

# All in One Multiple Choice Questions Finance Specialization

- Direct Taxation ●
- Financial Systems of India, Markets and Services ●

(As per the Revised Syllabus of 2016 Pattern of SPPU for MBA, Semester - III)



**Dr. Shriprakash G. Soni • Prof. Girish A. Bodhankar**

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**(FINANCE SPECIALIZATION)**

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## PREFACE

It gives us an immense pleasure to present this book to the students of Finance Specialization of Savitribai Phule Pune University. It covers Multiple Choice Questions based on the Syllabus of 2016 Pattern for the two subjects of '*Direct Taxation*' and '*Financial Systems of India, Markets and Services*' of MBA Program offered by Savitribai Phule Pune University. After taking into consideration, current trends in the present market scenario and acknowledging necessity of studying various dimensions of Direct Taxation and Financial Systems of India, Markets and Services, the Savitribai Phule Pune University has included these subjects in the MBA Program for the students of Finance Specialization.

This book is useful and helpful not only to the PG but also to the UG students of other universities which have included the same subjects in their curriculum. This book is a sincere and serious attempt on the part of the authors to provide the students with Multiple Choice Questions in simple and lucid language. As there are 50 questions on each Unit, if a student would learn all these questions correctly, no doubt, his conceptual clarity would automatically develop.

Success can never be achieved single handedly. So, it is our duty to express gratitude towards all those who provided their help and support. We express our special thanks to Prof. Dr. Sanjay B. Chordiya, Founder President and Chairman of Suryadatta Group of Institutes and Mrs. Sushma Chordiya, Vice President and Secretary of Suryadatta Group of Institutes for their continuous motivation in writing the said book. In addition, we would like to express our sincere thanks to the Publisher of Himalaya Publishing Pvt. Ltd., Mr. S. K. Srivastava, Mr. Abhijit Mane, Mr. Rahgul, Ms. Lalita and Editorial Team for their willing cooperation and support. Our words fall short to express our feelings towards our family members, colleagues and friends who extended their wholehearted best wishes and encouraged us throughout.

Suggestions from Professors and Students are most welcome. They will be appreciated and implemented in the next edition.

With best wishes.

**Dr. Shriprakash Soni**  
**Prof. Girish Bodhankar**



# SYLLABUS

## Syllabus as Per June 2016 Pattern

<b>Semester</b>	<b>III</b>	<b>Specialization</b>	<b>Finance</b>
<b>Course Code</b>	<b>305</b>	<b>Type</b>	<b>Generic Core</b>
<b>Course Title</b>	<b>Direct Taxation</b>		
<b>Course Objectives:</b>			
<ol style="list-style-type: none"> <li>1. To Understand the basic concepts in Income Tax Act, 1961</li> <li>2. To calculate Gross Total Income and Tax Liability of an individual</li> <li>3. To acquaint with online filing of various forms and returns</li> </ol>			

Unit No.	Contents	No. of Sessions
<b>Unit – 1</b>	Introduction: Income Tax Act, 1961 – Definitions and Concepts (Sections 1 to 4), Scope of Total Income and Residential Status (Sections 5 to 9), Income Do Not Form Part of Total Income and Tax liability (Sections 14, 14A, 288A and 2888B).	<b>(Hours: 6+2)</b>
<b>Unit – 2</b>	Income under the Head “Salaries” (Sections 15 to 17)	<b>(Hours: 7+2)</b>
<b>Unit – 3</b>	(a) Income under the Head “Income from House Property” (Sections 22 to 27) (b) Income under the Head “Capital Gain” (Sections 45 to 55A) (c) Income under the Head “Income from Other Sources” (Sections 56 to 59)	<b>(Hours: 7+2)</b>
<b>Unit – 4</b>	4.1 Income under the Head “Profit and Gains of Business or Profession” (Sections 28 to 44D) 4.2 Income of Other Person Included in Assessee’s Total Income (Sections 60 to 65) 4.3 Set Off or Carry Forward and Set Off of Loses (Sections 70 to 80) 4.4 Agriculture Income and its Tax Treatment (Sections 2(1A) to 10(1))	<b>(Hours: 7+2)</b>
<b>Unit – 5</b>	5.1 Deductions to be Made in Computing Total Income (Sections 80A to 80U) (Chapter VI) 5.2 Assessment of Individual/Computation of Total Taxable Income and Income Tax 5.3 Advance Tax Payment (Sections 207 to 211, 217 and 219) 5.4 Deduction of Tax at Source (Sections 190 to 206AA) 5.5 Return of Income (Sections 139 to 140A) 5.6 E-filing of Income Tax Return	<b>(Hours: 8+2)</b>

## Syllabus as Per June 2016 Pattern

<b>Semester</b>	<b>III</b>	<b>Specialization</b>	<b>Finance</b>
<b>Course Code</b>	<b>306</b>	<b>Type</b>	<b>Specialization Core</b>
<b>Course Title</b>	<b>Financial Systems of India, Markets and Services</b>		
<b>Course Objectives:</b>			
1. To enlighten the students with the concepts and practical dynamics of the Indian financial system, markets, institutions and financial services.			

<b>Unit No.</b>	<b>Contents</b>	<b>No. of Sessions</b>
<b>Unit – 1</b>	<p><b>1.1 Financial System</b> – Functions of Financial System – Meaning and Importance – Role of Financial System in Economic Development – Structure and Components of Financial System in India – Introduction to Financial Institutions – Banking – Non-banking Institutions.</p> <p><b>1.2 Financial Markets:</b> Money Market and Capital Market – Financial Instruments on the Basis of Term of instruments – Types of Securities, Financial Services – Fund Based Services and Fee Based Services.</p>	<b>(Hours: 6+2)</b>
<b>Unit – 2</b>	<p><b>2.1 Regulators of Financial System in India:</b> The RBI as a Central Bank, Functions and Working.</p> <p><b>2.2 SEBI:</b> Purpose – Objectives, Structure – Functions and Powers of SEBI – SEBI Guidelines with Respect to IPO, Anti-money Laundering, Listing and Delisting of Securities, FMC (Forward Market Commission of India) – Structure and Functions.</p> <p><b>2.3 PFRDA (Pension Fund Regulatory and Development Authority):</b> Structure and Functions – National Pension System – Understanding and Benefits, IRDA (Insurance Regulatory and Development Authority) – Role and Functions.</p>	<b>(Hours: 8+2)</b>
<b>Unit – 3</b>	<p><b>3.1 Financial Market Functions:</b> Classification – Money Markets – Structure and Components of Money Market – Participants in Indian Money Market – Money Market Instruments – Features of the Instruments – Recent Developments in Indian Money Market.</p> <p><b>3.2 Capital Markets:</b> Characteristics – Components of Capital Markets – Primary Market Operations – Functions – Methods of Raising Funds in Primary Market (viz., Public Issue, Offer for Sale, Right Issue, Private Placement of Securities and Other Methods such as Tender Method, Bonus Shares), Methods of Determining Prices of New Shares, viz., Fixed Offer Method and Book Building Method, New Instruments in Capital Market.</p> <p><b>3.3 Stock Exchange:</b> Characteristics and Functions of Stock Exchanges, Listing of Securities, Major Stock Exchanges in India – Important Stock Indices in India, BSE and NSE Sensex.</p>	<b>(Hours: 6+2)</b>
<b>Unit – 4</b>	<p><b>4.1 Financial Services:</b> Concept, Nature and Scope of Financial Services – Regulatory Framework of Financial Services – Growth of Financial Services in India.</p> <p><b>4.2 Merchant Banking:</b> Meaning – Types – Responsibilities of Merchant Bankers – Role of Merchant Bankers in Issue Management – Regulation of Merchant Banking in India.</p> <p><b>4.3 Venture Capital:</b> Growth of Venture Capital in India – Financing Pattern under Venture Capital.</p>	<b>(Hours: 7+2)</b>

	<p><b>4.4 Factoring, Forfeiting, Securitization (Concepts and Applications):</b> Types of Factoring Arrangements – Factoring in the Indian Context.</p> <p><b>4.5 Mutual Fund:</b> Concept and Objectives, Guidelines for Mutual Funds, Working of Mutual Funds in India.</p> <p><b>4.6 Loan Syndication, Dematerialization of Services:</b> Need and Operations – Other Types of Funding – Crowd Funding, Asset Backed Finance, Depository Services – Role of NSDL and CSDL.</p>	
<b>Unit – 5</b>	<p><b>5.1 Financial Institutions in India:</b> Functions and Working of Banking – Commercial Banks – Cooperative Banks – Urban Cooperative Banks – Post Office Saving Banks, Functions and Working of Non-banking Companies – Finance Companies Investment Trusts, Housing Companies, Functions and Working of Development Institutions NABARD, SIDBI, NHB, EXIM Bank, BIFR and SFCs.</p> <p><b>5.2 Credit Rating Agencies:</b> CRISIL and ICRA.</p> <p><b>5.3 Insurance Companies in India:</b> LIC and GIC – Features and Functions.</p>	<b>(Hours: 8+2)</b>







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# 305 Direct Taxation

## Chapter 1 Direct Taxation

1. Income tax is collected on all types of income except \_\_\_\_\_.
  - (a) Agricultural Income
  - (b) Industrial Income
  - (c) Capital Gain
  - (d) Household Property
2. The Income Tax Act came into force from \_\_\_\_\_.
  - (a) 1st March 1971
  - (b) 1st April 1971
  - (c) 1st March 1961
  - (d) 1st April 1961
3. The Income Tax Act came into force all over India except \_\_\_\_\_.
  - (a) Andaman & Nicobar
  - (b) Maldives
  - (c) Jammu & Kashmir
  - (d) None of the above
4. As per Income Tax Act, 1961, income tax is charged on the income of \_\_\_\_\_ at a rates which are prescribed by the Finance Act of relevant assessment year.
  - (a) Current year
  - (b) One year before previous year
  - (c) Previous year
  - (d) None of the above
5. The tax payer liability is determined with reference to his or her \_\_\_\_\_.
  - (a) Financial Status
  - (b) Residential Status
  - (c) All of the above
  - (d) None of the above
6. As per the definition of Income, the income includes the following \_\_\_\_\_.
  - (a) Profits and gains
  - (b) Dividend declared
  - (c) Voluntary contribution received by a trust created
  - (d) All of the above
7. The period of 12 months commencing on the first day of April every year and ending on 31st March is called as \_\_\_\_\_.
  - (a) Previous Year
  - (b) Assessment year
  - (c) Accounting Year
  - (d) Financial Year
8. Previous year means the financial year immediately preceding the \_\_\_\_\_.
  - (a) Accounting Year
  - (b) Assessment Year
  - (c) All of the above
  - (d) None of the above

9. Under Income Tax Act, the income liable for tax is classified on the basis of \_\_\_\_\_.
- (a) Income from Salaries (b) Income from House Property  
(c) Agricultural Income (d) Both (a) and (b)
10. Agricultural income is completely exempted for assessment year \_\_\_\_\_.
- (a) 1974-75 (b) 1985-86  
(c) 1975-76 (d) 1978-79
11. The income from foreign companies by providing the services in project connected with security of India is \_\_\_\_\_ from tax liability.
- (a) 50% exempted (b) 20% exempted  
(c) 100% exempted (d) 55% exempted
12. An individual is said to be resident in India if \_\_\_\_\_.
- (a) It is in India in the previous year for a period of 182 days or more  
(b) It is in India for period of 60 days or more during the previous and 365 days or more during the four years immediately preceding previous year  
(c) All of the above  
(d) None of the above
13. The HUF is said to be resident in India if \_\_\_\_\_.
- (a) The control and management of its affairs is wholly or partly situated in India  
(b) The control and management of its affairs is partially situated out of India  
(c) The control and management of its affairs is wholly or partly in out of India  
(d) None of the above
14. The awards and rewards are exempted from Income Tax if \_\_\_\_\_.
- (a) Payment is in cash (b) Payment is in kind  
(c) Payment is in cash or in kind (d) None of the above
15. Income received in India whether occurred in India or outside India, the tax incidence in case of resident is \_\_\_\_\_.
- (a) Taxable as per slabs (b) Exempted from tax  
(c) Partly exempted (d) None of the above
16. Income received in India whether occurred in India or outside India, the tax incidence in case of resident but not ordinarily resident is \_\_\_\_\_.
- (a) Taxable as per slabs (b) Exempted from tax  
(c) Partly exempted (d) None of the above
17. Income received in India whether occurred in India or outside India, the tax incidence in case of non-resident is \_\_\_\_\_.
- (a) Taxable as per slabs (b) Exempted from slab  
(c) Partly exempted (d) None of the above

18. Income deemed to be received in India whether occurred in India or outside India, the tax incidence in case of resident is \_\_\_\_\_.
- (a) Taxable as per slabs (b) Exempted from slab  
(c) Partly exempted (d) None of the above
19. The income received and accrued outside India from a business controlled or profession set up in India, the tax incidence in case of resident is \_\_\_\_\_.
- (a) Taxable (b) Non-taxable  
(c) Partly taxable (d) None of the above
20. The income received and accrued outside India from a business controlled or profession set up in India, the tax incidence in case of non-resident is \_\_\_\_\_.
- (a) Taxable (b) Non-taxable  
(c) Partly taxable (d) None of the above
21. The tax incidence for company or firm in which income received in India and company is resident is \_\_\_\_\_.
- (a) Taxable (b) Non-taxable  
(c) Partly taxable (d) None of the above
22. The tax incidence for company or firm in which income received in India and company for non-resident is \_\_\_\_\_.
- (a) Taxable (b) Non-taxable  
(c) Partly taxable (d) None of the above
23. The tax incidence for company or firm in which income received outside India from a source controlled from India for resident is \_\_\_\_\_.
- (a) Taxable (b) Non-taxable  
(c) Partly taxable (d) None of the above
24. The tax incidence for company or firm in which income received outside India from a source controlled from India for non-resident is \_\_\_\_\_.
- (a) Non-taxable (b) Taxable  
(c) Partly taxable (d) None of the above
25. \_\_\_\_\_ is exempted from income tax.
- (a) Interest from Indian company (b) Dividend from foreign company  
(a) Cooperative dividend (d) Dividend from Indian company
26. Which section of the Income Tax Act exempted incomes have been mentioned?
- (a) Section 80C (b) Section 80DD  
(c) Section 10 (d) Section 2
27. \_\_\_\_\_ of Income Tax Act is related to residential status.
- (a) Section 2 (b) Section 6  
(c) Section 5 (d) Section 4
28. Resident of India includes \_\_\_\_\_.
- (a) Ordinarily resident (b) Not ordinarily resident  
(c) NRI (d) Both (a) and (b)

29. The Company may have the residential status as \_\_\_\_\_.
- (a) Resident or Non-resident (b) Not ordinarily resident  
(c) Non-resident (d) Resident
30. The meaning of exempted income is \_\_\_\_\_.
- (a) Not included in total income (b) Agricultural income  
(c) Not taxable under income tax (d) All of the above
31. The number of income source for a person are \_\_\_\_\_.
- (a) One head (b) Two heads  
(c) Various heads (d) Any of the above
32. The sum of various heads is called as \_\_\_\_\_.
- (a) Taxable income (b) Total income  
(c) Gross total income (d) Adjusted income
33. The agricultural income includes \_\_\_\_\_.
- (a) Income from sale of crop (b) Income from preparation of crop  
(c) Income from nursery (d) All of the above
34. \_\_\_\_\_ comes under agricultural income.
- (a) Tea garden (b) Commodity farming  
(c) All of the above (d) None of the above
35. If the agricultural income is \_\_\_\_\_, then the agricultural income is considered for calculating tax.
- (a) More than ₹ 5,000 and total income is exceeding exemption limit  
(b) More than ₹ 5,000  
(c) More than ₹ 10,000  
(d) Any amount
36. The Income Tax Act, 1961 broadly covers \_\_\_\_\_.
- (a) Basic charging income  
(b) Rebates and reliefs  
(c) Incomes exempted from income tax  
(d) All of the above
37. The capital gain is chargeable under \_\_\_\_\_ of Income Tax Act.
- (a) Section 45 (b) Section 55  
(c) Section 56 (d) Section 40
38. The definition of the person includes \_\_\_\_\_.
- (a) An individual (b) A company  
(c) A Hindu undivided family (d) All of the above
39. Any rent or revenue derived from land which is situated in India and is used for agricultural purpose is \_\_\_\_\_.
- (a) Partially taxable (b) Fully taxable  
(c) Exempted from tax (d) None of the above

40. Residential Status of an assessee can be \_\_\_\_\_.
- (a) Different for different previous year in the same assessment year
  - (b) Different for different assessment year
  - (c) None of the above
  - (d) All of the above
41. The income of previous year is chargeable to tax in the \_\_\_\_\_.
- (a) Immediately succeeding assessment year
  - (b) Same previous year
  - (c) Immediately preceding assessment year
  - (d) None of the above
42. The interest on loan paid by the Government of India to a non-resident outside India is \_\_\_\_\_ in India.
- (a) Not taxable
  - (b) Partially taxable
  - (c) Taxable
  - (d) Can't say
43. An individual is resident and ordinarily resident of India if \_\_\_\_\_.
- (a) Person had been resident in India at least 2 out of 10 previous years immediately preceding the relevant previous year
  - (b) Person been in India for a period of 730 days or more during 7 years immediately preceding the relevant previous year
  - (c) All of the above
  - (d) None of the above
44. The Resident HUF is ordinarily resident in India, if \_\_\_\_\_.
- (a) He has been resident in India at least 2 years out of 10 previous years immediately
  - (b) He has been resident in India at least 3 years out of 10 previous years immediately
  - (c) He has been resident in India at least 2 years out of 5 previous years immediately
  - (d) None of the above
45. Basic condition will be for a person who leaves India for employment \_\_\_\_\_.
- (a) At least 182 days in India
  - (b) At least 60 days in previous year and 365 days in preceding 4 years
  - (c) At least 730 days in preceding 7 years
  - (d) All of the above
46. Which of the following is not included in the term Income under the Income Tax Act, 1961?
- (a) Reimbursement of travelling expenses
  - (b) Profits and gains of business or profession
  - (c) Dividend
  - (d) Profit in lieu of salary
47. The term income includes the following types of incomes.
- (a) Illegal
  - (b) Legal income from India only
  - (c) Legal
  - (d) Legal and illegal both



48. \_\_\_\_\_ is the casual income.
- (a) Interest received (b) Dividend income  
(c) Pension received (d) Winning from lotteries
49. The way of tax liability by taking full advantage provided by the Act is \_\_\_\_\_.
- (a) Tax management (b) Tax avoidance  
(c) Tax planning (d) Tax evasion
50. Mr. A, partner of M/s ABC, is assessable as \_\_\_\_\_.
- (a) Firm (b) An individual  
(c) Body of individual (d) HUF

### Answer Key of Chapter 1

1	(a)	11	(c)	21	(a)	31	(d)	41	(a)
2	(d)	12	(c)	22	(a)	32	(c)	42	(a)
3	(d)	13	(a)	23	(a)	33	(d)	43	(c)
4	(c)	14	(c)	24	(a)	34	(c)	44	(a)
5	(b)	15	(a)	25	(d)	35	(a)	45	(a)
6	(d)	16	(a)	26	(c)	36	(d)	46	(d)
7	(b)	17	(a)	27	(b)	37	(a)	47	(d)
8	(b)	18	(a)	28	(d)	38	(a)	48	(d)
9	(d)	19	(a)	29	(a)	39	(c)	49	(c)
10	(a)	20	(b)	30	(d)	40	(b)	50	(a)

## Chapter 2 Direct Taxation

1. The income is chargeable under the head of salary under \_\_\_\_\_ of Income Tax Act, 1961.
  - (a) Section 15
  - (b) Section 20
  - (c) Section 14
  - (d) Section 16
2. Pension is \_\_\_\_\_ under the salary head.
  - (a) Fully taxable
  - (b) Partially taxable
  - (c) Not taxable
  - (d) None of the above
3. The salary of Member of Parliament is taxable under the head \_\_\_\_\_.
  - (a) Salary
  - (b) Income from Other Sources
  - (c) Income from Business
  - (d) All of the above
4. The salary, remuneration or compensation received by the partners is taxable under the head \_\_\_\_\_.
  - (a) Income from Other Sources
  - (b) Income from Business
  - (c) Salary
  - (d) None of the above
5. The death-cum-retirement gratuity received by the Government Employee or employee of local authority is \_\_\_\_\_.
  - (a) Partially exempted
  - (b) Fully exempted
  - (c) Half taxable
  - (d) None of the above
6. Under Section 15 of Income Tax Act, the salary due in previous years and even if it is not received is \_\_\_\_\_.
  - (a) Taxable
  - (b) Not taxable
  - (c) Partially taxable
  - (d) None of the above
7. The assesses can claim relief under \_\_\_\_\_ for arrears or advance salary.
  - (a) Section 89(1)
  - (b) Section 89(2)
  - (c) Section 89(3)
  - (d) Section 89(4)
8. The Payment of Gratuity Act came into force in \_\_\_\_\_.
  - (a) 1973
  - (b) 1980
  - (c) 1991
  - (d) 1972
9. X is employed in Complex Ltd. as a Chartered Accountant. The annual membership fees of X paid by Complex Ltd. is not a perquisite and hence not chargeable to tax.
  - (a) False
  - (b) True
10. The salary of non-resident received for the period in which he is working in India is not taxable.
  - (a) True
  - (b) False
11. Which of the following is not taxable under the head Salary?
  - (a) Remuneration paid to the lecturer of a college for setting a question paper
  - (b) Salary received by a member of parliament

- (c) Commission received by an employee director of a company  
(d) Both (a) and (b)
12. In accordance with the provisions of Section 17(1) of Income Tax Act, 1961, the term salary includes \_\_\_\_\_.
- (a) Any annuity or pension  
(b) Any gratuity  
(c) Any fees, commission, perquisite or profits in lieu of or in addition to any salary or wages  
(d) All of the above
13. The children education allowance, the amount exempted from taxable income is limited to \_\_\_\_\_.
- (a) ₹ 100 per month per child upto 3 children  
(b) ₹ 1,000 per year per child upto 2 children  
(c) ₹ 100 per year per child upto 2 children  
(d) None of the above
14. If the employee receives retirement gratuity from more than one employer, he can claim exemption in respect of \_\_\_\_\_.
- (a) Current employer (b) Previous employer  
(c) Both employer (d) Not from single employer
15. The family pension received by the family members of armed forces after death of employee is \_\_\_\_\_.
- (a) Exempt fully (b) Exempted after fulfilling of certain conditions  
(c) Not exempted (d) None of the above
16. The entertainment allowance is applicable to \_\_\_\_\_.
- (a) Private sector employees (b) Public sector employees  
(c) Government employees (d) All of the above
17. The entertainment tax allowed as a deduction under Section 16 of Income Tax Act is the least of \_\_\_\_\_.
- (a) Actual amount of entertainment allowance received  
(b) 20% of basic salary of the individual  
(c) ₹ 50,00  
(d) All of the above
18. The assessment period for income tax on salary is \_\_\_\_\_.
- (a) Only more than 12 months (b) 12 months and less than 12 months  
(c) Only 12 months (d) 12 months and more than 12 months
19. Total income is to be rounded off to nearest multiple of \_\_\_\_\_ and tax is to be rounded off to nearest multiple of \_\_\_\_\_.
- (a) Ten rupee (b) Hundred, ten  
(c) Ten, ten (d) Rupee, rupee

20. Income accrued outside India and received outside India is taxable in case of \_\_\_\_\_.
- (a) Resident and ordinary resident (ROR) only  
(b) Resident but not ordinary resident (RNOR) only  
(c) Non-resident only  
(d) ROR, RNOR and Non-resident
21. Gross Total Income is arrived after \_\_\_\_\_.
- (a) only adding Income under five heads of Income;  
(b) adding Income under five heads of Income excluding losses  
(c) adding Income under five heads of Income, after applying clubbing provisions and making adjustment of set off and carry forward of losses  
(d) adding Income under five heads of Income, after applying clubbing provisions and making adjustment of set off and carry forward of losses and after allowing deduction under section 80C to 80U
22. Salary of S (₹ 40,000 per month) becomes due on the last day of the month but is paid on 7th of next month. Also, salary of April, 2017 and May, 2017 is received in advance in March, 2017. What will be his gross income for Assessment Year 2017-18?
- (a) ₹ 5,60,000 (b) ₹ 4,80,000  
(c) ₹ 4,40,000 (d) ₹ 5,20,000
23. Calculate the exempt HRA from the following details:  
A is entitled to basic salary of ₹ 50,000 p.m. and dearness allowance of ₹ 10,000 p.m., 40% of which forms part of retirement benefits. He is also entitled to HRA of ₹ 20,000 p.m. He actually lives with his parents in Mumbai and does not pay any rent. Market rent of that house is ₹ 20,000 p.m. in Mumbai.
- (a) Nil (b) ₹ 1,75,200  
(c) ₹ 64,800 (d) ₹ 2,40,000
24. Deduction under section 80C to 80U cannot exceed \_\_\_\_\_.
- (a) Gross Total Income  
(b) Total Income  
(c) Income from Business or Profession  
(d) Income from House Property
25. Employer provides a car (below 1.6 ltr capacity) along with a driver to X partly for official and partly for personal purpose. The expenses incurred by the company are: running and maintenance expenses – ₹ 32,000 and driver's salary – ₹ 36,000. Taxable value of perquisite is \_\_\_\_\_.
- (a) ₹ 21,600 (b) ₹ 10,800  
(c) ₹ 32,400 (d) ₹ 39,600
26. The maximum limit for the claim of deduction under salary head Contributions to certain pension funds of LIC or any other insurer is \_\_\_\_\_.
- (a) Up to ₹ 2,00,000 (b) Up to ₹ 1,50,000  
(c) Up to ₹ 1,75,000 (d) None of the above

27. Encashment of earned leave is given by \_\_\_\_\_ of Income Tax Act, 1961.
- (a) Section 10(10AA) (b) Section 12(10A)  
(c) Section 15(10B) (d) None of the above
28. Compensation received on voluntary retirement is given by \_\_\_\_\_ of Income Tax Act, 1961.
- (a) Section 10(10D) (b) Section 10(10C)  
(c) Section 10(10E) (d) Section 11(10D)
29. The house rent allowance (HRA) under the salary head of Income Tax Act is given by \_\_\_\_\_.
- (a) Section 10 (b) Sec 10(13A)  
(c) Section 11(13B) (d) Section 11
30. \_\_\_\_\_ of Income Tax Act defines the perquisites and their valuation.
- (a) Section 18 (b) Section 17  
(c) Section 18(C) (d) Section 17(C)
31. The Income tax rate for the financial year 2016-17 for individual is \_\_\_\_\_.
- (a) ₹ 5,00,000 to ₹ 10,00,000 is 20%  
(b) ₹ 5,50,000 to ₹ 1,50,000 is 20%  
(c) ₹ 5,00,000 to ₹ 10,00,000 is 30%  
(d) ₹ 5,00,000 to ₹ 10,00,000 is 10%
32. Income tax rate for the senior citizens for year 2016-17 is \_\_\_\_\_.
- (a) Upto ₹ 5 lakh is Nil (b) Upto ₹ 10 lakh is 10%  
(c) Upto ₹ 5 lakh is 10% (d) None of the above
33. For computation for Income tax liability for individual, the Education Cess is \_\_\_\_\_.
- (a) 3% (b) 4%  
(c) 2.5% (d) 2%
34. The rate of tax for the financial year 2016-17 for the foreign companies is \_\_\_\_\_.
- (a) 45% (b) 30%  
(c) 40% flat (d) None of the above
35. Which of the following are true regarding taxing the rich?
- (a) Additional 10% tax on dividends in excess of ₹ 10 lakh per annum  
(b) Surcharge on persons decreased to 12% from 15%  
(c) TDS at 1% on purchase of luxury cars exceeding value of ₹ 10 lakh  
(d) All of the above
36. The Secondary and Education Cess on the computation of Income Tax for 2016-17 is \_\_\_\_\_.
- (a) 1% of Income Tax (b) 2% of Income Tax  
(c) 0.5% of Income Tax (d) None of the above

37. Surcharge is levied at the rate \_\_\_\_\_ if the income exceeds ₹ 1 crore of the financial year 2016-17.
- (a) 10% (b) 12%  
(c) 15% (d) 20%
38. Tax Liability for the individual for 2016-17 who is not the resident of the India whose income ₹ 2,50,000 to ₹ 5,00,000 is \_\_\_\_\_.
- (a) 10% of total income minus ₹ 2,00,000  
(b) 10% of total income minus ₹ 1,00,000  
(c) 15% of total income minus ₹ 1,00,000  
(d) None of the above
39. If an employer transfers second hand motor car to the employee, the perquisite is valued at \_\_\_\_\_.
- (a) Actual cost less depreciation @ 30% for every completed year under straight line method  
(b) Actual cost less depreciation @ 20% for every completed year under WDV method  
(c) Actual cost less depreciation @ 30% for every completed year under WDV method  
(d) Actual cost less depreciation @ 20% for every completed year under SLM method
40. The following is not taxable as income under the head "Salaries":
- (a) Commission received by a full-time director  
(b) Remuneration received by a partner  
(c) Allowances received by an employee  
(d) Free accommodation given to an employee
41. The following is exempt income from Income Tax:.
- (a) Travel concession to employee  
(b) Remuneration received for valuation of answer scripts  
(c) Encashment of leave salary whilst in service  
(d) Perquisites in India
42. Advance salary is taxable and advance against salary is \_\_\_\_\_.
- (a) Fully taxable (b) Partially taxable  
(c) Not taxable (d) None of the above
43. If loan granted by employer to employee does not exceed \_\_\_\_\_, it is not treated as perquisite to employee for purpose of income tax.
- (a) ₹ 20,000 (b) ₹ 40,000  
(c) ₹ 30,000 (d) ₹ 25,000
44. Death-cum-retirement gratuity received by an employee of Central Government is wholly exempt up to \_\_\_\_\_.
- (a) ₹ 2.5 lakh (b) ₹ 4.5 lakh  
(c) ₹ 3.5 lakh (d) None of the above

45. Gift to employee up to \_\_\_\_\_ p.a. will not be treated as perquisite taxable in the hands of employee.  
 (a) ₹ 4,000 (b) ₹ 5,000  
 (c) ₹ 10,000 (d) ₹ 2,500
46. Expenditure on free meals to employee in excess of \_\_\_\_\_ per meal will be treated as perquisite of employee.  
 (a) ₹ 25 (b) ₹ 50  
 (c) ₹ 100 (d) ₹ 55
47. Any commission due or received by a partner of a firm from the firm shall not be regarded as salary income under \_\_\_\_\_.  
 (a) Section 15 (b) Section 20  
 (c) Section 17 (d) Section 19
48. Proportional tax is based on the principle 'higher the income, higher the tax'. Statement is \_\_\_\_\_.  
 (a) True (b) False
49. The tax will be economical if the cost of collection is very small.  
 (a) True (b) False
50. Income tax is a form of tax which is levied on individual's total earnings.  
 (a) False (b) True

### Answer Key of Chapter 2

1	(a)	11	(d)	21	(d)	31	(a)	41	(d)
2	(a)	12	(d)	22	(a)	32	(a)	42	(c)
3	(a)	13	(c)	23	(a)	33	(a)	43	(b)
4	(b)	14	(c)	24	(a)	34	(c)	44	(c)
5	(b)	15	(b)	25	(c)	35	(d)	45	(b)
6	(a)	16	(c)	26	(b)	36	(a)	46	(b)
7	(a)	17	(d)	27	(a)	37	(c)	47	(a)
8	(d)	18	(c)	28	(b)	38	(a)	48	(b)
9	(a)	19	(c)	29	(b)	39	(d)	49	(a)
10	(b)	20	(a)	30	(d)	40	(b)	50	(b)

### Chapter 3 Direct Taxation

1. The Income from House Property is taxable in the hands of the individual even if property is not registered in his name \_\_\_\_\_.
  - (a) When the property has been transferred to spouse for inadequate consideration
  - (b) Where the property is transferred to a minor child for inadequate consideration
  - (c) Where the individual holds on importable estate
  - (d) All of the above
2. Under the Head Income from House Property, the basis of charge is the \_\_\_\_\_ of property.
  - (a) Annual value
  - (b) Quarterly value
  - (c) Half-quarterly value
  - (d) None of the above
3. The following conditions must be satisfied to charge the rental income under the head Income of House Property:
  - (a) The property should consist of any buildings or lands
  - (b) The assessee should be one of the property
  - (c) The property should not be used by the owner for the purpose of business or professional purpose
  - (d) All of the above
4. Mr. Ram owns a house property. He lent it to Laxman at ₹ 10,000 p.m. Laxman sublet it to Mr. Maruti on monthly rent of ₹ 20,000 p.m. Rental income of Ram is taxable under the head \_\_\_\_\_.
  - (a) Income from Salary
  - (b) Income from Other Sources
  - (c) Income from House Property
  - (d) Income from Business
5. Mr. Ram owns a house property. He lent it to Laxman at ₹ 10,000 p.m. Laxman sublet it to Mr. Maruti on monthly rent of ₹ 20,000 p.m. Rental income of Laxman is taxable under the head \_\_\_\_\_.
  - (a) Income from Salary
  - (b) Income from Other Sources
  - (c) Income from House Property
  - (d) Income from Business
6. An individual who transfers house property without an adequate consideration to his owner spouse or to minor child is called as \_\_\_\_\_.
  - (a) Co-owner
  - (b) Deemed Owner
  - (c) Owner Himself
  - (d) None of the above
7. An individual is considered as a owner of the house property for the purpose of charging tax to \_\_\_\_\_.
  - (a) A member of cooperative society, company or AOP to whom a building or a part thereof is allotted or leased under a house building scheme of the society.
  - (b) An individual who transfers house property without an adequate consideration to his owner spouse or to minor child
  - (c) The holder of importable estate
  - (d) All of the above



8. The rental income of person who is resident of Ladakh is \_\_\_\_\_ taxable under Income from House Property.
- (a) Fully taxable (b) Not taxable  
(c) Partially taxable (d) None of the above
9. If the individual using the property for the business or professional purpose the income taxable under the \_\_\_\_\_ head.
- (a) Income from House property (b) Income from HUF  
(c) Income from Other (d) Income from Business or Proprietorship
10. If the assesses let out the building or staff quarters to the employee of business, the rent collected from such employees is assessable as income from \_\_\_\_\_.
- (a) Business (b) House Property  
(c) Other Sources (d) None of the above
11. The Gross annual value of the property is depends upon the \_\_\_\_\_.
- (a) Standard rent (b) Municipal Valuation  
(c) Fair rent (d) All of the above
12. If Anil is entitled to basic salary of ₹ 50,000 p.m. and dearness allowance of ₹ 10,000 p.m., 40% of which forms part of retirement benefits. He is also entitled to HRA of ₹ 20,000 p.m. He actually lives with his parents in Mumbai and does not pay any rent. Market rent of that house is ₹ 20,000 p.m. in Mumbai, then calculate the exempt HRA for Mr. Anil.
- (a) Nil (b) ₹ 64,800  
(c) ₹ 2,40,000 (d) ₹ 1,75,200
13. Calculate the Gross Annual Value from the following details:
- Municipal Value ₹ 45,000  
Fair rental value ₹ 50,000  
Standard Rent ₹ 48,000  
Actual Rent ₹ 42,000
- (a) ₹ 50,000 (b) ₹ 48,000  
(c) ₹ 45,000 (d) ₹ 42,000
14. Which of the following is not a case of deemed ownership of house property?
- (a) Transfer to a spouse for inadequate consideration  
(b) Transfer to a minor child for inadequate consideration  
(c) Holder of an importable estate  
(d) Co-owner of a property
15. Interest on capital borrowed for acquisition or construction of property is deductible subject to limit of \_\_\_\_\_ per year, if capital is borrowed on or after 1-04-1999. This is allowable if acquisition or construction is completed within 3 years from end of financial year in which loan was taken.
- (a) ₹ 1,50,000 (b) ₹ 2,00,000  
(c) ₹ 1,80,000 (d) ₹ 2,50,000

16. For a self-occupied house property occupied on 1.7.2016, for which housing loan was availed, if the interest up to 31.3.2016 is ₹ 90,000 and thereafter the interest payable is ₹ 3,000 p.m., the deduction available under section 24 in respect of interest for the year ended 31.3.2017 is \_\_\_\_\_.
- (a) ₹ 50,000 (b) ₹ 45,000  
(c) ₹ 54,000 (d) None of the above
17. If an assessee earns rent from a sub-tenant in respect to tenanted property let out as a residence, the said rent is \_\_\_\_\_.
- (a) Exempted under Section 10  
(b) Taxable under the head income from house property  
(c) Taxable as business income, as the letting out is a commercial activity  
(d) Taxable as income from other sources
18. An assessee, after sale of house property, receiving arrears of rent (is/is not) chargeable to tax; the same computed in the stipulated manner, is chargeable to tax as \_\_\_\_\_.
- (a) Income from House Property (b) Income from Other Sources  
(c) Either (a) or (b) (d) Neither (a) nor (b)
19. Arrear rent is taxable after deducting \_\_\_\_\_ as per Section 25B of the Income Tax Act, 1961.
- (a) 30% (b) 35%  
(c) 10% (d) 20%
20. Monish took a loan of ₹ 6,00,000 on 1.4.2014 from a bank for construction of a house. The loan carries an interest @ 10% p.a. The construction is completed on 15.6.2016. The entire loan is still outstanding. Compute the interest allowable for the assessment year 2016-17.
- (a) ₹ 60,000 (b) ₹ 1,80,000  
(c) ₹ 84,000 (d) ₹ 24,000
21. The value of interest-free concessional loans to employees is determined on the basis of lending rates of \_\_\_\_\_ for the same purpose.
- (a) SBI (b) RBI  
(c) Central Government (d) State Government
22. Value of rent-free accommodation in case of Government employee shall be taxable up to \_\_\_\_\_.
- (a) 15% of employee's salary (b) 8% of employee's salary  
(c) License fee fixed by Government (d) 10% of employee's salary
23. Value of rent-free accommodation or a house owned by employer in case of non-government employees with above 25 lakh population is \_\_\_\_\_.
- (a) 15% of employee salary (b) 7.5% of employee salary  
(c) 20% of employee salary (d) 10% of employee salary
24. Deduction for other expenses except interest in the computation of income from house property is allowable to the extent of \_\_\_\_\_.
- (a) 25% of annual value (b) 10% of annual value  
(c) 30% of annual value (d) 20% of annual value

25. Rate of depreciation on residential building is \_\_\_\_\_.
- (a) 10% (b) 20%  
(c) 25% (d) 5%
26. House property held for less than 36 months is \_\_\_\_\_.
- (a) Short-term capital asset (b) Projected capital asset  
(c) Exempted capital asset (d) Long-term capital asset
27. Mr. Shushant is the owner of a house, the details of which are given below the gross annual value would be \_\_\_\_\_.
- Municipal value ₹ 36,000  
Actual rent ₹ 32,000  
Fair Rent ₹ 36,000  
Standard Rent ₹ 40,000
- (a) ₹ 36,000 (b) ₹ 35,000  
(c) ₹ 30,000 (d) ₹ 40,000
28. Sunil purchased a house for his residential purpose after taking a loan in January, 2016. During the previous year 2016-17, he paid interest on loan ₹ 1,67,000. While computing income from house property, the deduction is allowable to the extent of \_\_\_\_\_.
- (a) ₹ 30,000 (b) ₹ 1,00,000  
(c) ₹ 1,67,000 (d) ₹ 1,50,000
29. Expected rent shall be higher of \_\_\_\_\_.
- (a) Municipal value and standard rent (b) Fair rent and actual rent received  
(c) Standard rent and fair rent (d) Municipal value and fair rent
30. Municipal Value ₹ 14,000, Fair rent ₹ 14,500, Standard Rent ₹ 14,200, Actual rent as property let out throughout the previous year ₹ 16,800 and Unrealized rent of the previous year ₹ 7,000. The annual value of the house property shall be \_\_\_\_\_.
- (a) ₹ 9,800 (b) ₹ 14,200  
(c) ₹ 7,200 (d) ₹ 7,500
31. Interest on capital, borrowed on 10.10.2000, for self-occupied property is deductible up to a maximum amount of \_\_\_\_\_.
- (a) ₹ 50,000 (b) ₹ 1,50,000  
(c) ₹ 5,000 (d) None of the above
32. Deduction from annual value is allowed under \_\_\_\_\_.
- (a) Section 24 (b) Section 25  
(c) Section 27 (d) Section 28
33. \_\_\_\_\_ standard deduction from annual value is allowed.
- (a) 10% (b) 20%  
(c) 30% (d) 15%

34. Interest on loan for self-occupied house taken before 1st April, 1999 will be allowed up to \_\_\_\_\_.
- (a) ₹ 30,000 (b) ₹ 1,50,000  
(c) ₹ 10,000 (d) ₹ 50,000
35. Deduction allowed from annual value is \_\_\_\_\_.
- (a) Interest on loan for constitution (b) Interest on loan for repair  
(c) Statutory deduction (d) All of the above
36. An individual assessee can show maximum loss of \_\_\_\_\_ from a self-occupied residential house property.
- (a) ₹ 1,50,000 (b) ₹ 30,000  
(c) ₹ 20,000 (d) ₹ 5,00,000
37. The Annual Value has been defined under \_\_\_\_\_ of Income Tax Act, 1961.
- (a) Section 20 (b) Section 22  
(c) Section 23(1) (d) Section 23
38. Mr. Rupesh owns a house property. Municipal value ₹ 1,50,000, Fair Rent ₹ 1,25,000 and Standard Rent ₹ 1,45,000. It is let out throughout the previous year for ₹ 10,000 p.m. up to December 31, 2015 and ₹ 1,45,000 p.m. thereafter. Find out the Gross Annual Value for the Assessment Year 2016-17.
- (a) ₹ 1,45,000 (b) ₹ 1,25,000  
(c) ₹ 1,50,000 (d) ₹ 1,33,000
39. When the portion of the house is self-occupied for the full year and portion is self-occupied for the whole year, the annual value of the house shall be determined by \_\_\_\_\_.
- (a) The full annual value of the house the proportionate annual value of self-occupied portion for the whole year shall be deducted  
(b) Its present standard value  
(c) All of the above  
(d) None of the above
40. Mr. R owns a house. The Municipal value of the house is ₹ 50,000. He paid ₹ 8,000 as local taxes during the year. He uses this house for his residential purposes but lets out half of the house @ ₹ 3,000 p.m. The annual value of the house is \_\_\_\_\_.
- (a) ₹ 15,000 (b) ₹ 16,000  
(c) ₹ 17,000 (d) ₹ 18,000
41. If fair rent is not given, then assume \_\_\_\_\_ as fair rent.
- (a) Actual rent (b) Standard rent  
(c) Average rent (d) None of the above
42. Rent received by original tenant from sub-tenant is taxable under the head \_\_\_\_\_.
- (a) Income from House Property (b) Income from Other Sources  
(c) Income from Capital Gain (d) None of the above

43. The net annual value of house let out is ₹ 1,00,000 and actual amount spent by the assessee on repairs and insurance premium is ₹ 20,000. The amount of deduction allowed under Section 24(a) shall be \_\_\_\_\_.
- (a) ₹ 35,000 (b) ₹ 45,000  
(c) ₹ 30,000 (d) ₹ 25,000
44. Rent from House Property let out by an assessee to his employees when such letting is incidental to his main business will be chargeable to tax under head \_\_\_\_\_.
- (a) Profit and Gain from Business and Profession  
(b) Income from Capital Gain  
(c) Income from House Property  
(d) All of the above
45. When annual value of one-self occupied house is nil, the assessee will be entitled to the standard deduction of \_\_\_\_\_.
- (a) 10% (b) 20%  
(c) Nil (d) None of the above
46. Gross annual value shall be higher of \_\_\_\_\_.
- (a) Expected rent (b) Actual rent received or receivable  
(c) All of the above (d) None of the above
47. Income from property held under trust for charitable or religious purposes is \_\_\_\_\_.
- (a) Exempted from tax (b) Taxable @ 10%  
(c) Taxable @ 20% (d) None of the above
48. Mr. Anup owns a house property. Municipal value ₹ 1,80,000, Fair Rent ₹ 1,35,000 and Standard Rent ₹ 1,65,000. It is let out throughout the previous year for ₹ 10,000 p.m. up to December 31, 2015 and ₹ 1,65,000 p.m. thereafter. Find out the Gross Annual Value for the Assessment Year 2016-17.
- (a) 1,80,000 (b) 1,65,000  
(c) 1,55,500 (d) None of the above
49. The assessee lets on hire machinery, plant or furniture belonging to him and also building and the letting of the buildings is inseparable from the letting of the said machinery, plant and furniture, the income from such letting is chargeable to tax under the head \_\_\_\_\_.
- (a) Income from Business (b) Income from Capital Gain  
(c) Income from Other Sources (d) Profit and Gain from Business or Profession
50. For computation of Gross Annual Value, if actual rent is more than expected rent, then we select the \_\_\_\_\_.
- (a) Actual rent (b) Expected rent  
(c) Any of the above (d) None of the above

**Answer Key of Chapter 3**

1	(d)	11	(d)	21	(d)	31	(b)	41	(a)
2	(a)	12	(a)	22	(c)	32	(a)	42	(b)
3	(d)	13	(b)	23	(a)	33	(c)	43	(c)
4	(c)	14	(d)	24	(c)	34	(a)	44	(a)
5	(b)	15	(a)	25	(d)	35	(d)	45	(c)
6	(b)	16	(c)	26	(c)	36	(a)	46	(c)
7	(d)	17	(d)	27	(a)	37	(c)	47	(a)
8	(b)	18	(c)	28	(c)	38	(a)	48	(b)
9	(d)	19	(a)	29	(d)	39	(a)	49	(c)
10	(c)	20	(d)	30	(b)	40	(b)	50	(a)



## Chapter 4 Direct Taxation

- Under the Income Tax Act, 1961, depreciation on machinery is charged on \_\_\_\_\_.  
(a) Purchase price of the machinery (b) Written down value of the machinery  
(c) Market price of the machinery (d) All of the above
- The Depreciation allowance is charged of written down value on intangible assets at the rate of \_\_\_\_\_.  
(a) 25% (b) 15%  
(c) 20% (d) 30%
- Sunil contributed ₹ 3,00,000 to an approved institution for research in social science, which is not related to his business. The amount of deduction eligible under section 35 would be \_\_\_\_\_.  
(a) ₹ 37,500 (b) ₹ 30,000  
(c) ₹ 45,000 (d) ₹ 30,500
- Income of a business commenced on 1st Feb 2016 will be assessed during the assessment year \_\_\_\_\_.  
(a) 2014-15 (b) 2015-16  
(c) 2016-17 (d) 2015-17
- The amount of additional depreciation in respect of new building constructed in financial year 2015-16 at a cost of ₹ 25 lakh for manufacturing garments will be ₹ \_\_\_\_\_.  
(a) Nil (b) ₹ 10,000  
(c) ₹ 15,000 (d) ₹ 50,000
- If an asset is put to use for less than 180 days in the previous year, the depreciation is charged at \_\_\_\_\_ rate.  
(a) 30% (b) 50%  
(c) 25% (d) Nil
- Deduction for bad debt is allowed to assessee carrying on business in the year in which the debt is \_\_\_\_\_ as bad.  
(a) Accrual Basis (b) Written Basis  
(c) All of the above (d) None of the above
- Under Section 44AB, specified date means \_\_\_\_\_ of the assessment year.  
(a) 31st March (b) 1st April  
(c) 30th September (d) None of the above
- Income chargeable under the head 'Profits and Gains from Business or Profession' is covered under \_\_\_\_\_.  
(a) Section 23 (b) Section 28  
(c) Section 25 (d) Section 24
- Business expenses are allowed to be deducted from business income even if they are in the nature of personal expenditure of the assessee, as long as they are reasonable.  
(a) True (b) False

11. Where business is carried on, on behalf of the assessee's minor child (whose income is clubbed in assessee's hands), by the assessee, which is besides assessee's own business, the gross receipts of both should be reckoned for judging the applicability of Section 44AB of the Income Tax Act, 1961.
- (a) True (b) False
12. The income charged under the head Business/Profession are \_\_\_\_\_.
- (a) The profit and gain of any business or profession which was carried on by the assessee at any time during the previous year  
(b) Export incentives available to the exporters under any scheme of Government  
(c) Any compensation or other payment due to or received by any person specified by the Section 28(ii)  
(d) All of the above
13. The depreciation on the assets in case of new plant and machinery is \_\_\_\_\_.
- (a) Depreciation sum equal to 20% of the actual cost of new plant and machinery  
(b) Depreciation sum equal to 50% of the actual cost of new plant and machinery  
(c) Depreciation sum equal to 30% of the actual cost of new plant and machinery  
(d) Depreciation sum equal to 10% of the actual cost of new plant and machinery
14. If the asset is put to use for less than 180 days in the year in which it is acquired, the rate of depreciation will be \_\_\_\_\_.
- (a) 20% (b) 30%  
(c) 25% (d) 50%
15. If the assets falling within a block of assets is acquired during the previous year and it is put to use for a period of less than 180 day, \_\_\_\_\_.
- (a) Depreciation should be restricted to 30%  
(b) Depreciation should be restricted to 40%  
(c) Depreciation should be restricted to 50%  
(d) Depreciation should be restricted to 20%
16. The depreciation is allowable expenditure subject to \_\_\_\_\_.
- (a) The asset must be tangible asset  
(b) The asset is used for the business purposes  
(c) The assessee is the owner of the assets  
(d) All of the above
17. The revenue expenditure on research incurred by the assessee himself is allowed for deduction only if \_\_\_\_\_.
- (a) Research is related to business only  
(b) Research is related to personal purpose  
(c) Research is related to HUI  
(d) None of the above



18. Profits of ₹ 2,00,000 are earned from a business in USA which is controlled in India. Half of the profit is being received in India. How much amount is taxable in India of a non-resident individual?
- (a) Nil (b) ₹ 2,00,000  
(c) ₹ 1,00,000 (d) ₹ 3,00,000
19. Which of the following income is not chargeable as income of business or profession?
- (a) Profits and gains of business carried by an assessee during the previous year  
(b) Income derived by a trade, professional or similar association from specific services performed for its members  
(c) Income from the activity of owning and maintaining race horse  
(d) Salary received by a partner of a firm from the firm in which he is a partner.
20. If any expenditure is incurred by an Indian company wholly and exclusively for the purpose of amalgamation or demerger, the said expenditure is \_\_\_\_\_.
- (a) Not allowable as a deduction in computing profits and gains of business or profession  
(b) Fully deductible as revenue expenditure in the year in which it is incurred  
(c) Not deductible but is eligible to be treated as a intangible asset in respect of which depreciation can be claimed  
(d) Allowed as a deduction over five successive previous year in which amalgamation or demerger takes place
21. The transfer of old movable assets will be tax-free if it is used for \_\_\_\_\_.
- (a) 1 year (b) 5 years  
(c) 10 years (d) 15 years
22. The rate of depression on machinery is allowed upto \_\_\_\_\_.
- (a) 10% (b) 15%  
(c) 2% (d) 8%
23. Section 45 of Income Tax Act, 1961 is related to \_\_\_\_\_.
- (a) Capital assets (b) Assets  
(c) Capital expenses (d) Capital gain
24. Sections 28 to 44D of Income Tax Act, 1961 related to \_\_\_\_\_.
- (a) Income from House Property (b) Profit and Loss from Business or Profession  
(c) Income from Salary (d) Income of HUF
25. If any sum of money, the aggregate value of which exceeds fifty thousand rupees, is received without consideration, by an individual or a Hindu undivided family, in any previous year from any person or persons on or after the 1st day of April, 2006 but before 1st of October 2009, the whole sum is taxable under the head \_\_\_\_\_.
- (a) Income from Other Sources (b) Income from Business and Profession  
(c) Income from Capital Gain (d) None of the above
26. If a money gift is received from \_\_\_\_\_, it is not taxable under any head.
- (a) From any relatives  
(b) On the occasion of the marriage of the individual

- (c) Under a will or by way of inheritance  
(d) All of the above
27. The provision relating to clubbing of income where transfer of income is done without transferring the assets is given under \_\_\_\_\_.
- (a) Section 60 (b) Section 62  
(c) Section 61 (d) None of the above
28. The income from the asset would be taxable in the hands of the transferor if \_\_\_\_\_.
- (a) The taxpayer owns an asset  
(b) The ownership of asset is not transferred by him  
(c) The income from the asset is transferred to any person under a settlement or agreement  
(d) All of the above
29. The examples of revocable transfers are \_\_\_\_\_.
- (a) If there is an express clause of revocation in the instrument of transfer  
(b) If there is a sale with a condition of repurchase  
(c) If the trustees are empowered in sole discretion to revoke the transfer  
(d) All of the above
30. The provision for the set off and carry forward of losses in Income Tax Act, 1961 is given under \_\_\_\_\_.
- (a) Sections 65-75 (b) Sections 70-80  
(c) Sections 80-90 (d) Sections 75-80
31. Mr. Rakesh has two properties one occupied by him and the other let out. Mr. Rakesh pays interest on loan of ₹ 1.40 lakh on the property occupied and derives net rental income of ₹ 1.40 lakh from the let-out property. In this case, the income chargeable under the head "House Property" will be \_\_\_\_\_.
- (a) ₹ 1,40,000 (b) ₹ 2,80,000  
(c) ₹ 70,000 (d) Nil
32. Loss from speculation business cannot be set off against profit from any non-speculation business, however \_\_\_\_\_.
- (a) Loss from non-speculative business can be set off against speculation income  
(b) Loss from non-speculative business cannot be set off against speculation income  
(c) Profit from non-speculative business can be set off against speculation income  
(d) None of the above
33. Long-term Capital Loss can only be set off against \_\_\_\_\_.
- (a) Long-term capital loss (b) Short-term capital loss  
(c) Long-term capital gain (d) All of the above
34. The losses from any casual income cannot be set off against any losses.
- (a) True (b) False
35. No expenses can be claimed against any casual income.
- (a) True (b) False

36. If in any year, the tax payer has incurred losses under one head of income and is having income under other head of income, then he can adjust the losses from one head against income from other head.
- (a) False (b) True
37. Mr. Anil has only one property, which is occupied by him and the loss is ₹ 1.50 lakh. He derives salary of ₹ 10 lakh during the year. Here, he can set off the loss of ₹ 1.50 lakh against his salary income by making appropriate declarations to his employer thereby making his net taxable income \_\_\_\_\_.
- (a) ₹ 10 lakh (b) ₹ 8.50 lakh  
(c) ₹ 9 lakh (d) None of the above
38. The provision for the set off loss from one head against income from another head is given under \_\_\_\_\_ of Income Tax Act, 1961.
- (a) Section 70 (b) Section 72  
(c) Section 71 (d) Section 73
39. The carry forward of losses is permissible if the return of income for the year in which loss incurred is \_\_\_\_\_.
- (a) Filled on time (b) Not filled on time  
(c) Filed in advance (d) None of the above
40. All income which arises to the minor child shall be clubbed in the income of his/her \_\_\_\_\_.
- (a) Parents (b) Siblings  
(c) Friends (d) Neighbours
41. What are the incomes are considered as an agricultural income?
- (a) Any rent received from land which is used for agricultural purpose  
(b) Any income derived from such land by agricultural operations  
(c) Income attributable to farm house  
(d) All of the above
42. \_\_\_\_\_ are not treated as a agricultural income.
- (a) Income from poultry farming (b) Income from bee heaving  
(c) Purchase of standing crop (d) All of the above
43. The agricultural income is fully exempt from tax from \_\_\_\_\_.
- (a) Finance Act, 1973 (b) Income Tax Act, 1961  
(c) Agricultural Act, 1981 (d) None of the above
44. If the coffee is grown and cured, then the tax liability on the agricultural income is \_\_\_\_\_.
- (a) 75% agricultural and 25% non-agricultural income  
(b) 65% agricultural and 35% non-agricultural income  
(c) 55% agricultural and 45% non-agricultural income  
(d) 35% agricultural and 65% non-agricultural income

45. The coffee is grown, cured and further processed, then the tax liability for the agricultural income is \_\_\_\_\_.
- (a) 60% agricultural and 40% non-agricultural  
 (b) 50% agricultural and 50% non-agricultural  
 (c) 40% agricultural and 60% non-agricultural  
 (d) 65% agricultural and 35% non-agricultural
46. If the agricultural land is used for tea plantation, then the tax liability is \_\_\_\_\_.
- (a) 65% agricultural and 35% non-agricultural  
 (b) 50% agricultural and 50% non-agricultural  
 (c) 70% agricultural and 30% non-agricultural  
 (d) 60% agricultural and 40% non-agricultural
47. A income by way of rent of agricultural land is \_\_\_\_\_.
- (a) Business income (b) Agricultural Income  
 (c) Income from Other Sources (d) Casual Income
48. Salary received by the manager of an agricultural farm is \_\_\_\_\_.
- (a) An agricultural income (b) A business income  
 (c) A salary income (d) A capital income
49. Income from a farm house is \_\_\_\_\_.
- (a) Agricultural Income (b) Income from Other Sources  
 (c) Income from House Property (d) Income from Business
50. Income from sale of rural agricultural land is \_\_\_\_\_.
- (a) Taxable capital gain (b) Taxable income  
 (c) Exempted capital gain (d) None of these

**Answer Key of Chapter 4**

1	(c)	11	(b)	21	(c)	31	(d)	41	(d)
2	(a)	12	(d)	22	(b)	32	(a)	42	(d)
3	(a)	13	(a)	23	(d)	33	(c)	43	(a)
4	(b)	14	(b)	24	(b)	34	(a)	44	(b)
5	(a)	15	(c)	25	(a)	35	(a)	45	(a)
6	(b)	16	(d)	26	(d)	36	(b)	46	(d)
7	(b)	17	(a)	27	(a)	37	(b)	47	(c)
8	(c)	18	(c)	28	(d)	38	(c)	48	(a)
9	(b)	19	(c)	29	(d)	39	(a)	49	(a)
10	(b)	20	(d)	30	(b)	40	(a)	50	(b)

## Chapter 5 Direct Taxation

1. Maximum limit for the deduction of Life insurance premia from the gross total income is \_\_\_\_\_.  
 (a) ₹ 2,00,000 (b) ₹ 1,50,000  
 (c) ₹ 1,00,000 (d) ₹ 1,25,000
2. The deduction of life insurance premia, contribution to provident fund, etc. will be done under \_\_\_\_\_ of Income Tax Act, 1961.  
 (a) Section 80C (b) Section 80U  
 (c) Section 80D (d) Section 80E
3. Gross Total Income is arrived after \_\_\_\_\_.  
 (a) Only adding Income under five heads of Income  
 (b) Adding Income under five heads of Income excluding losses  
 (c) Adding Income under five heads of Income, after applying clubbing provisions and making adjustment of set off and carry forward of losses  
 (d) Adding Income under five heads of Income, after applying clubbing provisions and making adjustment of set off and carry forward of losses and after allowing deduction under sections 80C to 80U
4. In Income Tax Act, 1961, deduction under sections 80C to 80U cannot exceed \_\_\_\_\_.  
 (a) Gross total income  
 (b) Total income  
 (c) Income from business or profession  
 (d) Income from house property
5. The maximum aggregate amount of deduction under sections 80C, 80CCC and 80CCD cannot exceed \_\_\_\_\_.  
 (a) ₹ 1,10,000 (b) ₹ 2,00,000  
 (c) ₹ 1,50,000 (d) Nil
6. Deduction in respect of contribution to political party will \_\_\_\_\_.  
 (a) Be allowed in respect of sum paid by way of cash  
 (b) Not be allowed if payment made in cash  
 (c) This type of deduction is not allowed whether payment is in cash or not  
 (d) Be allowed if payment made in cash, subject to certain conditions
7. Maximum amount of deduction in case of a person with severe disability under section 80U will be \_\_\_\_\_.  
 (a) ₹ 50,000 (b) ₹ 75,000  
 (c) ₹ 80,000 (d) ₹ 1,00,000

8. Government's contribution to the new pension scheme referred to in Section 80CCD is \_\_\_\_\_.
- (a) An exempt income
  - (b) Income chargeable to tax as salaries in full
  - (c) 50% thereof is income chargeable to tax as Salaries
  - (d) Income chargeable to tax as income from other sources in full
9. In case of a hospital built in specified area after 31.3.2008 fulfilling the required conditions laid down in Section 80IB-(11C), the profits and gains derived from running the hospital are \_\_\_\_\_.
- (a) Deductible in full
  - (b) Deduction up to 50%
  - (c) Taxable in full
  - (d) Deductible up to 75%
10. Deduction in respect of contribution to pension scheme of central government comes under \_\_\_\_\_ of Income Tax Act, 1961.
- (a) Section 80CCD
  - (b) Section 80U
  - (c) Section 80EE
  - (d) Section 80G
11. In case of assessee other than companies, the following is advance tax rate to be payable on or before of 15th September:
- (a) 45%
  - (b) 30%
  - (c) 15%
  - (d) 10%
12. For the purposes of computing minimum alternate tax under Section 115B(a) of the Income Tax Act, 1961, the book profit need not to be increased by *inter alia*, the amount of deferred tax debited to the profit and loss account.
- (a) True
  - (b) False
  - (c) Can't say
13. Deduction under Section 80C can be claimed for fixed deposit made in any scheduled bank, if the minimum period of deposit is \_\_\_\_\_.
- (a) 10 Years
  - (b) 5 Years
  - (c) 12 Years
  - (d) 8 Years
14. Which of the following is covered under section 80D of the Income Tax Act, 1961?
- (a) Medical treatment of handicapped dependent
  - (b) Medical insurance premium
  - (c) Reimbursement of medical expenses
  - (d) Repayment of loan taken for higher education
15. The deduction available under section 80QQB in respect of royalty income of authors shall not exceed \_\_\_\_\_ in previous year.
- (a) ₹ 1,50,000
  - (b) ₹ 2,50,000
  - (c) ₹ 3,00,000
  - (d) ₹ 1,00,000
16. Clubbing of income means \_\_\_\_\_.
- (a) Addition income of two partners
  - (b) Inclusion of income of other person in assessee income

- (c) Total of income of various heads  
(d) Collection of income
17. Minors income is clubbed to \_\_\_\_\_ .  
(a) Father's income  
(b) Mother's income  
(c) Father's income or mother's income whichever is greater  
(d) Both mother's and father's income
18. The income of minor is not clubbed to the following limit:  
(a) ₹ 1,500 (b) ₹ 10,000  
(c) ₹ 1,000 (d) Whole amount
19. \_\_\_\_\_ is a section related to clubbing of income  
(a) Sections 60-63 (b) Sections 60-69  
(c) Sections 60-64 (d) None of the above
20. Deduction in respect of medical insurance premium is allowed under \_\_\_\_\_.  
(a) Section 80C (b) Section 80D  
(c) Section 80DD (d) Section 80U
21. Maximum deduction allowed for senior citizen under Section 80D is \_\_\_\_\_.  
(a) ₹ 5,000 (b) ₹ 15,000  
(c) ₹ 20,000 (d) ₹ 25,000
22. Person with disability is allowed a fixed deduction of \_\_\_\_\_.  
(a) ₹ 50,000 (b) ₹ 20,000  
(c) ₹ 30,000 (d) ₹ 1,00,000
23. Expenditure on severe disease under section 80DDB is allowed upto \_\_\_\_\_.  
(a) ₹ 40,000 (b) ₹ 20,000  
(c) ₹ 25,000 (d) ₹ 30,000
24. Which of the following donations is eligible for 100% deduction?  
(a) Rajeev Gandhi Foundation (b) J.L. Nehru Memorial Fund  
(c) National Children Fund (d) National Sports Fund
25. Mr. Sharma contributed to a political party, he can avail deduction under \_\_\_\_\_.  
(a) Section 80G (b) Section 80GGB  
(c) Section 80GGC (d) Section 80GGD
26. Rate of education cess on total income is \_\_\_\_\_.  
(a) 2% (b) 3%  
(c) 4% (d) 0.3%
27. The deduction for donation to National Foundation for Communal Harmony is \_\_\_\_\_.  
(a) 50% (b) 100%  
(c) 100% Qualifying Amount (d) None of the above

28. Under which section HUF is not entitled to deduction from GTI?  
(a) Section 80C (b) Section 80D  
(c) Section 80G (d) Section 80E
29. The provision regarding TDS is given under \_\_\_\_\_ of income tax.  
(a) Section 195 (b) Sections 192-206  
(c) Sections 190-230 (d) Sections 185-205
30. \_\_\_\_\_ is related to self-assessment.  
(a) Section 140 (b) Section 140(A)  
(c) Section 140(B) (d) Section 140(C)
31. \_\_\_\_\_ deals with PAN.  
(a) Section 140 (b) Section 139A  
(c) Section 139 (d) Section 154
32. Surcharge on tax on firm's total income is \_\_\_\_\_.  
(a) Applicable  
(b) Not applicable  
(c) Applicable if total income crosses ₹ 1 crore  
(d) Applicable if there is capital gain
33. Interest is paid to partners under \_\_\_\_\_.  
(a) Section 40A (b) Section 40B  
(c) Section 40C (d) Section 40D
34. The provision of Section 56(2)(vii) is applicable to \_\_\_\_\_.  
(a) All assesseees (b) An individual and HUF  
(c) An individual only (d) An HUF only
35. On the occasion of marriage of Mr. Rahul, he received a gift of ₹ 75,000 from a relative. Such an amount shall be \_\_\_\_\_.  
(a) Taxable  
(b) Non-taxable  
(c) Taxable subject to standard deduction of 50%  
(d) None of the above
36. In case of winning from horse races, payment exceeding \_\_\_\_\_ are subject to tax deduction at source.  
(a) ₹ 2,000 (b) ₹ 3,000  
(c) ₹ 5,000 (d) ₹ 10,000
37. Exemption under section 10(37) is available to \_\_\_\_\_.  
(a) An individual or an HUF (b) An individual  
(c) HUF (d) None of the above



38. Generally, long-term capital gain is charged to tax @ \_\_\_\_\_ (plus surcharge and cess as applicable).
- (a) 10% (b) 15%  
(c) 20% (d) 30%
39. The exemption under section 54 shall be available \_\_\_\_\_.
- (a) To the extent of capital gain invested in the house property  
(b) Proportionate to the net consideration price invested  
(c) To the extent of amount actually invested  
(d) None
40. For the purpose of deduction under section 80DD, which of the following statements is/are true?
- (a) Assessee is either an individual or a HUF  
(b) Assessee is resident of India  
(c) Assessee has a dependent disabled relative  
(d) All of the above
41. The maximum deduction one can claim under section 80D is \_\_\_\_\_.
- (a) ₹ 30,000 (b) ₹ 50,000  
(c) ₹ 40,000 (d) ₹ 60,000
42. Amount of deduction in case of a person with severe disability under section 80U will be \_\_\_\_\_.
- (a) ₹ 75,000 (b) ₹ 85,000  
(c) ₹ 1,50,000 (d) ₹ 1,25,000
43. Aggregate amount of deduction under 80C, 80CCC and 80CCD cannot exceed \_\_\_\_\_.
- (a) ₹ 1,10,000 (b) ₹ 1,20,000  
(c) ₹ 1,30,000 (d) ₹ 1,50,000
44. In the case of every senior citizen resident in India, tax rebate under section 87A is \_\_\_\_\_.
- (a) ₹ 5,000 (b) ₹ 2,000  
(c) ₹ 1,000 (d) Nil
45. The provisions regarding TDS on Salaries are contained in \_\_\_\_\_.
- (a) Section 190 (b) Section 191  
(c) Section 192 (d) Section 193
46. If the payee does not furnish PAN and TDS under section 194, dividends shall be made @ \_\_\_\_\_.
- (a) 20% (b) 15%  
(c) 10% (d) Nil
47. Deduction of tax at source for insurance commission is @ \_\_\_\_\_.
- (a) 10% (b) 15%  
(c) 20% (d) 12%

48. Deduction of tax at source under section 1941 is @ \_\_\_\_\_.
- (a) 10% (b) 12%  
(c) 15% (d) 5%
49. As per Section 207, \_\_\_\_\_ not having any income from business or profession is not liable to pay advance tax.
- (a) A resident individual who is of the age of below 60 years  
(b) A resident HUF  
(c) A nonresident individual  
(d) A resident senior citizen
50. Exemption from payment of advance tax under section 207 is also available to a non-resident senior citizen (i.e., an individual of the age of 60 years or above) not having any income from business or profession.
- (a) True (b) False

**Answer Key of Chapter 5**

1	(b)	11	(b)	21	(c)	31	(b)	41	(d)
2	(a)	12	(b)	22	(a)	32	(c)	42	(d)
3	(c)	13	(c)	23	(a)	33	(b)	43	(d)
4	(a)	14	(b)	24	(d)	34	(b)	44	(d)
5	(c)	15	(b)	25	(c)	35	(b)	45	(c)
6	(b)	16	(b)	26	(b)	36	(c)	46	(a)
7	(a)	17	(c)	27	(b)	37	(a)	47	(a)
8	(b)	18	(c)	28	(d)	38	(c)	48	(a)
9	(d)	19	(c)	29	(b)	39	(a)	49	(d)
10	(a)	20	(b)	30	(b)	40	(c)	50	(b)

