



**S.T.E.T WOMEN'S COLLEGE MANNARGUDI  
PG AND RESEARCH DEPARTMENT OF COMMERCE**

**MULTIPLE CHOICE QUESTIONS**

**SUBJECT : INCOME TAX THEORY LAW & PRACTICE**  
**SUBJECT CODE : 16CCCCM14**  
**CLASS : III B.COM**  
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1. Income received in \_\_\_\_\_ is charged to tax.

- a) Cash
- b) Kind
- c) Cash as well as in kind
- d) Bank account of the assessee

**Answer: C**

2. Which of the following is not taxed in the hands of a resident and ordinarily resident?

- a) Income accrued in India
- b) Income deemed to be accrued in India
- c) Income received in India
- d) Remittance from other country

**Answer: D**

3. While computing income which of the following heads of income the method of accounting adopted by the assessee is relevant?

- a) Salaries
- b) Business or profession
- c) House property
- d) Capital gains

**Answer: B**

4. \_\_\_\_\_ and \_\_\_\_\_ are the methods of accounting which can be followed by the assessee.

- a) Mercantile and cash
- b) Mercantile and hybrid
- c) Cash and hybrid
- d) Cash and credit

**Answer: A**

5. Mercantile system of accounting is also known as \_\_\_\_\_.

- a) Credit system
- b) Cash system
- d) Revenue system
- d) Accrual system

**Answer: D**

6. Mr. Roop received tax free salary of Rs. 8,40,000 from his employer (no perquisites are provided). Tax of Rs. 1,00,940 on salary is paid by his employer. In this case, what will be his taxable salary income?

- a) Rs. 8,40,000
- b) Rs. 9,40,940
- c) Rs.9,30,000
- c ) Rs. 8,44,000

**Answer: B**

7. Income of a person leaving India who has no present intention of returning to India is charged to tax in the previous year itself. In this case, the total income of such individual up to shall be charged to tax in that assessment year.

- a. The probable date of his departure from India
- b. The end of the assessment year
- c. The end of the previous year
- d. The end of the previous year in which he leaves India

**Answer: A**

8. \_\_\_\_\_ are not treated as agricultural income.

- a) Income from poultry farming
- b) Income from bee heaving
- c) Purchase of standing crop
- d) all of the above

**Answer: D**

9. Surcharge of 10 per cent is payable by an individual where the total income exceeds:

- a) Rs.7,50,000
- b) Rs.8,50,000
- c) Rs.10,00,000
- d) None of the three

**Answer: C**

10. Additional surcharge (education cess) of 3% per cent is payable on

- a) Income tax
- b) Income tax plus surcharge
- c) Surcharge

**Answer: B**

11. Family pension received by a widow of a member of the armed forces where the death of the

member has occurred in the course of the operational duties, is

- a) Exempt up to Rs.3,00,000
- b) Exempt up to Rs. 3,50,000
- c) Totally exempt under section 10(19)
- d) Totally chargeable to tax

**Answer: C**

12. In respect of shares held as investment, while computing the capital gains, securities transaction tax paid in respect of sale of listed shares sold in a recognized stock exchange,

- a) Is deductible up to Rs.1,00,000
- b) Is deductible up to Rs.2,00,000
- c) Is deductible if C.G.'s is < 5,00,000
- d) Is not deductible at all

**Answer: D**

13. Gift of Rs 5,00,000 received on 10 July, 2008 through account payee cheque from a non-relative regularly assessed to income-tax, is

- a) A capital receipt not chargeable to tax
- b) Chargeable as other sources
- c) Chargeable to tax as business income
- d) Exempt up to Rs.50,000 and balance chargeable to tax as income from other source

**Answer: B**

14. The rate of tax that is leivable on STCG arising from transfer of Equity shares of a Company or units of an Equity oriented fund is

- a) 10%
- b) 15%
- c) 20%

**Answer: B**

15. For an employee in receipt of hostel expenditure allowance for his three children, the maximum annual allowance exempt under section 10(14) is

- a) Rs.10, 800
- b) Rs.7,200
- c) Rs.9,600
- d) Rs.3,600

**Answer: B**

16. For an industrial undertaking fulfilling the conditions, additional depreciation in respect of a machinery costing Rs.10 lakh acquired and installed on October 3, 2005 is

- a) Rs.75,000
- b) Rs.1,50,000
- c) Rs.1,00,000
- d) None of the above

**Answer: C**

17. Assessee is always a person but a person may or may not be an assessee.

- a) True
- b) False

**Answer: A**

18. A person may not have assessable income but may still be assessee.

- a) True
- b) False

**Answer: A**

19. In some cases assessment year and previous year can be same financial year.

- a) True
- b) False

**Answer: A**

20.A.O.P should consist of :

- a) Individual only
- b) Persons other than individual only
- c) Both the above

**Answer: C**

21. Body of individual should consist of :

- a) Individual only
- b) Persons other than individual only
- c) Both the above

**Answer: A**

22. A new business was set up on 15-11-2008 and it commenced its business from 1-12-2008. The first previous year in this case shall be:

- a) 15-11-2008 to 31-3-2009
- b) 1-12-2008 to 31-3-2009
- c) 2008-2009

**Answer: A**

23. A person leaves India permanently on 15-11-2008. The assessment year for income earned till 15-11-2008 in this case shall be:

- a) 2007-08
- b) 2008-09
- c) 2009-10

**Answer: B**

24. Income Tax Act was passed in the year \_\_\_\_\_.

- a) 1947
- b) 1950
- c) 1961
- d) 1991

**Answer: C**

25. The first income tax act was introduced in the year

- a) 1918
- b) 1861
- c) 1860
- d) 1886

**Answer: C**

26. Income received or deemed to be received in India (whether accrued in or outside India) is taxable in case of

- a) Resident
- b) Not Ordinarily Resident
- c) Non Resident
- d) All of the above

**Answer: D**

27. The Income Tax Act, which is still in force in India, was enforced in

- a) 1922
- b) 1961
- c) 1860
- d) None of the above

**Answer: B**

28. Mr. X has started his business from 1st Sept '16 and does not have any other source of income. His first previous year will start from

- a) 1st April '16
- b) 1st Sept '16
- c) Any of the above
- d) None of the above

**Answer: B**

29. According to Section 2(7) of Income Tax Act "Assessee" means a person

- a) By whom any tax or other sum of money is payable
- b) By whom any proceeding under the Act has been taken
- c) Who is deemed to be an assessee in default under any provision of this Act
- d) All of the above

**Answer: D**

30. The house rent allowance (HRA) under the salary head of Income Tax Act is given by\_\_\_\_\_.

- a) Section 10
- b) Section 10(13A)
- c) Section 11 (13B)
- d) Section 11

**Answer: B**

31. Children Education allowance is exempted for \_\_\_\_\_ child/ children.

- a) One
- b) Two
- c) Three
- d) Four

**Answer: B**

32. Pension is \_\_\_\_\_ under the salary head.

- a) Fully taxable
- b) Partially taxable
- c) Not taxable
- d) None of the above

**Answer: A**

33. 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

**Answer: B**

34. 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

**Answer: B**

35. 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

**Answer: B**

36. Provident Fund Act was passed in the year \_\_\_\_\_.

- a) 1932
- b) 1956
- c) 1925
- d) 1922

**Answer: A**

37. Rent Free Accommodation given to an employee by the employer is a \_\_\_\_\_.

- a) Allowance
- b) Perquisite
- c) Profit in lieu of salary
- d) None of the above

**Answer: B**

38. The Payment of Gratuity Act came into force in \_\_\_\_\_.

- a) 1973
- b) 1980
- c) 1991
- d) 1972

**Answer: D**

39. The entertainment allowance is applicable to \_\_\_\_\_.

- a) Private sector employees
- b) Public sector employees
- c) Government employees
- d) All of the above

**Answer: C**

40. \_\_\_\_\_ is the rent fixed under Rent control Act.

- a) Municipal rental value
- b) Fair rental value
- c) Standard rent
- d) Real rent

**Answer: C**

41. Expected Rent can be determined in the following way

- a) Higher of Municipal Value & Fair Rent
- b) Lower of Municipal Value & Fair Rent
- c) Higher of Municipal Value & Fair Rent subject to maximum of Standard Rent
- d) Any of the above

**Answer: C**

42. 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

**Answer: A**

43. 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

**Answer: C**

44. 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

**Answer: B**

45. The value of 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

**Answer: A**



46. Deduction from annual value is allowed under \_\_\_\_\_.

- a) Section 24
- b) Section 25
- c) Section 27
- d) Section 28

**Answer: A**

47. \_\_\_\_\_% standard deduction is allowed on annual value.

- a) 20
- b) 30
- c) 40
- d) 50

**Answer: B**

48. 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: A**

49. 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

**Answer: B**

50. Income chargeable under the head 'Profits and Gains from Business or Profession' is covered under \_\_\_\_\_.

- a) Section 23
- b) Section 24
- c) Section 28
- d) Section 27

**Answer: C**

51. 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 year

**Answer: C**

52. \_\_\_\_\_ are not treated as agricultural income.

- a) Income from poultry farming
- b) Income from bee heaving
- c) Purchase of standing crop
- d) All of the above

**Answer: D**

53. Section 45 of Income Tax Act, 1961 is related to \_\_\_\_\_.

- a) Capital assets
- b) Assets
- c) Capital expenses
- d) Capital gain

**Answer: D**

54. 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

**Answer: C**

55. 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

**Answer: A**

56. 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

**Answer: A**

57. Gross interest = Net x 100/100 – rate of \_\_\_\_\_.

- a) Tax
- b) TDS
- c) Deduction
- d) Exempted

**Answer: B**

58. Payment of LIC premium can be claimed as deduction u/s \_\_\_\_\_

- a) 80 C
- b) 80 CCC
- c) 80 D
- d) 80 DD

**Answer: A**

59. 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

**Answer: B**

60. 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

**Answer: C**

61. 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

**Answer: D**

62. Generally, long-term capital gain is charged to tax @ \_\_\_\_\_ (plus surcharge and cess as applicable).

- a) 10%
- b) 15%
- c) 20%
- d) 30%

**Answer: C**

63. Mr. Sharma contributed to a political party, he can avail deduction under \_\_\_\_\_.

- a) Section 80G
- b) Section 80GGB
- c) Section 80GGC
- d) Section 80GGD

**Answer: B**

64. Rate of education cess on total income is \_\_\_\_\_.

- a) 2%
- b) 3%
- c) 4%
- d) 0.3%

**Answer: B**

65. Section 70-79 deals with \_\_\_\_\_.

- a) Salary
- b) Capital gain
- c) Clubbing of income
- d) Set off and carry forward

**Answer: D**

66. Income from horse race falls under the head \_\_\_\_\_.

- a) Salary
- b) Other sources
- c) Profession
- d) Business

**Answer: B**

67. Deduction can be claimed for amount deposited under Suganya Samridhi Account under \_\_\_\_\_.

- a) 80 CC
- b) 80 C
- c) 80 DD
- d) 80 D

**Answer: B**

68. Deduction on interest on loan taken for studies fall under \_\_\_\_\_.

- a) 80 CC
- b) 80 C
- c) 80 E
- d) 80 D

**Answer: C**

69. The amount of total income is rounded off to the nearest multiple of \_\_\_\_\_.

- a) Rs.100
- b) Rs.10
- c) Rs.5
- d) Rs.50

**Answer: B**

