365 – 163 days (from 12.8.2018 to 21.1.2019) = 202 days. Secondary condition also satisfied as he was stayed fully in India before joining in the ship.	4	Answer: Option (b) [only able to satisfy the primary conditions]
5	Answer: (b)	6	Answer: Option (a)
7	Answer: Option (d) [For Individual and HUF the concept of not-ordinary resident exist only]	8	Answer: Option (b)
9	Answer: Option (a)	10	Answer: Option (b) [-Sec. 9]
11	Answer: Option (c)	12	Answer: Option (b) [31+31+30+31+30+30 = 183 days – primary conditions satisfied but cannot satisfy secondary conditions, since comes to India 1 st time]

13	Answer: Option (c) [since less than 182 days, 2 nd option is not applicable, since Indian citizen comes to India for visit purpose]	14	Answer: Option (c)
15	Answer: Option (b)	16	Answer: Option (c) [30+31+30+31+31+24=177 days, 2 nd conditions not applicable, since leaving India for employment purpose]
17	Option B [since the services were utilized in India, therefore entire amount is accrued in India]	18	Answer: Option (a)
19	Answer: Option (d)	20	Answer: Option (a)
21	Answer: Option (d) [Taxable as either accrued in India or received in India]	22	Answer: Option C [30+31+30+31+31+30+15 = 190 days in India, resident]
23	Answer: Option A [Since control and management wholly outside India]	24	Answer: Option C [Refer page 211 Section 9]
25	Answer: Option A [since borrow money is utilised in India]	26	Answer: Option (A) [Foreign co. but POEM in India]
27	Answer: Option (C) [stay in India is less than 182 days]	28	Answer: Option (D)
29	Answer: (A) [Indian company always resident of India irrespective of POEM]	30	Answer: Option C
31	Answer: Option B	32	Answer: Option B (<i>In the P.Y 2018-19 – in India for less than 182 days</i>)
33	Answer: Option a (2,00,000 x 1/4 th received in India plus profit on sale of building accrued in India 2,00,000)	34	Answer: Option a
35	Answer: Option b [secondary conditions not satisfied]		

CHAPTER 12

TDS, TCS, FILING OF RETURN

1	Answer: Option (C)	2	Answer: Option (B) [Refer Sec. 139(9)]
3	Answer: Option (A) [Refer Sec.139(5)]	4	Answer: Option (B)
5	Answer: Option B [since firm required for tax audit]	6	Answer: Option A [Sec. 139(5)-]
7	Answer: Option (b)	8	Answer: Option (b)
9	Answer: Option (b)	10	Answer: Option (c)
11	Answer: Option (c) [Sec. 193 point (i)]	12	Answer: Option (d) [Mr. x is not responsible to deduct tax at sources]
13	Answer: Option (b) [since interest does not exceed ₹ 10,000]	14	Answer: Option (d)
15	Answer: Option (d)	16	Answer: Option (a) [2% of 240000 u/s. 194C]
17	Answer: Option (d) [2% of 4 lakhs u/s. 194C]	18	Answer: Option (c) [10% of 9 lakhs u/s. 194J, credit or payment, whichever is earlier]
19	Answer: Option (b) [10% of 2.4 lakhs u/s. 194I]	20	Answer: Option (a) [10% of 3 lakhs u/s. 194I]

21	Answer: Option (b) [Ref. sec. 139(3)]	22	Answer: Option (a)
23	Answer: Option (b)	24	Answer: Option (b)
25	Answer: Option (a)	26	Answer: Option (a)
27	Answer: Option (d)	28	Answer: Option (a)
29	Answer: Option b [Ref. Sec.9]	30	Answer: Option C
31	Answer: Option (d)	32	Answer: Option b
33	Answer: Option (d) [Ref. sec. 194A]	34	Answer: Option d [Sec. 206CC]
35	Answer Option: b [1% of labour chares u/s. 194C]	36	Answer Option: c [10% of 1 lakhs + 2% of 1lakhs u/s. 194I]
37	Answer Option: d [payment for each individual item does not exceed 30000, sec. 194J]	38	Answer Option: c [NO TDS on GST portion]
39	Answer Option: a	40	Answer Option: C
41	Answer Option: b [refer sec. 201(1A)]	42	Answer Option: C [refer sec. 201(1A)]
43	Answer: Option (B) [normal rate u/s. 194H i.e 5% or 20%; higher]	44	Answer: Option A [10% of 1.2 lakhs]
45	Answer: Option c [Sec. 140]	46	Answer: Option d
47	Answer: Option c	48	Answer: Option c
49	Answer: Option c	50	Answer: Option a [does not exceed 30,000]
51	Answer: Option b	52	Answer: Option d [As per section 2(18)]
53	Answer: Option (C) [as per sec 192A]	54	Answer: Option (B) [Ref. section 139A]
55	Answer: (B) [as per sec. 139(9)]	56	Answer:(A) [ref. section 80C]
57	Answer:(C) [as per section 194-IA]	58	Answer: (B) [Ref Section 192]
59	Answer: (A) [30% of 1 lakhs]	60	Answer: (A)
61	Answer: (D) [Refer section 139(1)]	62	Answer: (B)
63	Answer: (C) [as per section 139(9)]	64	Answer: (B)
65	Answer: Option A	66	Answer: Option (a)
67	Answer: Option (c) [assuming does not own more than 10 goods carriage]]	68	Answer: Option b [10% or 20%, higher]
69	Answer: Option a [30% of 1 lakhs]	70	Answer: Option b
71	Answer: Option (b) [Sec. 80GGC -page 228]	72	Answer: Option d
73	Answer: Option c	74	Answer: Option d (refer to section 140)
75	Answer: Option (B) [70000/70%]	76	Answer: Option (C)
77	Answer: Option	78	Answer: Option

CHAPTER 13

DEDUCTIONS UNDER CHAPTER VIA

1	Answer: Option (c) [Sec. 80C not allowed to company, Section 80G allowed to all assessee]	2	Answer: Option (b)
3	Answer: Option (c)	4	Answer: Option (c)

5	Answer: Option (a)	6	Answer: Option a
7	Answer: Option a	8	Answer: b [allowed to residential property]
9	Answer: (a)	10	Answer: Option (b)
11	Answer: Option (b)	12	Answer: Option (a)
13	Answer: Option (d)	14	Answer: Option (c)
15	Answer: Option (b)	16	Answer: Option (c)
17	Answer: Option (b)	18	Answer: Option (c) [u/s. 10(10D)]
19	Answer: Option (a)	20	Answer: option a [limit for preventive health checkup u/s. 80D is 5000]
21	No Question	22	Answer: Option (c)
23	Answer: option a [refer page 230]	24	Answer: Option (c) [Rectify option (c) as 52,000 instead of 28,000. [84,000 or 1 lakhs, lower = 84,000 – 32,000 = ₹ 52,000]
25	Answer: Option (b) [100% of 40000]	26	Answer: Option (c)
27	Answer: Option (c)	28	Answer: Option (d)
29	Answer: Option (a)	30	Answer: Option (c)
31	Answer: Option (d)	32	Answer: Option C
33	Answer: Option B	34	Answer: Option (d) [Rectify option b – as Section 80CCD(1)/(2)- there is 50000 restriction for 80CCD(1B)]
35	Answer: Option (b) [10% of 4 lakhs or 48,000; lower = 40,000 @ 50%]	36	Answer: Option (d) [all others are agricultural income except (d)]
37	Answer: Option (d) [agricultural income]	38	Answer: Option (a)
39	Answer: Option (a)	40	Answer: option (c)
41	Answer: option (b)	42	Answer: option (a)
43	Answer: option (b)	44	Answer: option (d) [Deduction under section 80D is allowed only if the payment is made in other than cash.]
45	Answer: Option (d)	46	Answer: option (a)
47	Answer: option (d)	48	Answer: option (b)
49	Answer: option (a)	50	Answer: option (c)
51	Answer: option (a)	52	Answer: option(d)
53	Answer: option (b)	54	Answer: option (a)
55	Answer Option: b [15% of 2 lakhs or 25,000; lower]	56	Answer: Option c
57	Answer Option C [74,000 or 1 lakhs, lower – 22000 = 52,000]	58	Answer: Option C [as per section 80E]
59	Answer: Option B	60	Answer: Option B

	<u>Working-</u> Deduction u/s. 80GG lower of the following a. Rent paid – 10% of Adj. GTI = 26,000 b. 25% of Ad. GTI c. 5000p.m		
61	Answer: Option (A) [maximum 30000 for medical exp. incurred -refer sec. 80D]	62	Answer: Option (B)
63	Answer: Option (D)	64	Answer: (D) [maximum 5000 p.m]
65	Answer: (D) [fixed 75000-irrespective of amount of exp. incurred]	66	Answer: (D)
67	Answer: (C)	68	Answer: Option C [150,000 + 50,000 u/s. 80CCD(1B)]
69	Answer: Option C	70	Answer: Option (a) [Since loan is not taken from Banks, FI or ch. trust]
71	Answer: Option (a)	72	Answer: Option (d) [since both are in different place]
73	Answer: Option c (refer to sec 80RRB)	74	Answer: Option b
75	Answer: Option d	76	Answer: Option d [For individual 50,000 + 50,000 and for HUF - 50,000] [rectify option d as 1,00,000]

CHAPTER 14 TAX COMPUTATION

1	Answer – Option (d) Basic exemption up ₹ 5 lakhs	2	Answer: Option (d) <u>Answer:</u> <table style="margin-left: 20px;"> <tr> <td>salary income</td> <td style="text-align: right;">4,60,000</td> </tr> <tr> <td>Int. on FD (18,000/.9)</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td>Interest on saving A/c</td> <td style="text-align: right;"><u>2,000</u></td> </tr> <tr> <td>Gross Total Income</td> <td style="text-align: right;">4,82,000</td> </tr> <tr> <td>Less: Sec.80C</td> <td style="text-align: right;">50,000</td> </tr> <tr> <td>Less: Sec. 80TTA</td> <td style="text-align: right;"><u>2,000</u></td> </tr> <tr> <td>Total Income</td> <td style="text-align: right;">4,30,000</td> </tr> <tr> <td>Income Tax</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td>Due to Rebate u/s. 87A</td> <td></td> </tr> </table>	salary income	4,60,000	Int. on FD (18,000/.9)	20,000	Interest on saving A/c	<u>2,000</u>	Gross Total Income	4,82,000	Less: Sec.80C	50,000	Less: Sec. 80TTA	<u>2,000</u>	Total Income	4,30,000	Income Tax	Nil	Due to Rebate u/s. 87A	
salary income	4,60,000																				
Int. on FD (18,000/.9)	20,000																				
Interest on saving A/c	<u>2,000</u>																				
Gross Total Income	4,82,000																				
Less: Sec.80C	50,000																				
Less: Sec. 80TTA	<u>2,000</u>																				
Total Income	4,30,000																				
Income Tax	Nil																				
Due to Rebate u/s. 87A																					
3	Answer: Option D WORKINGS- Income under the head ‘salaries’/Total income [2.8 lakhs – 50,000 std. ded. = 2,30,000] Since does not exceed basic exemption limit, nothing taxable.	4	Answer: Option c																		
5	Answer: Option a	6	Answer: Option d																		
7	Answer: Option a	8	Answer: Option b Total Income 5,50,000																		

			Add: Agri-income for rate purpose <u>50,000</u> 6,00,000 Tax on 6 lakhs = 32,500 (-) tax on 50,000 <u>2,500</u> 30,000 Add: HEC @ 4% <u>1,200</u> 31,200
9	Answer: (C) Upto 2.5 lakhs NIL Next 2.5 lakhs @ 5% 12500 Bal. 1 lakhs @ 20% <u>20000</u> 32500 Add: HEC @ 4% <u>1300</u> 33,800 For nom-resident benefit of snr. Citizen not allowed.	10	Answer: Option b On Normal Income (PGBP) NIL (basic exemption) On LTCG @ 20% on [15 lakhs – 1.5 lakhs remaining exemption Limit] 2,70,000 ADD: 4% <u>10,800</u> 2,80,800
11	Option b	12	Option a
13	Option c	14	Option d

CHAPTER 15 PUBLIC CHARITABLE TRUSTS AND RELIGIOUS TRUST

-
- | | | |
|------------------------|------------------------|------------------------|
| 1. Answer: Options (d) | 2. Answer: Options (b) | 3. Answer: Options (c) |
| 4. Answer: Options (d) | 5. Answer: Option (d) | 6. Answer: Option (a) |
| 7. Answer: Option (d) | | |

CHAPTER 16

ASSESSMENT PROCEDURES

-
- | | | |
|------------------------|------------------------|------------------------|
| 1. Answer: Option (a) | 2. Answer: Option (a) | 3. Answer: Option (d) |
| 4. Answer: Option (c) | 5. Answer: Option (d) | 6. Answer: Option (b) |
| 7. Answer: Option (a) | 8. Answer: Option (c) | 9. Answer: Option (c) |
| 10. Answer: Option (b) | 11. Answer: Option (a) | 12. Answer: Option (c) |
| 13. Answer: Option (b) | 14. Answer: Option (c) | 15. Answer: Option (a) |

CHAPTER 17

MAT, AMT, CDT

-
- | | | |
|----------------------|----------------------|----------------------|
| (1) Answer: Option c | (2) Answer: Option b | (3) Answer: Option a |
| (4) Answer: Option d | (5) Answer: Option b | (6) Answer: Option c |
| (7) Answer: Option d | (8) Answer: Option c | (9) Answer: Option c |

(10) Answer: Option a
(13) Answer: (A)
(16) Answer: Option C

(11) Answer: Option (c)
(14) Answer: Option A

(12) Answer: (A)
(15) Answer: Option A

Chapter 18

APPEALS & REVISIONS, TAX PLANNING

(1) Answer: Option C
(4) Answer: Option C
(7) Answer: Option C
(10) Answer: Option (c)
(13) Answer: Option D

(2) Answer: Option B
(5) Answer: Option C
(8) Answer: Option D
(11) Answer: Option (b)

(3) Answer: Option (a)
(6) Answer: Option A
(9) Answer: Option C
(12) Answer: Option (b)

TAX PLANNING

(14) Answer: Option B
(17) Answer: Option B

(15) Answer: Option B

(16) Answer: Option A