CA INTERMEDIATE

रामबाण MCQs

GROUP–1

ADVANCED ACCOUNTING
CORPORATE AND OTHER LAW
INCOME TAX
GOOD AND SERVICES TAX

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ADVANCED ACCOUNTING

CHAPTER 01

Financial Statement of Companies

MULTIPLE CHOICE QUESTIONS

1. Which of the following statement is correct?

Statement 1: Dividends cannot be declared except out of profits.

Statement 2: Capital cannot be returned to the shareholders by way of dividend.

(*a*) Statement 1 (*b*) Statement 2

(*c*) Statement 1 and 2 (*d*) None of the given statement

2. _____ companies are required to apply Accounting Standards notified under Section 133 of the Companies Act, 2013.

(*a*) Division I (*b*) Division II

(*c*) Division III (*d*) Division IV

3. Who all are not required to make cash flow statement?

(*a*) One Person Company (*b*) Small company

(*c*) Dormant company (*d*) All of above

4. Y Ltd. took loan from bank for ₹20,00,000 to be settled within 5 years in 10 equal half yearly instalments with interest. First instalment is due on 30.09.2023 of ₹2,00,000. Determine the amount of loan to be classified under short-term borrowing and long-term borrowing respectively in preparation of Financial Statements of Y Ltd. for year ended 31st March, 2023.

(*a*) Nil; ₹20,00,000 (*b*) ₹4,00,000; ₹16,00,000

(*c*) ₹20,00,000; Nil (*d*) ₹2,00,000; ₹18,00,000

5. Ankesh Ltd. is a company that is required to present its financial statements as per the Schedule III. While making ageing of trade receivables what are the first 2 classifications?

(*a*) Less than 12 months, 12 months – 24 months

(*b*) Less than 6 months, 6 months – 12 months

(*c*) Less than 6 months, 6 months – 24 months

(*d*) None of the above

6. Mukesh Ltd. is a company that is required to present its financial statements as per the Schedule III. While making ageing of trade payables what are the first 2 classifications?

(*a*) Less than 12 months, 12 months – 24 months

(*b*) Less than 6 months, 6 months – 12 months
(*c*) Less than 6 months, 6 months – 24 months
(*d*) None of the above

7. The balance of reserves after withdrawal of amount for declaration of dividend should not fall below _____ as appearing in the latest audited financial statement.
(*a*) 25% of its paid up share capital
(*b*) 25% of its authorised share capital
(*c*) 15% of its paid up share capital
(*d*) 15% of its authorised share capital

8. Good Writing Ltd. had incurred a loss of ₹25 crore during financial year 2023-24 up to the end of second quarter. Board of directors of Good Writing Ltd. has declared interim dividend. The rate of dividend of last 3 years are 10%, 20% and 6% respectively. What is the maximum rate of interim dividend is allowed?
(*a*) 10%
(*b*) 20%
(*c*) 6%
(*d*) 12%

9. Calculate profit for the period ended on March 31, 2023 of X Ltd. from given information:

	Figures (₹)
Revenue from operations	53,68,000
Other income	47,000
Cost of materials consumed	19,19,000
Change in inventory of finished goods	(1,50,000)
Employee benefit expenses	8,50,000
Finance cost	1,75,000
Provision for tax	4,76,000

(*a*) ₹21,45,000
(*b*) ₹19,95,000
(*c*) ₹18,45,000
(*d*) ₹26,21,000

10. Provision for gratuity is shown in the balance sheet of a company under the head _____
(*a*) Reserves and surplus
(*b*) Non-current liabilities
(*c*) Current liabilities
(*d*) Contingent liabilities

11. State under which head unpaid matured debenture and interest accrued thereon should be classified in Balance Sheet, as per Schedule III of the Companies Act, 2013?
(*a*) Short Term Borrowings
(*b*) Money received against share warrants
(*c*) Other Current Liabilities
(*d*) Long Term Borrowings

12. State under which head Bank deposits for period of 9 months should be classified in Balance Sheet, as per Schedule III of the Companies Act, 2013?
(*a*) Cash and Cash Equivalents
(*b*) Other Non Current Assets
(*c*) Other Current Assets
(*d*) None of the above

13. What is the total amount of reserve and surplus if general reserve is ₹15,49,100, balance of income statement is ₹7,00,000? Company has a balance of preliminary expenses of ₹93,100.

(*a*) ₹21,49,100 (*b*) ₹21,46,000

(*c*) ₹21,56,000 (*d*) ₹14,56,000

14. Board of directors declared dividend of 5% on the paid up capital on 2nd April, 2023 for the year ended on March 31, 2023. State under which head dividend should be classified in Balance Sheet, as per Schedule III of the Companies Act, 2013?

(*a*) Reserve and Surplus (*b*) Current Liabilities

(*c*) Share Capital (*d*) None of Above

15. The balance of ₹7,50,000 in the Loan Account with State Finance Corporation is inclusive of ₹37,500 for Interest Accrued but not Due. The loan is secured by hypothecation of Plant & Machinery. How much amount is shown under Long term borrowing?

(*a*) ₹7,20,000 (*b*) ₹7,12,000

(*c*) ₹7,50,000 (*d*) ₹7,12,500

16. State under which head Unclaimed Dividend should be classified in Balance Sheet, as per Schedule III of the Companies Act, 2013?

(*a*) Other Long term Liabilities (*b*) Short Term Provision

(*c*) Other Expenses (*d*) Other Current Liabilities

17. Y Ltd. has incurred total expenses of ₹1,24,000. It includes rent, bad debts, provision for doubtful debts and directors' fees. Which of the expense will not form part of Other expenses head as Schedule III of the Companies Act, 2013?

(*a*) Bad debts (*b*) Provision for doubtful debts

(*c*) Directors' fees (*d*) None of above

18. Trade payables as per Schedule III will include:

(*a*) Dues payable in respect to statutory obligation

(*b*) Interest accrued on trade payables

(*c*) Bills payables

(*d*) Bills receivables

19. Securities Premium Account is shown on the liabilities side in the Balance Sheet under the heading:

(*a*) Reserves and Surplus (*b*) Current Liabilities

(*c*) Share Capital (*d*) Share application money pending allotment

20. "Fixed assets held for sale" will be classified in the company's balance sheet as:

(*a*) Current asset (*b*) Non-current asset

(*c*) Capital work-in-progress (*d*) Deferred tax assets

21. Current maturities of long-term debt will come under:

(*a*) Current Liabilities. (*b*) Short term borrowings.

(*c*) Long term borrowings. (*d*) Short term provisions

22. Declaration of dividends for current year is made after providing for:

(*a*) Depreciation of past years only.

(*b*) Depreciation on assets for the current year & arrears of depreciation of past years (if any).

(*c*) Depreciation on current year only and by forgoing arrears of depreciation of past years.

(*d*) Excluding current year depreciation

23. Financial Statements as per Section 2(40) of the Companies Act, 2013, does not include which of the following:

(*a*) a balance sheet as at the end of the financial year,

(*b*) a profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure account for the financial year;

(*c*) cash flow statement for the financial year;

(*d*) None of the above

24. Financial statements of a company should be prepared as per which Schedule of the Companies Act, 2013?

(*a*) Schedule I

(*b*) Schedule II

(*c*) Schedule III

(*d*) None of the above

25. Contingent Liabilities are shown under which head in Books of Accounts?

(*a*) In P&L Statement after the other Expense Head

(*b*) In Balance Sheet after the Long Term Liability

(*c*) In Balance Sheet after the Short Term Liability

(*d*) The contingent liabilities are shown as a footnote in the balance sheet.

Answer Key

1. (*c*)	**2.** (*a*)	**3.** (*d*)	**4.** (*b*)	**5.** (*b*)	**6.** (*a*)	**7.** (*c*)	**8.** (*d*)	**9.** (*a*)	**10.** (*b*)
11. (*c*)	**12.** (*a*)	**13.** (*c*)	**14.** (*d*)	**15.** (*d*)	**16.** (*d*)	**17.** (*d*)	**18.** (*c*)	**19.** (*a*)	**20.** (*a*)
21. (*b*)	**22.** (*b*)	**23.** (*d*)	**24.** (*c*)	**25.** (*d*)					

Explanation

9.

	Figures (₹)
Revenue from operations	53,68,000
Other income	47,000
	54,15,000
Cost of materials consumed	19,19,000
Change in inventory of finished goods	(1,50,000)
Employee benefit expenses	8,50,000
Finance cost	1,75,000
Provision for tax	4,76,000
Profit for the year	**21,45,000**

02

CHAPTER

Cash Flow Statements (AS 3)

MULTIPLE CHOICE QUESTIONS

1. Which of the following are considered as financing activities in the cash flow?

(*a*) The interest that is paid
(*b*) The issue of preference share
(*c*) The redemption of the preference share
(*d*) All of the above

2. Which of the following activities falls under operating activity in the cash flow statement?

(*a*) The sales of the fixed asset
(*b*) The interest that is paid on term deposits by a bank
(*c*) The purchase of the own debenture
(*d*) The issuing of equity share capital

3. Who is interested in the cash flow statement of a company?

(*a*) The directors of the company
(*b*) The shareholders of the company
(*c*) The potential investors of the company
(*d*) All of the above

4. What is the purpose of cash flow statement?

(*a*) The future cash flows and borrowing could be predicted
(*b*) Different companies can be easily compared with each other
(*c*) Provide formation regarding a company's solvency, liquidity, and financial stability
(*d*) All of the above

5. Which of the following activities is a investing activity in cash flow?

(*a*) Sale of investment by non-financial enterprise
(*b*) Issuing a debenture
(*c*) Paying back a loan
(*d*) The raw material purchased with cash

6. Nora Ltd., arrived at a net profit of ₹5,00,000 for the year ended March 31, 2023. Depreciation for the year was ₹2,00,000. There was a profit of ₹50,000 on asset sold which was transferred to Statement of Profit and Loss account. Trade Receivables increased during the year ₹40,000 and Trade Payables also increased by ₹60,000. Compute the cash flow from operating activities by indirect method.

(*a*) ₹5,50,000
(*b*) ₹5,60,000
(*c*) ₹6,70,000
(*d*) ₹6,60,000

7. In case of other enterprises cash flow arising from interest paid should be classified as cash flow from _____ while dividends and interest received should be stated as cash flow from _____.

(*a*) Operating activities, financing activities
(*b*) Financing activities, investing activities
(*c*) Investing activities, operating activities
(*d*) None of the above

8. The aggregate cash flows arising from acquisitions and disposals of subsidiaries or other business units should be presented separately and classified as which activity?

(*a*) Operating activities
(*b*) Investing activities
(*c*) Financing activities
(*d*) None of the above

9. Which of the following are examples of non-cash transactions?

(*a*) The acquisition of assets by assuming directly related liabilities
(*b*) The buyback of shares from open market
(*c*) The acquisition of an enterprise by means of payment through demand draft.
(*d*) The redemption of debentures

10. How to report the effect of changes in exchange rates on cash and cash equivalents held in a foreign currency?

(*a*) Should be reported as a separate notes after financial statements
(*b*) Should be reported as part of the reconciliation of the changes in cash and cash equivalents during the period
(*c*) Should not be reported anywhere
(*d*) Should be reported by CA in special report.

11. Where to show dividends received and dividends paid in cash flow statement?

(*a*) Investing activities; financing activities
(*b*) Financing activities; operating activities
(*c*) Investing activities; operating activities
(*d*) Financing activities; investing activities

12. What will be the cash paid to suppliers and employees if opening and closing inventory is ₹1,950 and ₹900 respectively? Cost of goods sold is ₹26,000 and opening and closing sundry creditors is ₹1,890 and ₹150 respectively. Also given that administrative and selling expenses were ₹910.

(*a*) ₹27,690
(*b*) ₹27,650
(*c*) ₹27,600
(*d*) ₹27,620

13. XYZ Ltd. has interest payable at beginning and end of the year for ₹100 and ₹230 respectively. Company has incurred ₹400 as interest expenses for the year. Help Mr. A in calculation of Interest paid during the year 2023.

(*a*) ₹270
(*b*) ₹260
(*c*) ₹250
(*d*) ₹240

14. _____ is short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(*a*) Cash
(*b*) Bank
(*c*) Cash equivalents
(*d*) None of the above

15. _____ are the principal revenue-producing activities of the enterprise and other activities that are not investing or financing activities.

(*a*) Investing activities
(*b*) Operating activities
(*c*) Financing activities
(*d*) None of above

16. Examples of cash flows from operating activities are:

(*i*) cash receipts and cash payments of an insurance enterprise for premiums and claims, annuities and other policy benefits

(*ii*) cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities; and

(*iii*) cash receipts and payments relating to futures contracts, forward contracts, option contracts and swap contracts when the contracts are held for dealing or trading purposes.

(*a*) Only (*i*) and (*ii*)
(*b*) Only (*i*) and (*iii*)
(*c*) Only (*iii*) and (*ii*)
(*d*) Only (*i*), (*ii*) and (*iii*)

17. A Ltd is a company engaged in sale and purchase of shares. It holds securities and loan for dealing purpose. Where will be cash arising from such activities will be shown in cash flow statement?

(*a*) Investing activities
(*b*) Operating activities
(*c*) Financing activities
(*d*) None of above

18. Cash flows arising from capitalised research and development costs and self-constructed fixed assets are part of _____

(*a*) Investing activities
(*b*) Operating activities
(*c*) Financing activities
(*d*) None of above

19. An amount of ₹3 Lacs was raised from the issue of share capital and a further ₹2.5 Lacs was raised from long term borrowings. How to show amount in cash flow statement of MN Ltd?

(*a*) Cash flow from Investing activities
(*b*) Cash flow from Operating activities
(*c*) Cash flow from Financing activities
(*d*) None of above

20. A non-trading company pays ₹4,00,000 to acquire shares in Ranbir Ltd. and receive ₹40,000 as dividend after Acquisition. In the Cash flow statement, these transactions will be shown as:

(*a*) Cash used in Investing Activities ₹3,60,000
(*b*) Cash generated from Investing Activities ₹3,60,000
(*c*) Cash used in Investing activities ₹4,00,000 & Cash flow from Financing activities ₹40,000
(*d*) Cash generated from Financing Activities ₹4,00,000

21. M/s Anmol & Sons; A Bamboo pens producing company, purchased machinery for ₹9,00,000. It received a dividend of ₹70,000 on investment in shares. The company also sold an old machine with the book value of ₹79,000 at a loss of ₹10,000 Compute the amount of Cash flow/used from/ in Investing Activities.

(*a*) 7,41,000
(*b*) 7,61,000
(*c*) 8,81,000
(*d*) 8,31,000

22. If Net profit is ₹35,000 after writing of goodwill ₹6,000 & loss on sale of furniture ₹1,000, Cash flow from operating Activities will be:

(*a*) ₹35,000 (*b*) ₹42,000

(*c*) ₹29,000 (*d*) ₹28,000

23. From the following data, find the value of building sold during the year:

Particulars	31.3.2023	31.3.2024
Land & building	2,00,000	1,70,000
Capital reserve	Nil	20,000

A piece of land has been sold during the year and the profit on sale has been credited to capital reserve. Depreciation charged on the building during the year is ₹5,000; no additions have been made under this head during the year.

(*a*) ₹30,000 (*b*) ₹50,000

(*c*) ₹40,000 (*d*) ₹45,000

24. In an organization, provision for taxation as of 31st December 2023 was ₹16,000, and on 31st December 2024 ₹18,000. Provision for taxation of ₹19,000 was made during the year 2024. The tax paid during the year is:

(*a*) ₹17,000 (*b*) ₹19,000

(*c*) ₹2,000 (*d*) ₹16,000

25. Some of the account balances of KK Ltd. are as follows in its balance sheet:

	2023 (₹)	2024 (₹)
Share Capital	2,50,000	4,50,000
10% Debentures	2,00,000	1,50,000
Share Premium	25,000	50,000

If the interest paid on debentures was 20,000, the net cash flows from financing activities were:

(*a*) ₹1,75,000 (*b*) ₹1,55,000

(*c*) ₹2,05,000 (*d*) ₹2,25,000

26. Investments at the beginning and at the end of the year 2023-24 were ₹255 Lakh and ₹210 Lakh respectively. During the year 40 percent of original investments were sold at a profit of ₹63 Lakh. Amount of cash inflow and outflow respectively from Investments will be:

(*a*) ₹102 Lakh and ₹57 Lakh (*b*) ₹165 Lakh and ₹57 Lakh

(*c*) ₹45 Lakh and Nil (*d*) ₹147 Lakh and ₹39 Lakh

27. The following information of a non-financial enterprise is given:

(*i*)	Purchase of fixed assets	₹ 40,000
(*ii*)	Proceeds from the sale of equipment	₹ 35,000
(*iii*)	Interest received	₹ 3,000
(*iv*)	Interest paid	₹ 6,000

(*v*) Dividend received ₹ 4,000

(*vi*) Dividend paid ₹ 15,000

Amount of cash from investing activities will be:

(*a*) ₹1,000 (*b*) ₹(4,000)

(*c*) ₹2,000 (*d*) ₹(2,000)

28. QPR Ltd. has the following balances:

Investment at the end of the year 2017-2018 ₹85,000, Investment at the end of the year 2018-2019 ₹70,000. During the year the company had sold 40% of its original investment at a profit of 50%. What will be the amount of cash inflow and cash outflow from the investment?

(*a*) ₹51,000 and ₹36,000 (*b*) ₹51,000 and ₹19,000

(*c*) ₹1,21,000 and ₹85,000 (*d*) ₹1,21,000 and ₹19,000

29. Crown Ltd. wants to prepare its cash flow statement. It sold equipment of book value of ₹ 60,000 at a gain of ₹8,000. The amount to be reported in its cash flow statement under operating activities will be:

(*a*) Nil (*b*) ₹8,000

(*c*) ₹68,000 (*d*) ₹60,000

30. While preparing cash flows statement, an entity (other than a financial institution) should disclose the dividends received from its investment in shares as:

(*a*) operating cash inflow (*b*) investing cash inflow

(*c*) financing cash inflow (*d*) cash & cash equivalent

31. XYZ Co. is a financial enterprise. In its cash flow statement, interest paid and dividends received should be:

(*a*) classified as operating cash flows.

(*b*) classified as financing cash flows.

(*c*) Not shown in cash flow statement.

(*d*) classified as investing cash flows.

32. In the cash flow statement, 'cash and cash equivalents' do not include:

(*a*) Bank balances.

(*b*) Short-term investments readily convertible into Cash are subject to an insignificant risk of changes in value.

(*c*) Cash balances.

(*d*) Loan from bank.

33. While preparing a Cash Flow Statement using the Indirect method as required under AS 3, which of the following will not be deducted from/added to the Net Profit to arrive at the "Cash flow from Operating activities"?

(*a*) Interest income (*b*) Gain on sale of a fixed asset.

(*c*) Depreciation. (*d*) Gain on sale of inventory

34. While preparing cash flow statement, conversion of debt to equity _____

(*a*) Should be shown as a financing activity.
(*b*) Should be shown as an investing activity.
(*c*) Should not be shown as it is a non-cash transaction.
(*d*) Should not be shown as operating activity.

35. Which of the following would be considered a cash-flow from an "investing" activity'?

(*a*) Cash outflow to the government for payment of taxes.
(*b*) Cash outflow to purchase bonds issued by another company.
(*c*) Cash outflow to shareholders as dividends.
(*d*) Cash outflow to make payment to trade payables.

36. All of the following would be included in a company's operating activities except:

(*a*) Income tax payments
(*b*) Collections from customers or Cash payments to suppliers
(*c*) Dividend payments
(*d*) Office and selling expenses.

37. Hari Uttam, a stock broking firm, received ₹1,50,000 as premium for forward contracts entered for purchase of equity shares. How will you classify this amount in the cash flow statement of the firm?

(*a*) Operating Activities.
(*b*) Investing Activities.
(*c*) Financing Activities.
(*d*) Non-cash transaction.

38. As per AS 3 on Cash Flow Statements, cash received by a manufacturing company from sale of shares of ABC Company Ltd. should be classified as:

(*a*) Operating activity.
(*b*) Financing activity.
(*c*) Investing activity.
(*d*) Non-cash transaction

Answer Key

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

Explanation

6. **Cash Flow Statement**

Particulars		Amount ₹
Net Profit at the end of the year		5,00,000
Adjustment for Non-Cash and Non-Operating items:		
+ Depreciation for the year	2,00,000	

Particulars		Amount ₹
– Profit on Sale of Assets	(50,000)	(150,000)
Operating Profit before Working Capital changes		**6,50,000**
– Increase in Trade Receivables	(40,000)	
+ Decrease in Trade Payables	60,000	20,000
Cash Flow from Operating Activities		**6,70,000**

12.

Particulars		Amount ₹
Cost of sales		26,000
Administrative and selling expenses		910
		26,910
Add: Sundry creditors at the beginning of the year	1,890	
Inventories at the end of the year	900	2,790
		29,700
Less: Sundry creditors at the end of the year	150	
Inventories at the beginning of the year	1,950	2,100
Cash paid to suppliers and employees		**27,600**

03 CHAPTER

Buyback of Securities

MULTIPLE CHOICE QUESTIONS

1. Debt Equity ratio after buyback must not be more than _____

(*a*) 1 : 1 (*b*) 1 : 2

(*c*) 2 : 3 (*d*) 2 : 1

2. Buy-back of Equity Shares in any financial shares shall not exceed:

(*a*) 5% of its total capital (*b*) 20% of Nominal Share Capital

(*c*) 25% of fully paid Equity Shares (*d*) None of above

3. As per section 68 of the Companies Act 2013, a company can buy back its own shares out of:

(*a*) Free Reserves which are available for distribution as dividend.

(*b*) Securities premium account.

(*c*) Proceeds of fresh issue of shares or other specified securities.

(*d*) All of the above.

4. According to Sec. 68(5) of the Companies Act, 2013, the buyback can be made from:

(*a*) From the existing shareholders on a proportionate basis.

(*b*) From open market.

(*c*) From employees to whom shares are issued under stock option or sweat equity share.

(*d*) All of the above.

5. If shares are bought back out of free reserves then a sum equal to nominal value of the shares so bought back is transferred to:

(*a*) Capital reserve account. (*b*) Capital redemption reserve account (CRR).

(*c*) General reserve account. (*d*) Forfeited shares account.

6. Premium payable on buy back is adjusted out of:

(*a*) Securities premium account. (*b*) Free reserves.

(*c*) Both of the above. (*d*) None of the above.

7. Which of the following statement is false?

(*a*) Buy back must be authorised by articles of company.

(*b*) A special resolution must be passed for buy back.

(*c*) Shares can be partly paid up.

(*d*) The ratio of debt owed by the company is not more than twice the capital and its free reserves after such buy back.

8. When a company completes buyback of its shares, it cannot further issue same kind of shares within a period of:

(*a*) 6 months (*b*) 1 year

(*c*) 2 years (*d*) 5 years

9. For cancellation of shares at the time of buy back _____

(*a*) Equity share capital a/c is debited and shareholders account is credited

(*b*) Shareholders account is debited and Equity share capital account is credited

(*c*) Equity share capital is debited and CRR is credited

(*d*) Equity share capital is debited and Shares Surrendered is credited

10. As per SEBI guidelines, Buy-back is permissible:

(*a*) From the existing security holders on a proportionate basis through the tender offer;

(*b*) From the open market through (*i*) Book-building process, (*ii*) stock exchange;

(*c*) From odd lots, that is to say, where the lot of securities of a public company whose shares are listed on a recognized stock exchange is smaller than such marketable lot as may be specified by the stock exchange:

(*d*) All of the above mentioned statements are correct.

11. Which of the following is not a free reserve for the purpose of buyback of shares?

(*a*) General reserves (*b*) Surplus

(*c*) Dividend equalisation reserves (*d*) Revaluation reserve

12. Provisions relating to buying back of securities are contained in which section of the Companies Act, 2013?

(*a*) Section 77 (*b*) Section 77A

(*c*) Section 68 (*d*) Section 63

13. The maximum permissible buy-back under the Companies Act, 2013 can be:

(*a*) 15% of paid-up capital with Board resolution.

(*b*) 25% of paid-up capital with Board resolution.

(*c*) 25% of the aggregate of paid-up capital and free reserves of the company with a special resolution of shareholders.

(*d*) 25% of the aggregate of paid-up capital and free reserves of the company with an ordinary resolution of shareholders.

14. For buy-back up to _____ of the company, Board resolution is sufficient.

(*a*) 10% of paid-up capital (*b*) 10% of free reserves

(*c*) 10% of paid-up capital or free reserves (*d*) 10% of paid-up capital and free reserves

15. As per Section 68 of the Companies Act, 2013, the post-buy-back debt-equity ratio should not exceed:

(*a*) 1 (*b*) 1.5

(*c*) 2 (*d*) 3

16. No offer of buy-back shall be made within a period of _____ reckoned from the date of the closure of the preceding offer of buy-back

(*a*) 6 months (*b*) 1 year

(*c*) 2 years (*d*) 10 months

17. The Paid-up equity shares capital of ABC Ltd. is ₹50,00,000 having a face value of ₹10 each fully paid-up. Other details:

General Reserve	= ₹15,00,000
Capital Redemption Reserve	= ₹4,00,000
Profit & Loss Account	= ₹1,00,000
Statutory reserve	= ₹6,40,000
Securities Premium	= ₹1,00,000

The Board of Directors passed a resolution in a Board meeting to buy back a maximum number of shares as allowed by law. Maximum No. of shares that can be bought back = ?

(*a*) 50,000 shares (*b*) 67,000 shares

(*c*) 1,25,000 shares (*d*) 1,67,500 shares

18. N Ltd. had 90,000 equity shares of ₹100 each, fully paid up. The company decided to buy back 10% shares at par by the issue of the sufficient number of preference shares. N Ltd. does not have any reserves.

How many preference shares are required to be issued if new preference shares are to be issued at ₹10 each?

(*a*) 9,00,000 shares (*b*) 90,000 shares

(*c*) 1,00,000 shares (*d*) 1,20,000 shares

19. S Ltd. decided to buy back 2,000 equity shares of ₹100 each at a premium of 10%. For the purpose of redemption, the company issued 15,000 10% Preference shares of ₹10 each at a premium of 20%. At the time of buy-back shares, the amount to be transferred by the company to the Capital Redemption Reserve Account = ?

(*a*) ₹20,000 (*b*) ₹50,000

(*c*) ₹1,50,000 (*d*) ₹2,00,000

20. As per section 68(1) of the Companies Act, buy-back of own shares by the company, shall not exceed:

(*a*) 25% of the total paid-up capital and free reserves of the company.

(*b*) 20% of the total paid-up capital and free reserves of the company.

(*c*) 15% of the total paid-up capital and free reserves of the company.

(*d*) 10% of the total paid-up capital and free reserves of the company.

21. The companies are permitted to buy-back their own shares out of:

(*a*) Free reserves and Securities premium
(*b*) Proceeds of the issue of any shares.
(*c*) Both (*a*) and (*b*)
(*d*) Neither (*a*) nor (*b*).

22. When a company purchases its own shares out of free reserves; a sum equal to nominal value of shares so purchased shall be transferred to:

(*a*) Revenue redemption reserve.
(*b*) Capital redemption reserve.
(*c*) Buy-back reserve
(*d*) Special reserve

23. State which of the following statement is true?

(*a*) Buy-back is for more than twenty-five per cent of the total paid-up capital and free reserves of the company.
(*b*) Partly paid shares cannot be bought back by a company.
(*c*) Buy-back of equity shares in any financial year shall exceed twenty-five per cent of its total paid-up equity capital in that financial year.
(*d*) Partly paid shares can be bought back by a company.

24. Premium (excess of buy-back price over the par value) paid on buy-back should be adjusted against:

(*a*) Free reserves.
(*b*) Securities premium.
(*c*) Both (*a*) and (*b*).
(*d*) Neither (*a*) nor (*b*).

25. Advantages of Buy-back of shares includes:

(*a*) Encourage others to make hostile bid to take over the company.
(*b*) Decrease promoters holding as the shares which are bought back are cancelled.
(*c*) Discourage others to make hostile bid to take over the company as the buy-back will increase the promoters holding.
(*d*) All of the above.

Answer Key

1. (*d*)	**2.** (*c*)	**3.** (*d*)	**4.** (*d*)	**5.** (*b*)	**6.** (*c*)	**7.** (*c*)	**8.** (*a*)	**9.** (*a*)	**10.** (*d*)
11. (*d*)	**12.** (*c*)	**13.** (*c*)	**14.** (*d*)	**15.** (*c*)	**16.** (*b*)	**17.** (*b*)	**18.** (*b*)	**19.** (*b*)	**20.** (*a*)
21. (*c*)	**22.** (*b*)	**23.** (*b*)	**24.** (*c*)	**25.** (*c*)					

04 CHAPTER Internal Reconstruction

MULTIPLE CHOICE QUESTIONS

1. Increase in value of liability under Internal Reconstruction is debited to _____.

(*a*) Profit & Loss A/c
(*b*) Goodwill A/c
(*c*) Capital Reduction A/c
(*d*) None of these

2. Share of ₹100 each (paid up value ₹90 each) is reduced to share of nominal value of ₹90 each. In scheme of reconstruction:

(*a*) There will be credit of ₹10 per share to capital reduction A/c
(*b*) There will be credit of ₹90 per share to capital reduction A/c
(*c*) There will be credit of ₹100 per share to capital reduction A/c
(*d*) There will be no credit to capital reduction A/c

3. Share of ₹100 each paid up value is reduced to share of nominal & paid up value of ₹10 each. In scheme of reconstruction:

(*a*) There will be credit of ₹10 per share to capital reduction A/c
(*b*) There will be credit of ₹90 per share to capital reduction A/c
(*c*) There will be credit of ₹100 per share to capital reduction A/c
(*d*) There will be no credit to capital reduction A/c

4. The existing 1000 shares of ₹100 each are altered to 10000 shares of ₹10 each. This is known as:

(*a*) Consolidation
(*b*) Sub-division
(*c*) Conversion in Stock
(*d*) Surrender

5. The existing 1000 shares of ₹1 each are altered to 100 shares of ₹10 each. This is known as:

(*a*) Consolidation
(*b*) Sub-division
(*c*) Conversion in Stock
(*d*) Surrender

6. When the object of reconstruction is usually to re-organise capital or to compound with creditors or to effect economies then such type of reconstruction is called as:

(*a*) Internal reconstruction with liquidation
(*b*) Internal reconstruction without liquidation of the company
(*c*) External reconstruction
(*d*) None of the above.

7. The accumulated losses under scheme of internal reconstruction are written off against:

(*a*) Capital Reduction account (*b*) Share Capital account

(*c*) Shareholders' account (*d*) Reserve and surplus.

8. A process of reconstruction, which is carried out without liquidating the company and forming a new one is called as:

(*a*) Internal reconstruction. (*b*) External reconstruction.

(*c*) Amalgamation in the nature of merger. (*d*) Amalgamation in the nature of purchase.

9. Reconstruction is a process by which affairs of a company are reorganized by:

(*a*) Revaluation of assets and Reassessment of liabilities.

(*b*) Writing off the losses already suffered by reducing the paid up value of shares and/or varying the rights attached to different classes of shares.

(*c*) Both (*a*) and (*b*).

(*d*) None of the above.

10. For reduction of the share capital, the permission has to be sought from:

(*a*) Court. (*b*) Controller.

(*c*) State government. (*d*) Shareholders.

11. In case of internal reconstruction _____

(*a*) Only one company is liquidated. (*b*) Two or more companies are liquidated.

(*c*) No company is liquidated. (*d*) Two companies amalgamated.

12. The Capital reduction means reduction in _____ value of shares.

(*a*) Authorized capital (*b*) Called up capital

(*c*) Uncalled capital (*d*) Paid–up value

13. The Shareholders can surrender shares for _____ or _____.

(*a*) Re-issue, Cancellation (*b*) Fresh Issue, Redemption

(*c*) Fresh Issue, cancellation (*d*) none of the above

14. The fictitious debit balances are to be transferred to _____ Account.

(*a*) External Reconstruction (*b*) Security Premium

(*c*) Share Capital (*d*) Capital Reduction

15. The difference in revaluation of assets is to be transferred to _____ Account.

(*a*) Realisation (*b*) Capital Reduction

(*c*) Security Premium (*d*) Capital Reserve

16. A scheme of _____ or _____ means the scheme having same effect.

(*a*) Capital Reduction or Internal Reconstruction

(*b*) Capital Reduction or External reconstruction

(*c*) None of the above

(*d*) Capital reserve or External reconstruction

17. The full balance of capital is to be debited, if _____ value is reduced.

(*a*) Face (*b*) Market

(*c*) Both of (*a*) and (*b*) (*d*) None of the above

18. The expenses for forming and implementing scheme should be debited to _____.

(*a*) security premium account (*b*) share capital account

(*c*) none of the above (*d*) capital reduction account

19. The objective of reconstruction is to write off _____.

(*a*) profit (*b*) accumulated losses

(*c*) assets (*d*) none of the above

20. In _____, no new company is formed.

(*a*) External reconstruction (*b*) Amalgamation

(*c*) Internal reconstruction (*d*) none of the above

21. Appreciation in the value of land & building is recorded on _____ side of Capital Reduction Account.

(*a*) credit (*b*) debit

(*c*) both of (*a*) and (*b*) (*d*) none of the above

22. Any credit balance on Capital Reduction Account after writing off losses is transferred to _____ Account.

(*a*) Reserve & Surplus (*b*) Profit & Loss

(*c*) Share Capital (*d*) Capital Reserve

23. Payment for contingent liability is debited to _____ A/c.

(*a*) Capital Reduction (*b*) Bank

(*c*) Share Capital (*d*) None of the above

24. Fictitious assets are written off to _____ A/c.

(*a*) Capital Reduction (*b*) Profit & Loss A/c

(*c*) Goodwill (*d*) Land & Building

25. Reconstruction expenses are debited to _____ A/c.

(*a*) Cash Account (*b*) Goodwill Account

(*c*) Profit & Loss A/c (*d*) Capital Reduction A/c

26. Appreciation in land and building is credited to _____ A/c.

(*a*) Capital Reduction (*b*) Profit & Loss

(*c*) Cash (*d*) Goodwill

27. XYZ Ltd. had on 31st December, 2023; 80,000 equity shares at ₹10 each. It was decided to reduce shares to ₹8 each. The reduction will be _____.

(*a*) ₹1,60,000 (*b*) ₹6,40,000

(*c*) ₹2,00,000 (*d*) ₹1,50,000

28. Creditors of the company are ₹50,00,000, one creditor for ₹20,00,000 decided to forego 40% of his claim. He is allotted 30,000 equity shares of ₹40 each in full satisfaction. The amount transferred to capital reduction will be _____.

(*a*) ₹8,00,000 (*b*) ₹20,00,000
(*c*) ₹12,00,000 (*d*) ₹50,00,000

29. The preference shareholders agree to forego arrears of preference dividend of ₹72,000. The amount transferred to Capital Reduction Account will be _____.

(*a*) Nil (*b*) ₹72,000
(*c*) ₹36,000 (*d*) ₹70,000

30. Creditors of a company are ₹3,00,000. They are given the option to either accept 50% of their claim in cash in full settlement or to convert their claim into equity shares of ₹10 each. Creditors of ₹2,00,000 opt for shares in satisfaction of the claim. Capital reduction Account will be credited by _____ .

(*a*) ₹1,00,000 (*b*) ₹1,50,000
(*c*) ₹50,000 (*d*) ₹2,00,000

31. Investment costing of ₹24,000 given to Bank for bank overdraft of ₹16,800. The capital reduction will be debited debited by _____.

(*a*) ₹24,000 (*b*) ₹8,000
(*c*) ₹7,200 (*d*) ₹16,800

32. Y Ltd. has 8,000 equity shares of ₹100 each fully paid. Each share is sub-divided into 10 equity shares of ₹10 each. The number of shares after sub-division will be _____.

(*a*) 8,000 (*b*) 80,000
(*c*) 75,000 (*d*) 60,000

33. Provision for taxation is ₹1,00,000. The tax liability of the company is settled at ₹80,000 and it is paid immediately. Amount credited to capital reduction will be _____ .

(*a*) ₹80,000 (*b*) ₹1,00,000
(*c*) ₹20,000 (*d*) ₹60,000

34. 6% debentures of ₹100 each amounting ₹1,00,000 to be converted into such number of 8% debentures of ₹50 each as to generate the same amount of interest as before. The amount of 8% debentures will be _____ .

(*a*) ₹1,00,000 (*b*) ₹25,000
(*c*) ₹75,000 (*d*) ₹1,20,000

35. On internal reconstruction, assets are written off except _____.

(*a*) Land & Building (*b*) Goodwill
(*c*) Preliminary expenses (*d*) Profit & Loss Account

Answer Key

1. (*c*)	**2.** (*d*)	**3.** (*b*)	**4.** (*b*)	**5.** (*a*)	**6.** (*b*)	**7.** (*a*)	**8.** (*a*)	**9.** (*c*)	**10.** (*a*)
11. (*c*)	**12.** (*d*)	**13.** (*a*)	**14.** (*d*)	**15.** (*b*)	**16.** (*a*)	**17.** (*a*)	**18.** (*d*)	**19.** (*b*)	**20.** (*c*)
21. (*a*)	**22.** (*d*)	**23.** (*a*)	**24.** (*a*)	**25.** (*d*)	**26.** (*a*)	**27.** (*a*)	**28.** (*a*)	**29.** (*a*)	**30.** (*c*)
31. (*c*)	**32.** (*b*)	**33.** (*c*)	**34.** (*c*)	**35.** (*a*)					

05 CHAPTER

Amalgamation (including AS 14)

MULTIPLE CHOICE QUESTIONS

1. When two or more companies carrying on similar business decides to combine, a new company is formed then it is known as _____.

(*a*) Amalgamation (*b*) Absorption
(*c*) Internal reconstruction (*d*) External reconstruction

2. When one of the existing companies take over business of another company or companies, it is known as _____.

(*a*) Amalgamation (*b*) Absorption
(*c*) Internal reconstruction (*d*) External reconstruction

3. While calculating purchase price, the following values of assets are considered:

(*a*) Book value (*b*) New Values fixed
(*c*) Average values (*d*) Market Values

4. Which of the following statement is correct?

(*a*) The amount of Goodwill or Capital Reserve is found out in the books of purchasing company only
(*b*) The amount of Goodwill or Capital Reserve is found out in the books of vendor company only.
(*c*) Goodwill = Net Assets – Purchase price
(*d*) The face value of shares of purchasing company will be taken in to account while calculating purchase consideration.

5. In amalgamation, if the two companies have different accounting policies in respect of the same item, then they make necessary changes to adopt _____ accounting policies.

(*a*) LIFO method (*b*) FIFO method
(*c*) Weighted Average Method (*d*) Uniform

6. If amalgamation is in the _____ the General Reserve or Profit and Loss A/c balance will not be taken over by the purchasing company

(*a*) Form of Merger (*b*) Form of Purchase
(*c*) Net assets method (*d*) Consideration method

7. Zee Ltd.'s purchase consideration is ₹12,345 and Net Assets ₹3,568, then _____.

(*a*) Goodwill ₹8,777
(*b*) Capital Reserve ₹8,777
(*c*) Goodwill ₹15,913
(*d*) Capital Reserve ₹15,913

8. For amalgamation in the nature of merger, the shareholders holding at least _____ or more of the equity shares of the transferor company becomes the equity shareholders of the transferee company.

(*a*) 51%
(*b*) 90%
(*c*) 99%
(*d*) 100%

9. Goodwill arising on amalgamation is to be amortised:

(*a*) Within 8 years.
(*b*) Within 5 years unless a longer period is justified.
(*c*) Within 10 years.
(*d*) Within 3 years.

10. Under the pooling of interest method, the difference between share capital of the transferor company and the considerations paid, will be adjusted by:

(*a*) Goodwill or Capital reserve.
(*b*) The general reserve or other reserves of the transferee company.
(*c*) Amalgamation Adjustment Account.
(*d*) All of the above.

11. ABC Ltd. take over PQR Ltd. on April 01, 2023 and discharges consideration for the business as follows:

(1) Issued 42,000 fully paid equity shares of ₹10 each at par to the equity shareholders of PQR Ltd.
(2) Issued fully paid up 15% preference shares of ₹100 each to discharge the preference shareholders (₹1,70,000) of PQR Ltd. at a premium of 10%.
(3) It is agreed that the debentures of PQR Ltd. (₹50,000) will be converted into equal number and amount of 13% debentures of ABC Ltd.

Determine the amount of purchase consideration as per AS 14.

(*a*) ₹6,07,000
(*b*) ₹5,90,000
(*c*) ₹6,40,000
(*d*) ₹6,57,000

12. XYZ Co. Ltd. having share capital of ₹50 lakhs divided into equity shares of ₹10 each was taken over by PQR Co. Ltd. PQR Co. Ltd. issued 11 equity shares of ₹10 each for every 10 shares of XYZ Co. Ltd. How the difference will be adjusted in the books of PQR Co. Ltd. for the shares issued under the 'Pooling of interests method' of amalgamation as per AS 14?

(*a*) Difference of ₹5,00,000 will be Adjusted through Goodwill.
(*b*) Difference of ₹5,00,000 will be Adjusted through Revaluation Reserve.
(*c*) Difference of ₹5,00,000 will be Adjusted through General Reserve
(*d*) Difference of ₹5,00,000 will be Adjusted through Security Premium.

13. Priyanka Ltd. is absorbed by Harshita Ltd. Priyanka Ltd. gives the following information on the date of absorption:

Particular	Amount
Sundry Assets	13,00,000
Share Capital:	
2,000 7% Preference shares of ₹100 each (fully paid-up)	2,00,000
5,000 Equity shares of ₹100 each (fully paid-up)	5,00,000
Reserves	3,00,000
6% Debentures	2,00,000
Trade payables	1,00,000

Additional Information: Harshita Ltd. has agreed:

(*i*) to issue 9% Preference shares of ₹100 each, in the ratio of 3 shares of Harshita Ltd. for 4 preference shares in Priyanka Ltd.

(*ii*) to issue to the debenture-holders in Priyanka Ltd. 8% Mortgage Debentures at ₹96 in lieu of 6% Debentures in Priyanka Ltd. which are to be redeemed at a premium of 20%;

(*iii*) to pay ₹20 per share in cash and to issue six equity shares of ₹100 each issued at the market value ₹125 in lieu of every five shares held in Priyanka Ltd.

What will be the purchase consideration?

(*a*) 10,00,000 (*b*) 7,50,000

(*c*) 12,40,000 (*d*) 8,50,000

14. The Amalgamation Adjustment Account appearing in the books is shown under the heading of _____ in the balance sheet.

(*a*) Reserve and Surplus (*b*) Fixed Assets

(*c*) Investments (*d*) Non Current Liabilities

15. When the purchasing company bears the liquidation expenses, it will debit the expenses to:

(*a*) Vendor Company's Account (*b*) Bank Account

(*c*) Goodwill Account (*d*) Realisation Account

16. When the Vendor (seller) company agrees to bear liquidation expenses, it will debit:

(*a*) Realisation Account (*b*) Bank Account

(*c*) Goodwill Account (*d*) None of these

17. As per AS–14 purchase consideration is what is payable to:

(*a*) Shareholders (*b*) Creditors

(*c*) Debenture holders (*d*) Shareholders and Debenture holders.

18. Which of the following statement is correct?

(*a*) In case of merger: ESH can be issued equity shares or Preference shares as a part of Purchase consideration.

(*b*) In case of purchase: ESH can be issued Preference shares also as a part of Purchase consideration.

(*c*) Both (*a*) and (*b*) are correct.

(*d*) Both (*a*) and (*b*) are incorrect.

19. State which of the following statement is correct:

(*a*) In case of merger: assets and liabilities can only be taken over at book values.

(*b*) In case of purchase: assets and liabilities can be taken over at book values or agreed values.

(*c*) Both (*a*) and (*b*) are correct.

(*d*) Both (*a*) and (*b*) are incorrect.

20. State which of the following statement is correct:

(*a*) In case of merger: All Reserves and surplus of vendor company are taken over by Purchasing company.

(*b*) In case of Purchase: None of the Reserves and surplus of vendor company are taken over by Purchasing company.

(*c*) Both (*a*) and (*b*) are correct.

(*d*) Only (*a*) is correct.

21. State which of the following statement is correct:

(*a*) In case of merger: We use pooling of interest method for accounting.

(*b*) In case of Purchase: We use purchase method or pooling of interest method depending upon whether it is taken over at agreed values or book values.

(*c*) Both (*a*) and (*b*) are correct.

(*d*) Only (*a*) is correct.

22. State which of the following statement is incorrect:

(*a*) In case of merger: We can issue either preference shares or equity shares to PSH.

(*b*) In case of Purchase: We can issue either preference shares or equity shares to PSH.

(*c*) In case of merger: We can issue only preference shares to PSH.

(*d*) None of the above.

23. In case of amalgamation, the entry for elimination of unrealized profit or loss on stock is made:

(*a*) By the vendor company

(*b*) By the purchasing company

(*c*) By the third party

(*d*) By the court

24. If expenses of liquidation of the vendor company are paid by the purchasing company then, in purchasing company's book, the account debited is:

(*a*) Goodwill account.

(*b*) Liquidation expense account.

(*c*) Vendor company account.

(*d*) Realisation account.

25. Amalgamation adjustment reserve is opened in the books of the amalgamated company to incorporate:

(*a*) Assets of the amalgamating company.

(*b*) Non-Statutory reserves of the amalgamating company.

(*c*) Statutory reserves of the amalgamating company.

(*d*) General reserve of the amalgamating company.

26. Amalgamation Adjustment Reserve is presented in the financial statements of the transferee company as:

(*a*) Other current asset.

(*b*) Separate line item with a negative sign under the head 'Reserves and Surplus'

(*c*) Other non-current assets.

(*d*) Investment of the company

27. A company into which the vendor company is merged is called as:

(*a*) Transferee company.

(*b*) Transferor company.

(*c*) Selling company.

(*d*) Acquiree company.

28. If the purchase consideration is more than net assets (at agreed values) of the transferor company, difference shall be recorded as _____ in the books of the transferee company.

(*a*) Goodwill.

(*b*) Capital Reserve.

(*c*) Profit.

(*d*) Loss.

Answer Key

1. (*a*)	**2.** (*b*)	**3.** (*b*)	**4.** (*a*)	**5.** (*d*)	**6.** (*b*)	**7.** (*a*)	**8.** (*b*)	**9.** (*b*)	**10.** (*b*)
11. (*a*)	**12.** (*c*)	**13.** (*a*)	**14.** (*a*)	**15.** (*c*)	**16.** (*a*)	**17.** (*a*)	**18.** (*b*)	**19.** (*c*)	**20.** (*d*)
21. (*d*)	**22.** (*c*)	**23.** (*b*)	**24.** (*a*)	**25.** (*c*)	**26.** (*b*)	**27.** (*a*)	**28.** (*a*)		

06 CHAPTER

Branch Accounting

MULTIPLE CHOICE QUESTIONS

1. The method of Branch Accounting varies with the nature and the status of branch.

(*a*) True (*b*) False

(*c*) Both (*a*) and (*b*) (*d*) None of the above

2. The normal and abnormal stock of goods which doesn't appear in branch account as the closing stock is at the _____ figure.

(*a*) Adjusted (*b*) Profit

(*c*) Balance (*d*) Loss

3. Loading on surplus in stock is _____ to Branch Adjustment Account.

(*a*) Debited (*b*) Credited

(*c*) Liability (*d*) Trading

4. Under Stock and Debtors system, general income is credited to _____ account.

(*a*) Balance sheet (*b*) Branch stock account

(*c*) Debtor account (*d*) Branch profit and loss

5. In Branch Accounting the balance on Stock reserve Account at the end of the period is shown in the balance sheet by the way of deduction from:

(*a*) Opening stock. (*b*) Reserved stock.

(*c*) Closing stock. (*d*) Profit or loss

6. Goods sent by the head office at the end of the year but not received by Branch before the year end is known as:

(*a*) Goods in transit (*b*) Loss by fire

(*c*) Shortage. (*d*) Loss

7. The closing balance of book debts account is ascertained by preparing branch _____ Account.

(*a*) Stock (*b*) Trading.

(*c*) Debtors (*d*) Adjustment

8. The removal of loading from the items of branch stock is adjusted through branch _____ Account.

(*a*) Adjustment (*b*) Debtor

(*c*) Stock (*d*) Profit and loss

9. All items of stock in Trading and Profit and loss Account are to be converted into cost price if these are given at:

(*a*) Profit ratio (*b*) Market price

(*c*) Balance (*d*) Invoice price

10. Foreign Branch almost invariably trade independently and records their transaction at:

(*a*) Cost price (*b*) Market value

(*c*) Foreign currency (*d*) Invoice price

11. In branch accounts, under debtor's system, opening balances of assets are:

(*a*) Credited to Branch Account (*b*) Debited to Branch Account

(*c*) Not shown in Branch Account (*d*) None of the above

12. Which one of the following is NOT true about a dependent branch?

(*a*) These branches sell only those goods which are received from the head office.

(*b*) Petty expenses are paid by the branch and petty cash account is prepared at the branch either as simple petty cash or on imprest system

(*c*) Such branches maintain their own books of account.

(*d*) All expenses of the branch are paid by the head office.

13. A branch which keeps complete record of all accounting transactions is called as:

(*a*) A Foreign branch (*b*) A Local branch

(*c*) An Independent branch (*d*) A Dependent branch

14. Head Office of ABC & Co. transfers goods to Branch at a price that includes a mark-up/profit of 25% on cost. If the closing stock at Branch is ₹1,00,000, stock reserve will be created for:

(*a*) ₹25,000 (*b*) ₹1,00,000

(*c*) ₹20,000 (*d*) ₹80,000

15. Dependent branch can make:

(*a*) Only cash sales (*b*) Only credit sales

(*c*) Both cash and credit sales (*d*) None of the above

16. If the head office has sent goods worth ₹5,00,000 to the branch but the branch has received goods worth only ₹3,00,000 by 31st March of the year, the entry to be passed in the books of the branch would be:

(*a*) Goods-in-Transit A/c Dr. ₹2,00,000
To Head Office A/c ₹2,00,000

(*b*) No entry will be passed by branch and only head office will pass an entry

(*c*) Head Office A/c Dr. ₹2,00,000
To Goods-in-Transit A/c ₹2,00,000

(*d*) Goods-in-Transit A/c Dr. ₹5,00,000
To Head Office A/c ₹5,00,000

17. Which of the following is not considered as method of maintaining accounting of dependent branch under goods invoiced at cost or selling price?

(*a*) Debtors Method

(*b*) Stock and Debtors Method

(*c*) Trading and Profit and loss account Method or Final Method

(*d*) Whole sale branches method

18. In which method of branch accounting, at the end of the year, the value of unsold stock, the total of customer's balances outstanding and that of petty cash are brought into the branch account on the credit side?

(*a*) Debtors Method

(*b*) Stock and Debtors method

(*c*) Final Accounts Method

(*d*) None of the above

19. P Ltd opened a branch at Jaipur and sent goods costing ₹50,000 to Jaipur branch. Jaipur Branch sold entire goods on credit at ₹62,000. No other transaction occurred at the branch. What is the net profit earned by branch?

(*a*) ₹12,000

(*b*) ₹22,000

(*c*) ₹28,000

(*d*) ₹18,000

20. X Ltd opened a new branch at Delhi. X Ltd sent goods costing ₹40,000 to Delhi branch. Delhi branch sold entire goods in cash at ₹70,000. Branch paid expenses of ₹12,000. No other transaction occurred at the branch. Find out the profit.

(*a*) ₹30,000

(*b*) ₹8,000

(*c*) ₹18,000

(*d*) ₹12,000

21. Under branch accounting in Stock and Debtors method, what is the purpose of opening Branch Stock Account by the head office?

(*a*) Ascertainment of total expenses incurred

(*b*) Ascertainment of closing balance of Debtors

(*c*) Ascertainment of shortage or surplus

(*d*) Ascertainment of cost of goods sent to branch

22. Calculate the amount of Net Profit transferred to General P&L A/c under Final Accounts Method if Gross Profit is ₹60,000; Expenses ₹30,000; Petty Cash Expenses ₹4,000.

(*a*) ₹24,000

(*b*) ₹26,000

(*c*) ₹30,000

(*d*) ₹56,000

23. Calculate Closing balance on 31.03.2024 of Bangalore Branch Debtor A/c if Opening balance as on 01.04.2023 is ₹10,800; Cash ₹28,500; Discount ₹1,500; Sales ₹56,000 and Return ₹250?

(*a*) ₹36,500

(*b*) ₹36,550

(*c*) ₹36,250

(*d*) ₹36,000

24. What is value of Stock reserve if net stock is valued at ₹48,000 and goods are sent at 20% above cost to branch?

(*a*) ₹8,000

(*b*) ₹9,600

(*c*) ₹8,600

(*d*) ₹9,000

25. Calculate the value of Goods in Transit if head office situated at Delhi send goods to Ganganagar Branch at 25% above cost. Goods sent to branch is ₹5,30,000 till 31.03.2024 but goods received by Branch is ₹5,10,000.

(*a*) ₹16,000 (*b*) ₹20,000

(*c*) ₹26,000 (*d*) ₹22,000

26. Calculate the amount of Debtors if Goods are invoiced at 20% above cost and amount of credit sales is ₹1,35,000 and amount of collection is ₹1,06,000.

(*a*) ₹6,500 (*b*) ₹50,000

(*c*) ₹29,000 (*d*) None of the above

27. If M/s Puvi Nuvi Ltd. Has a business of sports equipment and send goods to number of outlets in India at cost plus 25% and then outlets sell goods at the retail shops at 20% above the wholesale price. What is the retail sales value if gross profit made by outlet is ₹75,000?

(*a*) ₹3,60,000 (*b*) ₹4,50,000

(*c*) ₹3,50,000 (*d*) ₹3,75,000

28. Which of the given below statement are correct?

Statement 1: Branch maintains its entire books of account under double entry system in dependent branch.

Statement 2: Branch opens in its books a Head Office account to record all transactions that take place between Head Office and branch. The Head Office maintains a Branch account to record these transactions in independent branch.

(*a*) Only Statement 1 (*b*) Only Statement 2

(*c*) Both Statement 1 and 2 (*d*) None of above

29. When books are kept by independent branch, what will be the journal entry in the books of H.O when Delhi Branch has paid its expenses?

(*a*) Expenses A/c Dr.
To Bank or Cash A/c

(*b*) Expenses A/c Dr.
To Branch Bank or Cash A/c

(*c*) No Entry

(*d*) Branch Expenses A/c Dr.
To Bank or Cash A/c

30. When books are kept by independent branch, what is the journal entry passed in the books of branch for depreciation on asset when Branch has purchased asset but asset account retained at H.O. books?

(*a*) Depreciation A/c Dr.
To Head Office A/c

(*b*) Depreciation A/c Dr.
To Asset A/c

(*c*) Depreciation A/c Dr.
To Branch Asset A/c

(*d*) Depreciation A/c Dr.
To H.O. Asset A/c

31. Pass Journal entry in the books of an independent Branch to rectify or adjust the following:
Branch paid ₹50,000 as salary to H.O supervisor, but the amount paid by branch has been debited to salary account in the books of branch.

(*a*)	Head office A/c	Dr.	₹50,000	
	To Head office Salaries A/c			₹50,000
(*b*)	Head office A/c	Dr.	₹50,000	
	To Branch Salaries A/c			₹50,000
(*c*)	Branch A/c	Dr.	₹50,000	
	To Salaries A/c			₹50,000
(*d*)	Head office A/c	Dr.	₹50,000	
	To Salaries A/c			₹50,000

32. Which Accounting Standard is followed in accounting of foreign branches?

(*a*) AS-9 (*b*) AS-12
(*c*) AS-11 (*d*) AS-13

33. Resulting exchange rate difference should be accumulated in a _____ until the disposal of "net investment in non-integral foreign operation".

(*a*) foreign currency reserve (*b*) foreign translation reserve
(*c*) currency translation reserve (*d*) foreign currency translation reserve

34. _____ is a foreign operation, the activities of which are an integral part of those of the reporting enterprise.

(*a*) Foreign Operation (*b*) Integral Foreign Operation
(*c*) Non-Integral Foreign Operation (NIFO) (*d*) None of above

35. The business of a _____ is carried on in a substantially independent way by accumulating cash and other monetary items, incurring expenses, generating income and arranging borrowing in its local currency.

(*a*) Foreign Operation (*b*) Integral Foreign Operation
(*c*) Non-Integral Foreign Operation (NIFO) (*d*) None of above

36. As per AS 11 assets and liabilities of non-integral foreign operations should be converted at _____ rate.

(*a*) Opening (*b*) Average
(*c*) Closing (*d*) Transaction

37. The debit or credit balance of "Foreign Currency Translation Reserve Account":

(*a*) Is shown as "Miscellaneous Expenditure" in the Balance Sheet
(*b*) Is shown under "Reserves and Surplus" as a separate line item
(*c*) Is shown as "Other Non-current" in the Balance Sheet
(*d*) Is shown as "Current Assets" in the Balance Sheet

38. If asset of an integral foreign operation is carried at cost, cost and depreciation of tangible fixed asset is translated at:

(*a*) Average exchange rate
(*b*) Closing exchange rate
(*c*) Exchange rate at the date of purchase of asset
(*d*) Opening exchange rate

39. Which of the following can be classified as an integral foreign operation?

(*a*) Branch office serving as an extension of the head office in terms of operations
(*b*) Independent subsidiary of the parent company
(*c*) Branch office independent of the head office in terms of operational decisions
(*d*) None of the above

40. If goods are invoiced to branches at cost, trading results of branch can be ascertained by:

(*a*) Debtor's method.
(*b*) Stock and Debtors method.
(*c*) Either (*a*) or (*b*).
(*d*) Both (*a*) and (*b*).

41. Under branch trading and profit loss account method:

(*a*) H.O prepares profit and loss account.
(*b*) Each branch is treated separate entity.
(*c*) Both (*a*) and (*b*).
(*d*) Either (*a*) or (*b*).

42. Goods may be invoiced to branch at:

(*a*) Cost or Selling price.
(*b*) Wholesale price.
(*c*) Both (*a*) and (*b*).
(*d*) Either (*a*) or (*b*).

43. Under Debtors method, opening balance of Debtors is:

(*a*) Debited to branch account.
(*b*) Credited to branch account.
(*c*) Debited to H.O account.
(*d*) Credited to H.O account.

44. Cost of goods returned by branch will have the following effect:

(*a*) Goods sent to branch account will be debited.
(*b*) Branch stock account will be credited.
(*c*) Both (*a*) and (*b*).
(*d*) Either (*a*) or (*b*).

Answer Key

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

07 CHAPTER

Accounting for Investments (AS 13)

MULTIPLE CHOICE QUESTIONS

1. The cost of Right shares is

(*a*) added to the cost of investments.
(*b*) subtracted from the cost of investments.
(*c*) no treatment is required.
(*d*) added to cost of investments at market value.

2. Long term investments are carried at

(*a*) Fair value.
(*b*) Cost less 'other than temporary' decline.
(*c*) Cost and market value whichever is less.
(*d*) Cost and market value whichever is higher.

3. Current investments are carried at

(*a*) Fair value.
(*b*) Cost.
(*c*) Cost and fair value, whichever is less.
(*d*) Cost and fair value, whichever is higher.

4. A Ltd. acquired 2,000 equity shares of Omega Ltd. on cum-right basis at ₹75 per share. Subsequently, Omega Ltd. made a right issue of 1 : 1 at ₹60 per share, which was subscribed for by A. Total cost of investments at the year-end will be _____

(*a*) ₹2,70,000.
(*b*) ₹1,50,000.
(*c*) ₹1,20,000.
(*d*) ₹1,70,000.

5. Cost of investment includes

(*a*) Purchase costs.
(*b*) Brokerage and Stamp duty paid.
(*c*) Both (*a*) and (*b*).
(*d*) None of the above.

6. AS 13 Accounting for Investments does not deal with _____

(*a*) Operating or finance leases
(*b*) Investments on retirement benefit plans
(*c*) Mutual funds
(*d*) All of Above

7. _____ is the amount obtainable from the sale of an investment in an open market, net of expenses necessarily to be incurred on or before disposal.

(*a*) Investments
(*b*) Fair value
(*c*) Market value
(*d*) Mutual Funds

8. As per AS 13, investments are classified as (1) current investment; (2) long term investment-

(*a*) Only 1 (*b*) Only 2

(*c*) Both 1 and 2 (*d*) None of above

9. If the investments are acquired on cum-right basis and the market value of investments immediately after their becoming ex-right is lower than the cost for which they were acquired, then the sale proceeds till the carrying amount becomes equal to the market value is _____ to know cost of investment.

(*a*) Reduced (*b*) Added

(*c*) No treatment (*d*) reduced or added depends on the information

10. _____ is an investment in land or buildings that are not intended to be occupied substantially for use by, or in the operations of, the investing enterprise.

(*a*) Shares (*b*) Debentures

(*c*) Investment Property (*d*) Govt. Securities

11. On disposal of an investment, the difference between the carrying amount and the disposal proceeds, net of expenses, is recognised in the _____

(*a*) Profit and loss statement (*b*) Realisation Account

(*c*) Investment Account (*d*) None of the above

12. Mr. X has purchased 10000 10% debentures on 01.12.2023 for ₹101 and also paid brokerage @ 2%. What is the cost of 10% debentures as per AS 13.

(*a*) ₹10,10,000 (*b*) ₹10,00,000

(*c*) ₹10,20,000 (*d*) ₹10,30,200

13. X Ltd. has issued bonus shares in the ratio of 1 : 2. Mr. Vipin has 500 shares which it has taken from market @ 135. How many bonus shares is issued by company and what is cost of bonus share to Mr. Vipin?

(*a*) ₹500, ₹135 (*b*) ₹250, ₹135

(*c*) ₹250, NIL (*d*) ₹500, NIL

14. On 31.1.2023, Bonus was declared in the ratio of 1 : 2. Before and after the record date of bonus shares, the shares were quoted at ₹175 per share and ₹90 per share respectively. On 1.1.2023, Mr. KM has 1000 shares and sold bonus shares to a Broker, who charged 2% brokerage. Calculate Sale Proceeds of bonus shares.

(*a*) ₹88,200 (*b*) ₹90,000

(*c*) ₹44,100 (*d*) ₹45,000

15. Mr. X purchased 1000 equity shares of ₹10 each in PW Co. Ltd. for ₹75,000 inclusive of brokerage and stamp duty. He received Bonus shares in the ratio of 1 : 2. He sold bonus shares for ₹45,000. What is the profit on sale of bonus shares?

(*a*) ₹20,000 (*b*) ₹25,000

(*c*) ₹44,100 (*d*) ₹45,000

16. Miss Kalpana has purchased 6000 shares of MN Ltd. on 15.01.2023 and then on 23.03.2023 purchased another 7000 shares. On 30.06.2023 company has issued 8000 bonus shares to her. MN Ltd has issued right shares on 31.08.2023 in ratio of 3 : 7 which she subscribed to the maximum extent. Calculate total number of shares.

(*a*) 21,000 (*b*) 30,000

(*c*) 70,000 (*d*) 13,000

17. Dividends for the year ended 31.3.2023 at the rate of 20% were declared by X Ltd. and received by Sundari on 31.10.2023. Dividends for 5000 shares acquired by her on 20.6.2023 are to be adjusted against the cost of purchase. X Ltd. has also issued bonus and right shares. Miss Sundari has received 500 and 700 shares respectively. Initially she has 35000 shares of face value ₹10 each purchased at 20 per share. Directors of X Ltd. decided not to pay dividend on bonus and right shares. How much dividend received is to be transferred to P&L Account by Sundari?

(*a*) ₹70,000 (*b*) ₹1,40,000

(*c*) ₹80,000 (*d*) ₹1,60,000

18. Calculate profit on sale of Bonds. C has purchased 1000 bonds at ₹55,000. On 02.02.2023 he sold 200 bonds @ 99 each.

(*a*) ₹19,800 (*b*) ₹11,000

(*c*) ₹8,800 (*d*) None of the above

19. Mr. F has sold 400 debentures @ 98/- ex interest and has also paid brokerage @ 1%. Cost of debentures ₹39,697. Compute Profit or loss on sale of debentures.

(*a*) ₹890 Profit (*b*) ₹890 Loss

(*c*) ₹889 Profit (*d*) ₹889 Loss

20. As per AS 13, investments are reclassified from current to long term, transfers are made at lower of cost and _____ on the date of transfer.

(*a*) Carrying amount (*b*) Fair Value

(*c*) Face Value (*d*) None of the Above

21. Puvi Nuvi Ltd. has invested in various types of investments?

Particular	Cost (₹)	Market Value (₹)
Shares	2,10,000	2,25,000
Bond	90,000	88,000
Gold	78,000	72,000

Calculate value of investment at end of year as on 31.03.2024 assuming current investments.

(*a*) ₹3,85,000 (*b*) ₹3,70,000

(*c*) ₹3,78,000 (*d*) ₹3,93,000

22. Calculate profit on sale of 500 shares if Mr. Tara has earlier purchased 1000 shares @ ₹120/- each and paid 1% brokerage and 0.50% Stamp duty on purchase. He also received bonus shares in ratio of 1 : 2. Sales proceeds of shares are ₹48,100.

(*a*) ₹7,500 (*b*) ₹7,600

(*c*) ₹7,700 (*d*) ₹7,800

23. If rights are not subscribed for but are sold in the market, the sale proceeds are taken to the _____

(*a*) Profit and Loss Account (*b*) Realisation Account

(*c*) Investment Account (*d*) None of the above

24. Any reduction to fair value is debited to profit and loss account, however, if fair value of investment is increased subsequently, the increase in value of current investment up to the cost of investment is credited to the _____ (and excess portion, if any, is ignored).

(*a*) Profit and Loss Account (*b*) Realisation Account

(*c*) Investment Account (*d*) None of the above

25. Decide and state on the amount of transfer, based on the following information:

Certain long term investments no longer considered for holding purposes, to be reclassified as current investments. The original cost of these was ₹15 lakhs but had been written down to ₹12 lakhs to recognise other than temporary decline as per AS 13.

(*a*) ₹18 Lakhs (*b*) ₹12 Lakhs

(*c*) ₹15 Lakhs (*d*) None of Above

Answer Key

1. (*a*)	**2.** (*b*)	**3.** (*c*)	**4.** (*a*)	**5.** (*c*)	**6.** (*d*)	**7.** (*c*)	**8.** (*c*)	**9.** (*a*)	**10.** (*c*)
11. (*a*)	**12.** (*d*)	**13.** (*c*)	**14.** (*c*)	**15.** (*a*)	**16.** (*b*)	**17.** (*a*)	**18.** (*c*)	**19.** (*d*)	**20.** (*b*)
21. (*b*)	**22.** (*a*)	**23.** (*a*)	**24.** (*a*)	**25.** (*b*)					

EXPLANATION

12. Cost Value (10000 × ₹101) ₹10,10,000
Add: Brokerage (2% of ₹10,10,000) ₹20,200
Cost of 10% debentures purchased on 1.12.2023 ₹10,30,200

14. Sale proceeds of equity shares (bonus) sold on 31st March, 2023
= (500 × ₹90) – (2% of ₹45,000) = ₹44,100.

15. Profit on sale of bonus shares = Sales proceeds – Average cost
Sales proceeds = ₹45,000

$$\text{Average cost} = \left(\frac{500}{1500}\right) \times ₹75,000 = ₹25,000$$

Profit = ₹45,000 – ₹25,000 = ₹20,000.

16. $\text{Right shares} = \left[\frac{(6,000+7,000+8,000)}{7}\right] \times 3 = 9,000$ shares

Total No. of shares = 21,000 + 9,000 = 30,000

17. Dividend received = 35,000 at the beginning × 10 × 20% = ₹70,000

18. $\text{Cost of bonds} = \left(\frac{55,000}{1,000}\right) \times 200 = 11,000$

Sale proceeds = 200 × ₹99 = 19,800
Profit element = ₹8,800

19.

Sales price of debentures (400 × 98)	39,200
Less: Brokerage @ 1%	(392)
	38,808
Less: Cost of Debentures	(39,697)
Loss on sale	889

22. Cost of equity shares purchased = (1,000 × 120) + (1% of 1,20,000) + (½% of 1,20,000) = ₹1,21,800
Profit on sale of bonus shares = Sale proceeds – Average cost
Sale proceeds = ₹48,100

$$\text{Average cost} = ₹\left(\frac{1,21,800}{1,500}\right) \times 500 = ₹40,600$$

Profit = ₹48,100 – ₹40,600 = ₹7,500.

08 CHAPTER

Consolidated Financial Statements (AS 21)

MULTIPLE CHOICE QUESTIONS

1. A single set of financial statements that combines the separate sets of financial statements of a parent and its subsidiaries is known as:

(*a*) equity financial statements
(*b*) condensed financial statements
(*c*) consolidated financial statements
(*d*) interim financial statements

2. ABC Limited acquired 70% of the shares of PQR Limited directly from the owners of those shares. The shares were purchased on the market for ₹4,00,000 in total. PQR Limited must:

(*a*) recognize the inflow of cash of ₹4,00,000 and an increase in issued capital of ₹4,00,000.
(*b*) recognize an investment of ₹4,00,000 and an increase in equity of ₹4,00,000.
(*c*) de-recognize share capital amounting to ₹4,00,000.
(*d*) not make an accounting entry as the transaction is between ABC Limited and the individual shareholders of PQR Limited.

3. When one entity controls the business operations of another entity, the business combination results in the following type of relationship:

(*a*) parent-subsidiary
(*b*) Partnership
(*c*) a merger
(*d*) dual-listed

4. For the purposes of consolidated financial reporting, a group is:

(*a*) an entity that has no subsidiaries.
(*b*) a parent entity and all its subsidiaries.
(*c*) an entity that has one or more subsidiaries.
(*d*) a subsidiary entity of another entity.

5. The process of preparing combined financial statements of a group of entities is known as:

(*a*) accrual accounting
(*b*) condensation
(*c*) accumulation
(*d*) consolidation

6. The method adopted in combining the separate sets of financial statements of entities in a group to form a set of consolidated financial statements is:

(*a*) set-off all assets and liabilities and recognize a single net investment.
(*b*) line-by-line recognition of the elements of financial statements.

(*c*) combine the cash balances of the separate entities into one-line and aggregate the remaining net assets into one item.

(*d*) combine all assets and liabilities into one net assets item and combine all profits and losses into one profit or loss item.

7. A group of entities comprised of All Limited, Night Limited and Long Limited have the following cash balances: All Limited ₹2,000, Night Limited ₹5,000, Long Limited ₹10,000. All Limited is the parent entity. The consolidated financial statements will show the following amount as the consolidated cash balance:

(*a*) ₹2,000 (*b*) ₹7,000

(*c*) ₹15,000 (*d*) ₹17,000

8. The process of consolidation involves

(*a*) balance date adjusting journal entries to the ledger accounts of the subsidiaries.

(*b*) balance date adjusting entries to the ledger accounts of the parent entity.

(*c*) no adjustments to the individual ledger accounts of entities in the group.

(*d*) accruals directly to the balance of the retained earnings account of the parent entity.

9. A full set of consolidated financial statements comprises a consolidated:

(*i*) Statement of financial position

(*ii*) Statement of Profit & Loss

(*iii*) Statement of cash flows

(*a*) (*i*) and (*ii*) only (*b*) (*i*), (*ii*) and (*iii*) only

(*c*) (*ii*) and (*iii*) only (*d*) (*i*) and (*iii*) only

10. If consolidated financial statements are required to be prepared, then:

(*a*) they are additional to the separate financial statements of the entities in the group.

(*b*) there is no need to prepare separate financial statements for the entities in the group.

(*c*) the need to prepare separate financial statements for the parent entity is redundant.

(*d*) it is not necessary to prepare separate financial statements for the subsidiary entities of the group.

11. Control is automatically presumed to exist where the parent either directly or indirectly through subsidiaries owns:

(*a*) more than 25% but less than 50% of the voting power of an entity.

(*b*) more than 10% but less than 25% of the voting power of an entity.

(*c*) not more than 49% of the voting power of an entity.

(*d*) more than 50% of the voting power of an entity.

12. Minority interest should be presented in the consolidated balance sheet:

(*a*) As a part of liabilities.

(*b*) As a part of equity of the parent's shareholders.

(*c*) Separately from liabilities and the equity of the parent's shareholders.

(*d*) As a part of assets.

13. Minority of the subsidiary is entitled to:

(*a*) Capital profits of the subsidiary company.
(*b*) Revenue profits of the subsidiary company.
(*c*) Both capital and revenue profits of the subsidiary company.
(*d*) Neither capital nor revenue profits of the subsidiary.

14. In consolidation of accounts of holding and subsidiary company, _____ is eliminated in full.

(*a*) Current liabilities of subsidiary company.
(*b*) Reserves and surplus of both holding and subsidiary company.
(*c*) Mutual indebtedness.
(*d*) Nothing.

15. In consolidated balance sheet, the share of the outsiders in the net assets of the subsidiary must be shown as:

(*a*) Minority interest.
(*b*) Capital reserve.
(*c*) Current liability.
(*d*) Current assets.

16. Provision for Tax made by the subsidiary company will appear in the consolidated balance sheet as an item of:

(*a*) Current liability.
(*b*) Revenue profit.
(*c*) Capital profit.
(*d*) Current assets.

17. Pre-acquisition profit in subsidiary company is considered as:

(*a*) Revenue profit.
(*b*) Capital profit.
(*c*) Goodwill
(*d*) Cost of control

18. Subsidiary company in relation to any other company (that is to say the holding company), means a company in which the holding company _____

(*a*) Controls the composition of the Board of Directors
(*b*) Exercises or controls more than 50% of the total voting power either at its own or together with one or more of its subsidiary companies
(*c*) Both (*a*) or (*b*)
(*d*) Neither (*a*) nor (*b*)

19. Which section of the Companies Act, 2013 requires the preparation of consolidated financial statements?

(*a*) Section 127
(*b*) Section 128
(*c*) Section 130
(*d*) Section 129

20. Holding company holds more than _____ voting power in subsidiary company.

(*a*) 25%
(*b*) 40%
(*c*) 50%
(*d*) 75%

21. Holding company's share in revenue profits of subsidiary company is adjusted in:

(*a*) Cost of control
(*b*) Shown on assets side of balance sheet
(*c*) Profit and loss account of holding company
(*d*) Capital profits of holding company

22. If cost of acquisition of shares in the subsidiary company is less than intrinsic value of the shares of subsidiary company on the date of acquisition then resultant figure will be:

(*a*) Minority interest (*b*) Capital Reserve

(*c*) Goodwill (*d*) Significant cost

23. Dividend received out of pre-acquisition profits of subsidiary:

(*a*) It should be treated as revenue income and credited to the Profit and Loss A/c.

(*b*) Added while calculating 'cost of control'.

(*c*) Should be treated as capital receipt and credited to Investment A/c

(*d*) Will increase the Goodwill while calculating cost of control.

24. If cost of acquisition of shares in the subsidiary company is more than intrinsic value of the shares of subsidiary company on the date of acquisition then resultant figure will be:

(*a*) Minority interest (*b*) Capital Reserve

(*c*) Goodwill (*d*) Significant cost

25. Which of the following treatment is correct for mutual debts with regard to purchase and sale of goods between holding and subsidiary company?

(*a*) Amount of mutual debt will be added to the Debtors and Creditors on asset side and liability side respectively while preparing the consolidated balance sheet.

(*b*) Amount of mutual debt will be ignored as it is not asset or liability.

(*c*) Amount of mutual debt will be deducted from the Debtors and Creditors on asset side and liability side respectively while preparing the consolidated balance sheet.

(*d*) Amount of mutual debt will require adjustment on debtors figure on asset side only.

26. H Ltd. acquires 70% of the equity shares of S Ltd. on 1.1.2023. On that date, paid-up capital of S Ltd. was 10,000 equity shares of ₹10 each; accumulated reserve balance was ₹1,00,000. H Ltd. paid ₹1,60,000 to acquire 70% interest in the S Ltd. Assets of S Ltd. were revalued on 1.1.2023 and a revaluation loss of ₹20,000 was ascertained. Which of the following is correct in relation to cost of control of group consolidated financial statement?

(*a*) Capital Reserve – ₹34,000 (*b*) Goodwill – ₹34,000

(*c*) Capital Reserve – ₹1,26,000 (*d*) Goodwill – ₹1,26,000

Answer Key

1. (*c*)	**2.** (*d*)	**3.** (*a*)	**4.** (*b*)	**5.** (*d*)	**6.** (*b*)	**7.** (*d*)	**8.** (*c*)	**9.** (*b*)	**10.** (*a*)
11. (*d*)	**12.** (*c*)	**13.** (*c*)	**14.** (*c*)	**15.** (*a*)	**16.** (*a*)	**17.** (*b*)	**18.** (*c*)	**19.** (*d*)	**20.** (*c*)
21. (*c*)	**22.** (*b*)	**23.** (*c*)	**24.** (*c*)	**25.** (*c*)	**26.** (*b*)				

09 CHAPTER

Framework for Preparation and Presentation of Financial Statements

MULTIPLE CHOICE QUESTIONS

1. The 'going concern' concept assumes that:
(*a*) The business can continue in operational existence for the foreseeable future.
(*b*) The business cannot continue in operational existence for the foreseeable future.
(*c*) The business is continuing to be profitable.
(*d*) The business cannot continue if it is not able to earn profits.

2. Two principal qualitative characteristics of financial statements are:
(*a*) Understandability and materiality
(*b*) Relevance and Reliability
(*c*) Relevance and materiality
(*d*) Comparability and materiality

3. All of the following are components of financial statements except:
(*a*) Balance sheet
(*b*) Statement of Profit and loss
(*c*) Human responsibility report
(*d*) Social responsibility report.

4. An accounting policy can be changed if the change is required
(*a*) By statute or accounting standard
(*b*) For more appropriate presentation of financial statements
(*c*) Both (*a*) and (*b*)
(*d*) By statute as well as accounting standards.

5. Value of equity may change due to:
(*a*) Contribution from or Distribution to equity participants
(*b*) Income earned
(*c*) expenses incurred
(*d*) All the three

6. Framework for preparation and presentation of financial statements suggests that the financial statements should observe:
(*a*) Relevance
(*b*) Understandability
(*c*) Reliability
(*d*) All the three

7. Which of the assumption is not considered as fundamental accounting assumption?

(*a*) Going Concern (*b*) Accrual

(*c*) Reliability (*d*) Consistency

8. Which of the following are underlying assumptions of financial statements?

(*a*) Relevance and reliability.

(*b*) Going concern and Accrual basis.

(*c*) Financial capital maintenance and physical capital maintenance.

(*d*) Prudence and conservatism.

9. Liabilities are recorded at the undiscounted amount of cash expected to be paid on settlement of liability in the normal course of business under:

(*a*) Present value (*b*) Realizable value

(*c*) Current cost (*d*) Fair value

10. An item that meets the definition of an element of financial statements should be recognised in the financial statements if _____.

(*a*) It is probable that any future economic benefit associated with the item will flow to the enterprise.

(*b*) Item has a cost or value that can be measured with reliability.

(*c*) Both (*a*) and (*b*)

(*d*) It is probable that no future economic benefit associated with the item will flow to the enterprise.

11. Which of the following is not an element of Financial Statements?

(*a*) Assets (*b*) Trial Balance

(*c*) Equity & Liabilities (*d*) Income & Expense

12. Mr. A purchased a machine on 1st January, 2016 at ₹7,00,000. As on 1.1.2021, Mr. A found that it would cost ₹25,00,000 to purchase that machine. Mr. X also took loan from a bank as on 1st January, 2016 for ₹5,00,000 @ 18% p.a. repayable at the end of 15th year together with interest. As per historical cost, what amount of liability & asset will be recorded in the books of accounts?

(*a*) ₹5,00,000 and ₹7,00,000 (*b*) ₹18,50,000 and ₹25,00,000

(*c*) ₹7,00,000 and ₹5,00,000 (*d*) ₹25,00,000 and ₹18,50,000

Answer Key

1. (*a*)	**2.** (*b*)	**3.** (*c*)	**4.** (*c*)	**5.** (*d*)	**6.** (*d*)	**7.** (*c*)	**8.** (*b*)	**9.** (*b*)	**10.** (*c*)
11. (*b*)	**12.** (*a*)								

CHAPTER 10A

Introduction to Accounting Standards

MULTIPLE CHOICE QUESTIONS

1. Accounting Standards for non-corporate entities in India are issued by:
(*a*) Central Govt. (*b*) State Govt.
(*c*) Institute of Chartered Accountants of India. (*d*) MCA

2. Accounting Standards:
(*a*) Harmonise accounting policies and eliminate the non-comparability of financial statements.
(*b*) Improve the reliability of financial statements.
(*c*) Both (*a*) and (*b*).
(*d*) manipulate the data for the management.

3. It is essential to standardize the accounting principles and policies in order to ensure
(*a*) Transparency. (*b*) Consistency.
(*c*) Comparability. (*d*) All the above.

4. Which committee is responsible for approval of accounting standards and their modification for the purpose of applicability to companies?
(*a*) NFRA. (*b*) MCA.
(*c*) Central Government Advisory Committee. (*d*) IASB

5. Global Standards facilitate
(*a*) Cross border flow of money.
(*b*) Comparability of financial statements.
(*c*) Uniformity and Transparency of financial statements.
(*d*) All the three.

6. IFRS stands for:
(*a*) International Financial Reporting standards
(*b*) International Financial Reporting statements
(*c*) Indian Financial Reporting standards
(*d*) Indian Financial Reporting statements

7. Accounting Standards cover the aspect of _____?

(*a*) Recognition of events and transactions in the financial transactions.

(*b*) Measurement of events and transactions in the financial transactions.

(*c*) Presentation & disclosure of events and transactions in the financial transactions.

(*d*) All of the above.

8. Additional guidance given in Ind AS over and above what is given in IFRS are called?

(*a*) Carve-outs

(*b*) Carve-ins

(*c*) Clarifications

(*d*) Carve Clarifications

Answer Key

1. (*c*)	**2.** (*c*)	**3.** (*d*)	**4.** (*b*)	**5.** (*d*)	**6.** (*a*)	**7.** (*d*)	**8.** (*b*)

CHAPTER 10B

Applicability of Accounting Standards

MULTIPLE CHOICE QUESTIONS

1. Non-corporate entities which are not Level I entities whose turnover (excluding other income) exceeds rupees _____ but does not exceed rupees two-fifty crores in the immediately preceding accounting year are classified as Level II entities.

(*a*) five crores. (*b*) two crores.

(*c*) fifty crores. (*d*) ten crores.

2. The following Accounting Standard is not applicable to Non-corporate Entities falling in Level II in its entirety.

(*a*) AS 10. (*b*) AS 17.

(*c*) AS 2. (*d*) AS 13.

3. All non-corporate entities engaged in commercial, industrial and business reporting entities, whose turnover (excluding other income) exceeds rupees 250 crores in the immediately preceding accounting year, are classified as

(*a*) Level II entities. (*b*) Level I entities.

(*c*) Level III entities. (*d*) Level IV entities.

4. All non-corporate entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of rupees two crores but does not exceed rupees ten crores at any time during the immediately preceding accounting year.

(*a*) Level II entities. (*b*) Level IV entities.

(*c*) Level III entities. (*d*) Level I entities.

5. "Small and Medium Sized Company" (SMC) means, a company:

(*a*) which may be a bank, financial institution or an insurance company.

(*b*) whose turnover (excluding other income) does not exceed rupees two-fifty crores in the immediately preceding accounting year;

(*c*) whose turnover (excluding other income) does not exceed rupees fifty crores in the immediately preceding accounting year;

(*d*) whose turnover (excluding other income) does not exceed rupees five hundred crores in the immediately preceding accounting year.

6. One of the eligibility criteria for classification of non-corporate entities as Level II is that all commercial, industrial and business activities, whose turnover (excluding other income) exceeds?

(*a*) ₹50 crore but does not exceed ₹250 crore in the immediately preceding accounting year

(*b*) ₹50 lakhs but does not exceed ₹250 lakhs in the immediately preceding accounting year

(*c*) ₹50 crore but does not exceed ₹200 crore in the immediately preceding accounting year

(*d*) ₹10 crores but does not exceed ₹50 crore in the immediately preceding accounting year

Answer Key

1. (*c*)	**2.** (*b*)	**3.** (*b*)	**4.** (*c*)	**5.** (*b*)	**6.** (*a*)

AS 1 CHAPTER

Disclosure of Accounting Policies

MULTIPLE CHOICE QUESTIONS

1. Which of the following is NOT a major consideration in selection and application of accounting policies?

(*a*) Prudence
(*b*) Comparability
(*c*) Materiality
(*d*) Substance over form

2. Adoption of different accounting policies by different companies operating in the same industry affects which of the qualitative characteristics the most?

(*a*) Comparability
(*b*) Relevance
(*c*) Faithful representation
(*d*) Reliability

3. Which of the following statement would not be correct in relation to disclosures to be made in the financial statements after making any change in an accounting policy?

(*a*) Any change in an accounting policy which has a material effect should be disclosed.
(*b*) The amount by which any item in the financial statements is affected by such change should be disclosed to the extent ascertainable. Where such amount is not ascertainable, wholly or in part, the fact should be indicated.
(*c*) If a change is made in the accounting policies which has no material effect on the financial statements for the current period but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the period in which the change is adopted.
(*d*) If a change is made in an accounting policy which has material effect on the financial statements for the current period and is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed only in the later periods i.e. year(s) next to the year in which the change is adopted.

4. Two major considerations that govern the selection of accounting policy

(*a*) Substance over form and Consistency
(*b*) Prudence and Materiality
(*c*) Prudence and Reliability
(*d*) Reliability and Consistency

5. Fundamental accounting assumption is?

(*a*) Materiality
(*b*) Business entity
(*c*) Going concern
(*d*) Dual aspect

6. It is essential to standardize the accounting principles and policies in order to ensure

(*a*) Transparency (*b*) Consistency

(*c*) Comparability (*d*) All of the three

7. AS 1 recognizes _____ Fundamental Accounting Assumptions?

(*a*) three (*b*) four

(*c*) five (*d*) None of the three

8. Which of the following is not a primary objective of disclosing accounting policies as per AS 1?

(*a*) Enhancing comparability (*b*) Ensuring transparency

(*c*) Facilitating decision-making (*d*) Increasing market share

9. AS 1 requires that accounting policies should be applied consistently. What does consistency means to in this context?

(*a*) Using different accounting policies for different transactions

(*b*) Applying the same accounting policies for similar transactions over time

(*c*) Changing accounting policies every year

(*d*) Adopting the most popular accounting policies in the industry

10. AS 1 primarily deals with:

(*a*) Disclosure of accounting policies (*b*) Valuation of inventories

(*c*) Prior period items (*d*) All of the above

Answer Key

1. (*b*)	**2.** (*a*)	**3.** (*d*)	**4.** (*b*)	**5.** (*c*)	**6.** (*d*)	**7.** (*a*)
8. (*d*)	**9.** (*b*)	**10.** (*a*)				

CHAPTER

AS 2 Valuation of Inventories

MULTIPLE CHOICE QUESTIONS

1. Which item of inventory is under the scope of AS 2?

(*a*) WIP arising under construction contracts. (*b*) Raw materials

(*c*) Shares (*d*) Debentures held as stock in trade.

2. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be

(*a*) sold at or above cost.

(*b*) sold above cost.

(*c*) sold less than cost.

(*d*) sold at market value (where market value is more than cost).

3. All of the following costs are excluded while computing value of inventories except?

(*a*) Selling and Distribution costs

(*b*) Allocated fixed production overheads based on normal capacity.

(*c*) Abnormal wastage

(*d*) Storage costs

4. Identify the statement(s) which is/are incorrect.

(*a*) Storage costs which is a necessary part of the production process is included in inventory valuation.

(*b*) Administration overheads are never included in inventory valuation.

(*c*) Full amount of variable production overheads incurred are included in inventory valuation.

(*d*) Selling and Distribution costs does not form part of stock valuation.

5. Pawan and Vikas are partners in firm sharing profits and losses in the ratio of 4 : 3.

Balance Sheet (Extract)

Liabilities	₹	Assets	₹
		Inventory	2,00,000

If the value of Inventory reflected in the above balance sheet is overvalued by 25%, find out the value of inventory to be shown in the new Balance Sheet.

(*a*) ₹1,60,000
(*b*) ₹2,00,000
(*c*) ₹2,40,000
(*d*) ₹2,50,000

6. The cost of inventories of items that are not ordinarily inter-changeable and goods or services produced and segregated for specific projects should be assigned by?
(*a*) Specific identification of their individual costs
(*b*) FIFO
(*c*) Weighted average cost formula
(*d*) (*b*) or (*c*)

7. In determining the cost of inventories in accordance with AS 2, it is appropriate to exclude certain costs and recognize them as expenses in the period in which they are incurred. An example of such cost is?
(*a*) Fixed production overheads.
(*b*) Freight inwards.
(*c*) Selling and distribution costs.
(*d*) Costs of designing products for specific customers.

8. Under AS 2, how should the cost of inventories be measured?
(*a*) Net realizable value
(*b*) Lower of cost and net realizable value
(*c*) Historical cost
(*d*) Replacement cost

9. Which method is NOT an acceptable method for measuring the cost of inventories under AS 2?
(*a*) Weighted Average Cost
(*b*) FIFO (First-In, First-Out)
(*c*) LIFO (Last-In, First-Out)
(*d*) Specific Identification Method

10. How should the cost of raw materials be measured under AS 2?
(*a*) Cost plus a reasonable profit margin
(*b*) Cost minus a reasonable profit margin
(*c*) Costs (if finished goods are sold at cost or at above cost)
(*d*) Market value only

11. A company has inventory with a historical cost of ₹10,000. Due to a decline in market prices, the net realizable value is now ₹8,000. According to AS 2, what should be the valuation of inventory in the financial statements?
(*a*) ₹10,000
(*b*) ₹8,000
(*c*) ₹9,000
(*d*) None of the above

12. A manufacturing company has incurred ₹5,000 in abnormal wastage during the production process. According to AS 2, how should this cost be treated in the financial statements?

(*a*) Included in the cost of production
(*b*) Recognized as an expense
(*c*) Deducted from revenue
(*d*) Ignored in the financial statements

Answer Key

1. (*b*)	**2.** (*a*)	**3.** (*b*)	**4.** (*b*)	**5.** (*a*)	**6.** (*a*)	**7.** (*c*)
8. (*b*)	**9.** (*c*)	**10.** (*c*)	**11.** (*b*)	**12.** (*b*)		

AS 4

CHAPTER

Contingencies and Events occurring After Balance Sheet Date

MULTIPLE CHOICE QUESTIONS

1. Cash amounting to ₹4 lakhs, stolen by the cashier in the month of March 2023, was detected in April, 2023. The financial statements for the year ended 31st March, 2023 were approved by the Board of Directors on 15th May, 2023. As per Accounting Standards, this is _____ for the financial statements year ended on 31st March, 2023.

(*a*) An Adjusting event.
(*b*) Non-adjusting event.
(*c*) Contingency.
(*d*) Provision

2. As per Accounting Standards, events occurring after the balance sheet date are

(*a*) Only favourable events that occur between the balance sheet date and the date when the financial statements are approved by the Board of directors.
(*b*) Only unfavourable events that occur between the balance sheet date and the date when the financial statements are approved by the Board of directors.
(*c*) Those significant events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the financial statements are approved by the Board of directors.
(*d*) Those significant events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the financial statements are not approved by the Board of directors.

3. AS 4 does not apply to

(*a*) Obligation under retirement benefit plans.
(*b*) Commitments arising from long term lease contracts.
(*c*) liabilities of life assurance and general insurance enterprises arising from policies issued.
(*d*) Both (*a*) & (*b*).

4. A Ltd. sold its building for ₹50 lakhs to B Ltd. and has also given the possession to B Ltd. The book value of the building is ₹30 lakhs. As on 31st March, 2023, the documentation and legal formalities are pending. For the financial year ended 31st March, 2023

(*a*) The company should record the sale.
(*b*) The company should recognise the profit of ₹20 lakhs in its profit and loss account.

(*c*) Both (*a*) and (*b*).

(*d*) The company should disclosethe profit of ₹20 lakhs in notes to accounts.

5. Which is adjusting event as per AS 4?

(*a*) Decline in market value of investments between the balance sheet date and the date on which the financial statements are approved

(*b*) Dividend declared after the balance sheet date but before the financial statements are approved for issue.

(*c*) Filing of Bankruptcy by a major customer between the balance sheet date and the date on which the financial statements are approved

(*d*) Loss from fire which took place between the balance sheet date and the date on which the financial statements are approved

Answer Key

1. (*a*)	**2.** (*c*)	**3.** (*d*)	**4.** (*c*)	**5.** (*c*)

CHAPTER

AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies

MULTIPLE CHOICE QUESTIONS

1. A change in the estimated life of the asset, which necessitates adjustment in the depreciation is an example of

(*a*) Prior period item.
(*b*) Ordinary item.
(*c*) Extraordinary item.
(*d*) Change in accounting estimate.

2. Which of the following is considered as an extraordinary item as per AS 5?

(*a*) Write down or write-off of receivables, inventory and intangible assets.
(*b*) Gains and losses from sale or abandonment of equipment used in a business.
(*c*) Effects of a strike, including those against competitors and major suppliers.
(*d*) Flood damage from unusually heavy rain or a normally dry environment.

3. Which one of the following is an example of extraordinary item?

(*a*) The write down of inventories to their net realisable value
(*b*) Reversal of write down of inventories
(*c*) Government grants become refundable
(*d*) Reversal of provisions.

4. Extraordinary items are income or expenses

(*a*) That arise from events clearly distinct from the ordinary activities of the enterprise.
(*b*) That are not expected to recur frequently or regularly.
(*c*) Both (*a*) and (*b*).
(*d*) None of the three.

5. An audit stock verification during the year ended 31st March, 2021 revealed that opening stock of the year was understated by ₹5 lakhs due to wrong counting. While finalizing accounts, your opinion will be

(*a*) It is not a prior period item and no separate disclosure is required
(*b*) It should be treated as a prior period adjustment and should be separately disclosed in the current year's financial statement

(*c*) The adjustment of ₹5 lakhs in both opening stock of current year and profit brought forward from previous year should be made

(*d*) Both (*b*) and (*c*).

6. There was an omission of ₹15,000 purchases from last year books and this error is traced in current year. This will be called as

(*a*) Exceptional item
(*b*) Prior period item
(*c*) Extraordinary item
(*d*) Change in accounting estimates

7. Which of the following may not be considered as an extra-ordinary item?

(*a*) Attachment of property of the enterprise
(*b*) Losses sustained as a result of an earthquake
(*c*) Claims from policyholders arising from an earthquake for an insurance enterprise that insures against such risks
(*d*) Loss due to major fire in an important plant of the company

8. There was an omission of ₹32,000 sales in last year books and this error is traced in current year. This will be called as

(*a*) Exceptional item
(*b*) Prior period item
(*c*) Extraordinary Item
(*d*) Change in accounting estimates

9. Which of the following circumstances may not give rise to the separate disclosure of items of income and expense?

(*a*) The write-down of inventories to net realizable value
(*b*) Legislative changes having retrospective application
(*c*) Litigation settlements
(*d*) Separation cost paid to CEO of the company

10. AS 5 doesn't applies to:

(*a*) Contingencies
(*b*) Prior period items
(*c*) Change in accounting policies
(*d*) Net profit/loss for the period

11. Nature and amount of each extra-ordinary item is disclosed _____ in notes to accounts.

(*a*) Jointly
(*b*) Separately
(*c*) As per management's discretion
(*d*) None of the above

12. Following items require separate disclosures.

(*a*) Litigation settlements
(*b*) Disposal of long term investments
(*c*) Writing down of inventories
(*d*) All of the above

13. Accounting policies can be changed only if:

(*a*) When it is required by statute

(*b*) To comply with AS

(*c*) When change is required for more appropriate presentation

(*d*) All of the above

Answer Key

1. (*d*)	**2.** (*d*)	**3.** (*c*)	**4.** (*c*)	**5.** (*d*)	**6.** (*b*)	**7.** (*c*)	**8.** (*b*)	**9.** (*d*)
10. (*a*)	**11.** (*b*)	**12.** (*d*)	**13.** (*d*)					

AS 7

CHAPTER

Construction Contract

MULTIPLE CHOICE QUESTIONS

The below information relates to Questions 1–3:

XY Ltd. agrees to construct a building on behalf of its client GH Ltd. on 1st April 2022. The expected completion time is 3 years. XY Ltd. incurred a cost of ₹30 lakh up to 31st March 2023. It is expected that additional costs of ₹90 lakh. Total contract value is ₹112 lakh. As at 31st March 2023, XY Ltd. has billed GH Ltd. for ₹ 42 lakh as per the agreement. Assume that the work is completed to the extent of 75% by the end of Year 2.

1. Revenue to be recognized by XY Ltd. for the year ended 31st March 2023 is

(*a*) ₹28 lakh (*b*) ₹42 lakh

(*c*) ₹30 lakh (*d*) ₹32 lakh

2. Total expense to be recognised in Year 1 is

(*a*) ₹30 lakh (*b*) ₹ 120 lakh

(*c*) ₹38 lakh (*d*) ₹ 36 lakh

3. Revenue to be recognised for Year 2 is

(*a*) ₹84 lakh (*b*) ₹42 lakh

(*c*) ₹56 lakh (*d*) ₹28 lakh

4. LP Contractors undertakes a fixed price contract of ₹200 lakh. Transactionsrelated to the contract include:

Material purchased	:	₹80 lakh
Unused material	:	₹30 lakh
Labour charges	:	₹60 lakh

Machine used for 3 years for the contract. Original cost of the machine is ₹100 lakh. Expected useful life is 15 years. Estimated future costs to be incurred to complete the contract: ₹80 lakh. Loss on contract to be recognised is:

(*a*) ₹40 lakh (*b*) ₹10 lakh

(*c*) ₹90 lakh (*d*) ₹50 lakh

5. Which of the following does not form a part of contract costs as defined in AS 7?
   (*a*) Estimated warranty costs under the construction contract.
   (*b*) Comprehensive insurance policy premium for all open construction contracts.
   (*c*) General administration costs for which reimbursement is not specified in the contract.
   (*d*) Research and development costs incurred at the instance of the contractee and billed to his account.

6. When fixed-price construction contracts require more than one accounting period for completion and contract costs can be reasonably estimated, revenue should be recognized
   (*a*) At the completion of contract
   (*b*) When title to the project is transferred to the buyer
   (*c*) When cash is received from the buyer
   (*d*) As per percentage of completion

7. According to AS 7, "Construction Contracts," which of the following criteria must be met for a contract to be considered a construction contract?
   (*a*) Involvement of physical construction only
   (*b*) The contract should involve the construction of an asset
   (*c*) The contract should be completed within a fiscal year
   (*d*) The contract should be of significant value

8. How are fixed-price contracts recognized under AS 7?
   (*a*) Using the percentage of completion method
   (*b*) Using the completed contract method
   (*c*) Using the installment method
   (*d*) Using the cost recovery method

9. According to AS 7, which method is preferred for recognizing revenue and costs of long-term contracts?
   (*a*) Percentage of completion method
   (*b*) Completed contract method
   (*c*) Installment method
   (*d*) Cost recovery method

10. Under AS 7, when should an entity recognize contract revenue and expenses for a construction contract using the percentage of completion method?
   (*a*) When the contract is completed
   (*b*) When the contract is initiated
   (*c*) Over the contract period based on the stage of completion
   (*d*) When the costs are incurred

11. XYZ Ltd. has a construction contract where the outcome cannot be reliably measured. How should revenue be recognized for this contract according to AS 7?
   (*a*) Recognize revenue only to the extent of contract costs incurred of which recovery is probable
   (*b*) Recognize revenue at the beginning of the contract
   (*c*) Recognize revenue only upon completion of the contract
   (*d*) Do not recognize revenue until the outcome is reliably measurable

12. What does AS 7 require regarding the disclosure of information about construction contracts in financial statements?

(*a*) Disclose only the total revenue and expenses from the contracts

(*b*) Disclose details of contracts and the basis of revenue recognition

(*c*) Disclose information only if the contract value exceeds a certain threshold

(*d*) Do not disclose information about construction contracts

13. In a construction contract, when should an expected loss be recognized according to AS 7?

(*a*) As soon as the loss becomes probable

(*b*) Only upon completion of the contract

(*c*) At the beginning of the contract

(*d*) When the contract value exceeds a certain threshold

14. According to AS 7, which costs should be included when determining the costs attributable to a contract?

(*a*) General and administrative costs

(*b*) Costs that are directly related to the specific contract

(*c*) Costs incurred before the contract date

(*d*) Costs incurred after the completion of the contract

Answer Key

1. (*a*)	**2.** (*d*)	**3.** (*c*)	**4.** (*b*)	**5.** (*c*)	**6.** (*d*)	**7.** (*b*)	**8.** (*a*)	**9.** (*a*)	**10.** (*c*)
11. (*a*)	**12.** (*b*)	**13.** (*a*)	**14.** (*b*)						

AS 9 Revenue Recognition

CHAPTER

MULTIPLE CHOICE QUESTIONS

1. Which of the conditions mentioned below must be met to recognize revenue from the sale of goods?

(*i*) The entity selling does not retain any continuing influence or control over the goods;

(*ii*) When the goods are dispatched to the buyer;

(*iii*) Revenue can be measured reliably;

(*iv*) The supplier is paid for the goods;

(*v*) It is reasonably certain that the buyer will pay for the goods;

(*vi*) The buyer has paid for the goods.

(*a*) (*i*), (*ii*) and (*v*)

(*b*) (*ii*), (*iii*) and (*iv*)

(*c*) (*i*), (*iii*) and (*v*)

(*d*) (*i*), (*iv*) and (*v*)

2. Consignment inventory is an arrangement whereby inventory is held by one party but owned by another party. Which of the following indicates that the inventory in question is a consignment inventory?

(*a*) Manufacturer cannot require the dealer to return the inventory

(*b*) Dealer has the right to return the inventory

(*c*) Manufacture is responsible for the pricing of goods and any changes in the pricing can only be approved by the manufacturer.

(*d*) Manufacture is responsible for the holding the goods and any changes in the pricing can only be approved by the dealer

3. Which of the following transactions qualify as revenue for M/s AB Enterprises?

(*a*) Sales of ₹20 lakhs made under consignment sales.

(*b*) Sale of an old machine amounting ₹5 lakhs

(*c*) Services provided to the customer in the normal course of business. Sales recorded is ₹50,000.

(*d*) Sales of ₹25 lakhs made under consignment sales

4. The Accounting Club has 100 members who are required to pay an annual membership fee of ₹5,000 each. During the current year, all members have paid the fee. However, 5 members have paid an amount of ₹10,000 each. Of these, 3 members paid the current year's fee and also the previous year's dues. Remaining 2 members have paid next years' fee of ₹5,000 in advance.

Revenue from membership fee for the current year to be recognised will be:

(*a*) ₹5,25,000 (*b*) ₹5,10,000

(*c*) ₹5,00,000 (*d*) ₹5,15,000

5. FlixNet International offers a subscription fee model to allow the paid subscribers an annual viewing of movies, sports events and other content. It allows users to register for free and have access to limited content for one month without any charges. The customer has a right to cancel the subscription within a month's time but is required to pay for 1 year subscription fee after the free period. XY has subscribed for free viewing on 1st March 2021. After 1 month, he has agreed to pay the annual membership and has paid ₹1,200 on 31st March 2021 for subscription that is valid up to 31st of March 2022. Revenue that can be recognized by FlixNet for year ended 31st March 2022 is

(*a*) ₹100 (*b*) ₹1,200

(*c*) Nil (*d*) ₹1,100

6. What aspect has special considerations for revenue recognition

(*a*) Revenue Arising from Government Grants and Other Similar Subsidies

(*b*) Revenue Arising from Construction Contracts

(*c*) Revenue Arising from Hire-Purchase, Lease Agreements

(*d*) All of These

7. Goods worth ₹4,00,000 were sold on approval basis on 01st Dec, 2022 by ABC Ltd. The period of approval was 3 months after which they were to be considered as sold. Buyer sent approval for 75% goods up to 31st March, 2023 and no approval or disapproval received for the remaining goods till 31st March, 2023. For the year ended 31st March, 2023.

(*a*) Revenue should not be recognized at all

(*b*) Revenue should be recognized for only 75% of sales

(*c*) Revenue should be recognized for the total sales amounting ₹4,00,000 as the time period for rejecting the goods had expired

(*d*) Revenue should be recognized for only 25% of sales

8. Argentina Enterprises provides subscription-based services. According to AS 9, how should revenue be recognized for subscription services?

(*a*) At the beginning of the subscription period

(*b*) Over the subscription period

(*c*) At the end of the subscription period

(*d*) Only when subscribers renew their subscriptions

9. Unique Enterprises receives an order for goods to be shipped internationally on FOB basis. According to AS 9, when should revenue be recognized for international sales?

(*a*) At the time of receiving the order

(*b*) When the goods are shipped

(*c*) When the goods reach the international destination

(*d*) When payment is received

10. ABC Ltd. sold goods to a customer on credit. According to AS 9, when should revenue be recognized?

(*a*) At the time of delivery

(*b*) When payment is received

(*c*) When the significant risks and rewards/property in goods is transferred.

(*d*) When the customer places the order

Answer Key

1. (*c*)	**2.** (*c*)	**3.** (*c*)	**4.** (*c*)	**5.** (*b*)	**6.** (*d*)	**7.** (*c*)	**8.** (*b*)	**9.** (*b*)	**10.** (*c*)

AS 10

CHAPTER

Property, Plant and Equipment

MULTIPLE CHOICE QUESTIONS

1. As per AS 10 (Revised) 'Property, plant and equipment', which of the following costs is not included in the carrying amount of an item of PPE

(*a*) Costs of site preparation
(*b*) Costs of relocating
(*c*) Installation and assembly costs.
(*d*) Initial delivery and handling costs

2. As per AS 10 (Revised) 'Property, Plant and Equipment', an enterprise holding investment properties should value Investment property

(*a*) as per fair value
(*b*) under discounted cash flow model.
(*c*) under cost model
(*d*) under cash flow model

3. A plot of land with carrying amount of ₹1,00,000 was revalued to ₹1,50,000 at the end of Year 2. Subsequently, due to drop in market values, the land was determined to have a fair value of ₹1,30,000 at the end of Year 4. Assuming that the entity adopts Revaluation Model, what would be the accounting treatment of Revaluation?

(*a*) Initial upward valuation of ₹50,000 credited to Revaluation Reserve. Subsequent downward revaluation of ₹20,000 debited to P/L.
(*b*) Initial upward valuation of ₹50,000 credited to P/L. Subsequent downward revaluation of ₹20,000 debited to P/L.
(*c*) Initial upward valuation of ₹50,000 credited to Revaluation Reserve. Subsequent downward revaluation of ₹20,000 debited to Revaluation Reserve.
(*d*) Initial upward valuation of ₹50,000 debited to P/L. Subsequent downward revaluation of ₹20,000 credited to P/L.

4. A plot of land with carrying amount of ₹1,00,000 was revalued to ₹90,000 at the end of Year 2. Subsequently, due to increase in market values, the land was determined to have a fair value of ₹1,05,000 at the end of Year 4. Assuming that the entity adopts Revaluation Model, what would be the accounting treatment of Revaluation?

(*a*) Initial downward valuation of ₹10,000 debited to Revaluation Reserve. Subsequent upward revaluation of ₹15,000 credited to P/L.
(*b*) Initial downward valuation of ₹10,000 debited to P/L. Subsequent upward revaluation of ₹15,000 credited to P/L.

(*c*) Initial downward valuation of ₹10,000 debited to P/L. Subsequent upward revaluation of ₹10,000 credited to P/L and ₹5,000 credited to Revaluation Reserve.

(*d*) Initial downward valuation of ₹10,000 credited to P/L. Subsequent upward revaluation of ₹10,000 debited to P/L and ₹5,000 debited to Revaluation Reserve.

5. On sale of an asset which was revalued upwards, what would be the treatment of Revaluation Reserve?

(*a*) The Revaluation Reserve is credited to P/L since the profit on sale of such asset is now realized.

(*b*) The Revaluation Reserve is credited to Retained Earnings as movement in reserves without impacting the P/L.

(*c*) No change in Revaluation Reserve since profit on sale of such asset is already impacting the P/L.

(*d*) The Revaluation Reserve is reduced from the asset value to compute profit or loss.

6. A machinery was purchased having an invoice price ₹1,18,000 (including GST ₹18,000) on 1st April 2021. The GST amount is available as input tax credit. The rate of depreciation is 10% on SLM basis. The depreciation for 2022-23 would be

(*a*) ₹10,000. (*b*) ₹11,800.

(*c*) ₹9,000. (*d*) ₹10,500.

7. What does Accounting Standard 10 primarily deal with?

(*a*) Revenue Recognition

(*b*) Property, Plant, and Equipment

(*c*) Leases

(*d*) Contingent Liabilities

8. According to AS 10, how should the cost of property, plant, and equipment be measured initially?

(*a*) Historical Cost

(*b*) Fair Value

(*c*) Present Value

(*d*) Replacement Cost

9. Under AS 10, which of the following costs should be included in the initial measurement of property, plant, and equipment?

(*a*) Selling Costs

(*b*) General and Administrative Expenses

(*c*) Borrowing Costs

(*d*) Future Maintenance Costs

10. In what circumstances does AS 10 allow the revaluation of property, plant, and equipment?

(*a*) Only when required by tax regulations.

(*b*) When there is a significant change in fair value

(*c*) At the discretion of management

(*d*) Only during periods of inflation

11. A company purchases a building costing ₹25 Lakhs. It is estimated that the estimated life of the building will be 30 years but the company is thinking of selling the building after 20 years when the residual value of the building will be ₹25 lakhs. Depreciation will be

(*a*) 1,25,000 (*b*) 0

(*c*) 2,50,000 (*d*) None of the above

12. An entity wishes to accelerate its depreciation policy because of changes in the useful life of the asset. How should the change be dealt with?

(*a*) By retrospective restatement (*b*) By retrospective application

(*c*) By prospective application (*d*) By disclosure of an error

13. According to AS 10, which of the following is not considered as part of the cost of property, plant, and equipment?

(*a*) Purchase price

(*b*) Installation costs

(*c*) Initial estimate of dismantling and removal costs

(*d*) General administration overheads

14. How does AS 10 recommend the depreciation of property, plant, and equipment?

(*a*) Straight-line method

(*b*) Diminishing balance method

(*c*) Units of production method

(*d*) All of the above

15. How does AS 10 recommend treating the cost of day-to-day servicing of property, plant, and equipment?

(*a*) Capitalized as part of the asset's cost (*b*) Expensed as incurred

(*c*) Treated as revenue (*d*) Recorded as a liability

Answer Key

1. (*b*)	**2.** (*c*)	**3.** (*c*)	**4.** (*c*)	**5.** (*b*)	**6.** (*a*)	**7.** (*b*)	**8.** (*a*)	**9.** (*c*)	**10.** (*b*)
11. (*b*)	**12.** (*c*)	**13.** (*d*)	**14.** (*d*)	**15.** (*b*)					

AS 11

CHAPTER

The Effect of Changes in Foreign Exchange Rates

MULTIPLE CHOICE QUESTIONS

1. As per AS 11 assets and liabilities of non-integral foreign operations should be converted at _____ rate.

(*a*) Opening
(*b*) Average
(*c*) Closing
(*d*) Transaction

2. The debit or credit balance of "Foreign Currency Monetary Item Translation Difference Account"

(*a*) Is shown as "Miscellaneous Expenditure" in the Balance Sheet
(*b*) Is shown under "Reserves and Surplus" as a separate line item
(*c*) Is shown as "Other Non-current" in the Balance Sheet
(*d*) Is shown as "Current Assets" in the Balance Sheet

3. If asset of an integral foreign operation is carried at cost, cost and depreciation of tangible fixed asset is translated at

(*a*) Average exchange rate
(*b*) Closing exchange rate
(*c*) Exchange rate at the date of purchase of asset
(*d*) Opening exchange rate

4. Which of the following can be classified as an integral foreign operation?

(*a*) Branch office serving as an extension of the head office in terms of operations
(*b*) Independent subsidiary of the parent company
(*c*) Branch office independent of the head office in terms of operational decisions
(*d*) None of the above

5. Which of the following items should be converted to closing rate for the purposes of financial reporting?

(*a*) Items of Property, Plant and Equipment

(*b*) Inventory
(*c*) Trade Payables, Trade Receivables and Foreign Currency Borrowings
(*d*) All of the above

6. What will be the treatment of the balance in the foreign currency translation reserve on disposal of the foreign operation?
(*a*) Transfer the balance in foreign currency translation reserve to reserves without impacting P/L
(*b*) Record the balance in foreign currency translation reserve as income or expense in P/L
(*c*) Foreign currency translation reserve will continue; no change will be made to the balance and it will continue to appear as such even after disposal of the foreign operation
(*d*) Any method from the above can be adopted

7. As per AS 11 assets and liabilities of integral foreign operations should be converted at which rates?
(*a*) Opening Rate for all assets and liabilities (monetary and non-monetary)
(*b*) Closing Rate for all assets and liabilities (monetary and non-monetary)
(*c*) Record transactions at the spot rate, monetary items at closing rate and non-monetary items at the rate on which the transaction was executed.
(*d*) Average Rate for all assets and liabilities (monetary and non-monetary)

8. Which of the following statements is false?
(*a*) AS 11 should be applied in accounting for transactions in foreign currencies
(*b*) AS 11 deals with accounting for foreign currency transaction in the nature of forward exchange contracts
(*c*) AS 11 specifies the currency in which an enterprise should present its financial statements
(*d*) The principal issues in accounting for foreign currency transactions are to decide which exchange rate to use and how to recognize in the financial statements the financial effect of changes in exchange rates

9. Average rate
(*a*) is the exchange rate at the balance sheet date
(*b*) is the mean of the exchange rates in force during a period
(*c*) is the ratio for exchange of two currencies
(*d*) is the rate at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction

10. Closing rate
(*a*) is the exchange rate at the balance sheet date
(*b*) is the mean of the exchange rates in force during a period
(*c*) is the ratio for exchange of two currencies
(*d*) is the rate at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction

11. Exchange rate

(*a*) is the exchange rate at the balance sheet date.

(*b*) is the mean of the exchange rates in force during a period.

(*c*) is the ratio for exchange of two currencies.

(*d*) is the rate at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

12. Currency other than the reporting currency of an enterprise

(*a*) Non-Reporting currency (*b*) U.S. Dollars

(*c*) Foreign Currency (*d*) Indian Rupees

13. Currency used in presenting the financial statements

(*a*) Reporting currency (*b*) Non-Foreign Currency

(*c*) Official Currency (*d*) Indian Rupees

14. Money held and assets and liabilities to be received or paid in fixed or determinable amounts of money

(*a*) Current items (*b*) Non-monetary items

(*c*) Monetary items (*d*) Forward Exchange Contract

15. Which of the following is a foreign currency transaction?

(*i*) an enterprise buys or sells goods or services whose price is denominated in a foreign currency.

(*ii*) an enterprise borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency.

(*iii*) an enterprise becomes a party to an unperformed forward exchange contract.

(*a*) only (*iii*) (*b*) all

(*c*) only (*i*) (*d*) only (*ii*)

16. Which of the following statements is false?

(*a*) At each balance sheet date, foreign currency monetary items should be reported using the closing rate.

(*b*) At each balance sheet date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency should be reported using the exchange rate at the date of the transaction.

(*c*) At each balance sheet date, non-monetary items, which are carried at fair value denominated in a foreign currency should be reported using the exchange rates that existed when the values were determined.

(*d*) At each balance sheet date, foreign currency monetary items should be reported using the average rate during the year.

Answer Key

1. (*c*)	**2.** (*b*)	**3.** (*c*)	**4.** (*a*)	**5.** (*c*)	**6.** (*b*)	**7.** (*c*)	**8.** (*c*)	**9.** (*b*)	**10.** (*a*)
11. (*c*)	**12.** (*c*)	**13.** (*a*)	**14.** (*c*)	**15.** (*b*)	**16.** (*d*)				

AS 12

CHAPTER

Accounting for Government Grants

MULTIPLE CHOICE QUESTIONS

1. To encourage industrial promotion, IDCI offers subsidy worth ₹50 lakhs to all new industries set up in the specified industrial areas. This grant is in the nature of promoter's contribution. How such subsidy should be accounted in the books?

(*a*) Credit it to capital reserve

(*b*) Credit it as 'other income' in the profit and loss account in the year of commencement of commercial operations

(*c*) Both (*a*) and (*b*) are permitted

(*d*) Credit it to general reserve

2. Government grants that are receivable as compensation for expenses or losses incurred in a previous accounting period or for the purpose of giving immediate financial support to the enterprise with no further related costs, should be

(*a*) recognised and disclosed in the Statement of Profit and Loss of the period in which they are receivable as an ordinary item.

(*b*) recognised and disclosed in the Statement of Profit and Loss of the period in which the losses or expenses were incurred.

(*c*) recognised and disclosed in the Statement of Profit and Loss of the period in which they are receivable, as an extraordinary item if appropriate as per AS 5.

(*d*) disclosed in the Statement of Profit and Loss of the period in which they are receivable, as an extraordinary item

3. Which of the following is an acceptable method of accounting presentation for a government grant relating to an asset?

(*a*) Credit the grant immediately to Income statement

(*b*) Show the grant as part of Capital Reserve

(*c*) Reduce the grant from the cost of the asset or show it separately as a deferred income on the Liability side of the Balance Sheet.

(*d*) Show the grant as part of general Reserve.

4. X Ltd. has received a grant of ₹20 crore for purchase of a qualified machine costing ₹80 crore. X Ltd has a policy to recognise the grant as a deduction from the cost of asset. The expected remaining useful life of machine is 10 years. Assume that there is no salvage value & the depreciation method

is straight-line. The amount of annual depreciation to be charged as an expense in Profit and Loss Statement will be:

(*a*) ₹10 crore
(*b*) ₹6 crore
(*c*) ₹2 crore
(*d*) ₹8 crore

5. X Ltd has received a grant of ₹20 crore for purchase of a qualified machine costing ₹80 crore. X Ltd. has a policy to recognise the grant as deferred income. The expected remaining useful life of the machine is 10 years. Assume that there is no salvage value and the depreciation method is straight-line. The amount of other income to be to be recognised in Profit and Loss Statement will be:

(*a*) ₹10 crore
(*b*) ₹6 crore
(*c*) ₹2 crore
(*d*) ₹8 crore

6. Why can the receipt of government assistance by an entity be significant for the preparation of the financial statements?

(*a*) To find an appropriate method of accounting for the transfer of resources
(*b*) To give an indication of the extent to which the entity has benefited from such assistance
(*c*) To identify the conditions giving rise to the period over which the grant will be earned in order to determine costs and expenses
(*d*) Both (*a*) & (*b*).

7. What is the accounting treatment of government grant refundable which was in the nature of promoters' contribution?

(*a*) Debited to Profit & Loss Account
(*b*) Added in the Cost of Fixed asset
(*c*) Reduced from Deferred Government Grant Account
(*d*) Reduced from Capital Reserve

8. A government grant that becomes refundable is treated as

(*a*) Ordinary item
(*b*) Prior Period Item
(*c*) Change in Accounting Policy
(*d*) Extra-Ordinary item

9. Entity A purchased a fixed asset of ₹160 Cr having useful life of 10 years. Government provided grant of ₹60 Cr. After 4 years, entity had to refund the grant of ₹20 Cr due to non-fulfilment of a condition. Kindly provide the amount of depreciation to be charged in year 5. Assume - Company follows SLM method of depreciation & grant amount is reduced from the gross block of fixed asset.

(*a*) ₹16 Cr
(*b*) ₹12 Cr
(*c*) ₹13.33 Cr
(*d*) ₹15 Cr

10. AS 12 "Accounting for Government Grants" is not applicable for following.

(*a*) Subsidy from Government
(*b*) Cash incentives from Government
(*c*) Government participation in the ownership of the company
(*d*) Duty Drawback from Government

11. Entity A received government grant of ₹500 Cr on 01.10.2022 for investment in capital assets having useful life of 10 years. As on 31.03.2023, no amount could be capitalized in the books as the assets were not ready for use. What amount should be credited to statement of Profit & Loss out of Deferred Government Grant account in FY 2022-23.

(*a*) ₹500 Cr
(*b*) Zero
(*c*) ₹50Cr
(*d*) ₹25 Cr

12. Entity X purchased a fixed asset of ₹160 Cr having useful life of 10 years. Government provided grant of ₹60 Cr. After 4 years, entity had to refund the grant of ₹20 Cr due to non-fulfilment of a condition. Kindly provide the amount of depreciation to be charged in year 5. Assume - Company follows SLM method of depreciation & grant amount is maintained separately under Deferred Grant account.

(*a*) ₹16 Cr
(*b*) ₹12 Cr
(*c*) ₹13.33 Cr
(*d*) ₹15 Cr

13. At what value government grant is recorded in books in case a non-monetary asset is given free of cost?

(*a*) Fair value
(*b*) Nominal Value
(*c*) Concessional rate
(*d*) Should not be recorded

Answer Key

1. (*a*)	**2.** (*c*)	**3.** (*c*)	**4.** (*b*)	**5.** (*c*)	**6.** (*d*)	**7.** (*d*)	**8.** (*d*)	**9.** (*c*)	**10.** (*c*)
11. (*b*)	**12.** (*a*)	**13.** (*b*)							

AS 15

CHAPTER

Employee Benefits

MULTIPLE CHOICE QUESTIONS

1. Gratuity and Pension would be examples of:

(*a*) Short-term employee benefits
(*b*) Long-term employee benefits
(*c*) Post-employment benefits.
(*d*) None of the above.

2. Non-accumulating compensating absence is commonly referred to as:

(*a*) Earned Leave
(*b*) Sick Leave
(*c*) Casual leave
(*d*) All of the above

3. The plans that are established by legislation to cover all enterprises and are operated by Governments include:

(*a*) Multi-Employer plans
(*b*) State plans
(*c*) Insured Benefits
(*d*) Employee benefit plan

4. Best estimates of the variable to determine the eventual cost of post-employment benefits is referred to as:

(*a*) Employer's contribution
(*b*) Actuarial assumptions
(*c*) Cost to Company
(*d*) Employee's contribution

5. Actuarial gains/losses should be:

(*a*) Recognised through reserves.
(*b*) Charged over the expected life of employees.
(*c*) Charged immediately to Profit and Loss Statement
(*d*) Do not charged to Profit and Loss Statement

6. AS-15 is not applicable to?

(*a*) Salary and Wages
(*b*) Long-term service award
(*c*) Employee Stock Options
(*d*) Termination benefits.

7. Cost arising out of increase in the present value of the defined benefit obligation resulting from employee service in the current period is called?

(*a*) Interest cost
(*b*) Contribution to the plan
(*c*) Current Service Cost
(*d*) Past service cost

8. According to AS 15, which of the following is an example of short-term employee benefits?

(*a*) Provident fund contributions (*b*) Gratuity

(*c*) Long-term disability benefits (*d*) Bonus payable within 12 months

9. What is the primary objective of AS 15 regarding the disclosure of employee benefits?

(*a*) To minimize the liability of the employer

(*b*) To ensure compliance with tax laws

(*c*) To provide information about the cost of employee benefits

(*d*) To maximize employee satisfaction

10. XYZ Ltd. has a defined benefit plan. How should the plan assets be valued for the purpose of determining the net defined benefit liability?

(*a*) Historical cost (*b*) Fair value

(*c*) Present value of expected cash flows (*d*) Nominal value

11. Under AS 15, how should the cost of post-employment benefits be recognized?

(*a*) In the period the benefits are paid (*b*) Over the vesting period

(*c*) When the employee becomes eligible (*d*) Only when the employee retires

12. AS 15 Applies to

(*a*) Part time employees (*b*) Full time employees

(*c*) Casual employee (*d*) All of the above

13. B Ltd. is required to pay ₹5,00,000 salary to Mr X, But it only paid ₹4,50,000 till year ending 31st March 2023 and balance in April 2023.

How much salary needs to be recorded in the liability for year ended 31st March 2023?

(*a*) ₹4,50,000 (*b*) ₹5,00,000

(*c*) ₹50,000 (*d*) None of the above

Answer Key

1. (*c*)	**2.** (*c*)	**3.** (*b*)	**4.** (*b*)	**5.** (*c*)	**6.** (*c*)	**7.** (*c*)	**8.** (*d*)	**9.** (*c*)	**10.** (*b*)
11. (*b*)	**12.** (*d*)	**13.** (*c*)							

AS 16

CHAPTER

Borrowing Costs

MULTIPLE CHOICE QUESTIONS

1. As per AS 16, all the following are qualifying assets except
(*a*) Manufacturing plants and Power generation facilities
(*b*) Inventories that require substantial period of time
(*c*) Assets those are ready for sale.
(*d*) None of the above

2. Which of the following statement is correct?
(*a*) Entire exchange gain is reduced from the cost of the qualifying asset.
(*b*) Entire exchange loss is added to the cost of a qualifying asset.
(*c*) No adjustment is done for the exchange loss while computing cost of qualifying asset.
(*d*) None of the above

3. Capitalisation rate considers:
(*a*) Borrowing costs on general borrowings only.
(*b*) Borrowing costs on general and specific borrowings both.
(*c*) Borrowing costs on specific borrowings only
(*d*) None of the above

4. If the amount eligible for capitalisation in case of inventory as per AS 16 is ₹12,000 and cost of inventory is ₹40,000 and its net realizable value is ₹45,000; What amount can be capitalised as a part of inventory cost.
(*a*) ₹12,000.
(*b*) ₹5,000.
(*c*) ₹7,000.
(*d*) ₹10,000.

5. X Ltd is commencing a new construction project, which is to be financed by borrowing. The key dates are as follows:
(*a*) 15th May, 2023: Loan interest relating to the project starts to be incurred
(*b*) 2nd June, 2023: Technical site planning commences
(*c*) 19th June, 2023: Expenditure on the project started to be incurred
(*d*) 18th July, 2023: Construction work commences

Identify the commencement date for capitalisation under AS 16.

(*a*) 15th May, 2023 (*b*) 19th June, 2023

(*c*) 18th July, 2023 (*d*) 2nd June, 2023

6. What is the primary objective of Accounting Standard 16 (AS 16) - Borrowing Costs?

(*a*) To define the accounting treatment for interest income

(*b*) To prescribe the accounting treatment for borrowing costs

(*c*) To regulate the issuance of bonds

(*d*) To provide guidelines for lease accounting

7. Borrowing cost of a qualifying asset does not include?

(*a*) Finance charges in respect of assets acquired under finance lease

(*b*) Exchange differences arising from foreign currency borrowing

(*c*) Interest charges on bank borrowing

(*d*) Loss on sale of investment

8. Under AS 16, which of the following borrowing costs should be capitalized?

(*a*) All borrowing costs

(*b*) Only borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets

(*c*) Only borrowing costs incurred for short-term loans

(*d*) Borrowing costs incurred for any purpose

9. Under AS 16, what is the treatment of borrowing costs that do not qualify for capitalization?

(*a*) They should be expensed in the period they are incurred

(*b*) They should be capitalized in the subsequent period

(*c*) They should be amortized over an extended period

(*d*) They should be disclosed in the financial statements

10. A qualifying being constructed in a factory since 1.4.21 is completed on 28.2.22 Interest on loan taken for the asset for the entire year is 1,20,000. What will be the completion date and capitalisation amount for the asset?

(*a*) 28.2.22 ₹1,20,000 (*b*) 28.2.22 ₹1,10,000

(*c*) 31.3.22 ₹1,20,000 (*d*) 31.3.22 ₹1,10,000

11. Following will not be considered as borrowing cost.

(*a*) Amortisation of discounts or premiums relating to borrowings

(*b*) Finance charges in respect of assets acquired under finance leases or under other similar arrangements

(*c*) Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs

(*d*) Interest and commitment charges on bank borrowings on non-qualifying assets

12. What is the correct treatment of income from temporary investment from borrowed fund pending expenditure on qualifying asset?

(*a*) Income is deducted from borrowing cost.

(*b*) Income is credited to P&L account.

(*c*) Income is deducted from PPE.

(*d*) Income is deducted from borrowing amount.

Answer Key

1. (*c*)	**2.** (*c*)	**3.** (*a*)	**4.** (*b*)	**5.** (*b*)	**6.** (*b*)	**7.** (*d*)	**8.** (*b*)	**9.** (*a*)	**10.** (*b*)
11. (*d*)	**12.** (*a*)								

AS 17 Segment Reporting

CHAPTER

MULTIPLE CHOICE QUESTIONS

1. As per AS 17, reportable segments are those whose total revenue from external sales and inter-segment sales is

(*a*) 10% or more of the total revenue of all segments

(*b*) 10% or more of the total revenue of all external segments

(*c*) 12% or more of the total revenue of all segments

(*d*) 12% or more of the total revenue of all external segments

2. Which of the following statements is correct?

(*a*) Management has a discretion to include a segment as a reportable segment even if it passes the 10% materiality test.

(*b*) Management has a discretion to include any segment as a reportable segment if it fails the 12% materiality test.

(*c*) It is mandatory for the management to include the segment as a reportable segment if it passes the 10% materiality test.

(*d*) It is not mandatory for the management to include the segment as a reportable segment if it passes the 10% materiality test.

3. Which of the following statements is correct?

(*a*) The overall test of 75% considers only external revenue to compute the threshold limit.

(*b*) The overall test of 75% considers only internal revenue to compute the threshold limit.

(*c*) The overall test of 75% considers both internal and external revenue to compute the threshold limit.

(*d*) It is management choice whether they want to include both external and internal revenue for computing threshold limit.

4. Which of the following statements is correct?

(*a*) The 10% test computed on the basis of revenue, considers both internal and external revenue to compute the threshold limit.

(*b*) The 10% test computed on the basis of revenue, considers only external revenue to compute the threshold limit.

(*c*) The 10% test computed on the basis of revenue, considers only internal revenue to compute the threshold limit.

(*d*) It is management choice whether they want to include both external and internal revenue for computing threshold limit.

5. Which of the following statements is correct?

(*a*) In case of 10% test based on profit/loss, we need to consider that any segment whose profit or loss is 10% or more than the net profit or net loss respectively of all segments taken together becomes reportable segment.

(*b*) In case of 10% test based on profit/loss, we need to consider that any segment whose profit or loss is 10% or more than the net profit (after netting the losses) of all segments taken together becomes reportable segment.

(*c*) In case of 10% test based on profit/loss, we need to consider that any segment whose profit or loss is 10% or more than the net profit or loss (whichever is higher in absolute figures) of all segments taken together becomes reportable segment.

(*d*) In case of 10% test based on profit/loss, we need to consider that any segment whose profit or loss is 10% or more than the net profit or loss (whichever is lower in absolute figures) of all segments taken together becomes reportable segment.

6. Under AS 17, segments must be reported separately if the reported revenues (internal and external) are more than _____ of the combined revenues of all the segments.

(*a*) 10%

(*b*) 15%

(*c*) 20%

(*d*) 25%

7. Following is not included in Segment Expense.

(*a*) Income tax expense.

(*b*) The expense resulting from the operating activities of a segment that is directly attributable to the segment.

(*c*) The relevant portion of enterprise expense that can be allocated on a reasonable basis to the segment.

(*d*) Expense relating to transactions with other segments of the enterprise.

8. Following is not included in Segment Revenue.

(*a*) External Revenue.

(*b*) Inter Segment revenue.

(*c*) The relevant portion of enterprise revenue that can be allocated on a reasonable basis to the segment.

(*d*) Extraordinary Item.

9. Segment assets doesn't include:

(*a*) segment debtors

(*b*) plant and machinery

(*c*) income tax assets

(*d*) All of the above

10. Segments liabilities doesn't include:

(*a*) income tax liabilities

(*b*) borrowings

(*c*) Both (*a*) and (*b*)

(*d*) None of the above

11. What is the minimum threshold for identifying a reportable segment under AS 17?

(*a*) 5% of total revenue

(*b*) 10% of total revenue

(*c*) 15% of total revenue

(*d*) 20% of total revenue

12. How should inter-segment transfers be accounted for under AS 17?

(*a*) At cost

(*b*) At market value

(*c*) At transfer price

(*d*) At fair value

13. Primary reporting format includes:

(*a*) segments results

(*b*) carrying amount of assets

(*c*) carrying amount of liabilities

(*d*) All of the above

14. ABC Ltd has a segment which has assets worth ₹50 lakhs which includes income tax assets worth ₹1 lakh. Calculate segment assets.

(*a*) ₹50 lakhs

(*b*) ₹51 lakhs

(*c*) ₹49 lakhs

(*d*) None of the above

15. B Ltd has three segments namely A, B and C which has assets worth ₹50 lakhs, ₹20 lakhs, ₹30 lakhs respectively. Which segment will be a reportable segment?

(*a*) A (*b*) B

(*c*) C (*d*) All of the above

Answer Key

1. (*a*)	**2.** (*c*)	**3.** (*a*)	**4.** (*a*)	**5.** (*c*)	**6.** (*a*)	**7.** (*a*)	**8.** (*d*)
9. (*c*)	**10.** (*c*)	**11.** (*b*)	**12.** (*c*)	**13.** (*d*)	**14.** (*c*)	**15.** (*d*)	

AS 18 Related Party Disclosures

CHAPTER

MULTIPLE CHOICE QUESTIONS

1. According to AS-18 Related Party Disclosures, which ONE of the following is not a related party of Skyline Limited?

(*a*) A shareholder of Skyline Limited owning 30% of the ordinary share capital

(*b*) An entity providing banking facilities to Skyline Limited in the normal course of business

(*c*) An associate of Skyline Limited

(*d*) Key management personnel of Skyline Limited

2. Are the following statements in relation to related parties true or false, according to AS-18 Related Party Disclosures?

(A) A party is related to another entity that it is jointly controlled by.

(B) A party is related to another entity that it controls.

	Statement (A)	Statement (B)
(*a*)	False	False
(*b*)	False	True
(*c*)	True	False
(*d*)	True	True

3. Which of the following is **not** a related party as envisaged by AS-18 Related Party Disclosures?

(*a*) A director of the entity

(*b*) The parent company of the entity

(*c*) A shareholder of the entity that holds 1% stake in the entity

(*d*) The spouse of the managing director of the entity

4. According to AS-18 Related Party Disclosures, related party transaction is a transfer of resources or obligations between related parties – provided a price is charged for such transfer.

(*a*) True (*b*) False

5. According to AS-18 Related Party Disclosures, parties are considered to be related, if and only if at the end of the reporting period - one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

(*a*) True (*b*) False

6. Related party disclosures are primarily intended to
   (*a*) Ensure a company's financial statements comply with tax regulations
   (*b*) Highlight potential conflicts of interest and related-party transactions
   (*c*) Minimize external scrutiny of a company's operations
   (*d*) Facilitate goodwill among different business entities

7. A director of a company purchases goods from that company for personal use. How should this transaction be disclosed in financial statements?
   (*a*) No disclosure required
   (*b*) Disclose only if the transaction value exceeds a certain threshold
   (*c*) Disclose as a related party transaction
   (*d*) Disclose in the footnotes if the director owns more than 10% of the company's shares

8. What is the primary objective of disclosing related party transactions in financial statements?
   (*a*) To demonstrate the company's profitability
   (*b*) To comply with legal requirements
   (*c*) To enhance transparency and avoid potential conflicts of interest
   (*d*) To increase the company's market value

9. Which of the following is an example of a related party transaction?
   (*a*) Sale of goods to an unrelated third-party customer
   (*b*) Purchase of inventory from an independent supplier
   (*c*) Loan provided to a subsidiary company
   (*d*) Salary payment to regular employees

10. Related party disclosures in financial statements typically include information about
   (*a*) Nature of relationships and transactions
   (*b*) Names of related parties
   (*c*) Amounts of transactions and outstanding balances
   (*d*) All of the above

11. According to accounting standards, who are considered related parties?
   (*a*) Entities under common control
   (*b*) Individuals having significant influence over the company
   (*c*) Both (*a*) and (*b*)
   (*d*) None of the above

12. A company rents office space from its major shareholder. How should this transaction be disclosed?
   (*a*) As a related party transaction
   (*b*) Only if the rent exceeds a certain percentage of total expenses
   (*c*) Disclose the nature of the transaction but not the amount
   (*d*) No disclosure required

13. Which of the following may be treated as Related party as per AS 18?

(*a*) A Limited & B Limited only because Mr. X is a common director in both the company.

(*b*) A Limited & B Limited are totally independent company, however, majority of the Board of Directors of both the companies are same.

(*c*) Mr. S & A Limited only because Mr. S purchases majority of the products of A Limited.

(*d*) ABC Bank & N Limited because all borrowings of N Limited is financed by ABC Bank.

14. As per AS 18, A key management personnel is a person who has following authority/responsibility over the reporting entity's organization.

(*a*) Planning

(*b*) Directing

(*c*) Controlling

(*d*) All of the above

15. Which of the following is not a related party of Tiger Ltd.

(*a*) An associate of Tiger Ltd.

(*b*) A key management personnel of Tiger Ltd.

(*c*) A subsidiary of Tiger Ltd.

(*d*) The Bank in which Tiger Ltd. has a current account

Answer Key

1. (*b*)	**2.** (*d*)	**3.** (*c*)	**4.** (*b*)	**5.** (*b*)	**6.** (*b*)	**7.** (*c*)	**8.** (*c*)	**9.** (*c*)	**10.** (*d*)
11. (*c*)	**12.** (*a*)	**13.** (*b*)	**14.** (*d*)	**15.** (*d*)					

AS 19

CHAPTER

Leases

MULTIPLE CHOICE QUESTIONS

1. A Ltd. sold machinery having WDV of ₹40 lakhs to B Ltd. for ₹50 lakhs (Fair value ₹50 lakhs) and same machinery was leased back by B Ltd. to A Ltd. The lease back is in nature of operating lease. The treatment will be

(*a*) A Ltd. should amortise the profit of ₹10 lakhs over lease term.

(*b*) A Ltd. should recognise the profit of ₹10 lakhs immediately.

(*c*) A Ltd. should defer the profit of ₹10 lakhs.

(*d*) B Ltd. should recognise the profit of ₹10 lakhs immediately.

2. In case of an operating lease – identify which statement is correct:

(*a*) The lessor continues to show the leased asset in its books of accounts.

(*b*) The lessor de-recognises the asset from its Balance Sheet.

(*c*) The lessor discontinues to claim depreciation in its books.

(*d*) The lessee recognises the asset in its Balance Sheet.

3. In case of finance lease, if the asset is returned back to the lessor at the end of the lease term - the lessee always claims depreciation based on which of the following:

(*a*) Useful life.

(*b*) Lease term.

(*c*) Useful life or lease term whichever is less.

(*d*) Useful life or lease term whichever is higher.

4. AS 19 lays down 5 deterministic conditions to classify the lease as a finance lease. To classify the lease as an operating lease – which statement is correct?

(*a*) Any 1 condition fails.

(*b*) Majority of the 5 conditions fail.

(*c*) All 5 conditions fail.

(*d*) Any 2 conditions fails.

5. The basis of classification of a lease is:

(*a*) Control Test.

(*b*) Risk and reward Test.

(*c*) Both control test and risk and reward test.

(*d*) Only reward Test

6. Which of the following is the primary criterion used to classify a lease under AS 19?
   (*a*) Ownership of the asset
   (*b*) Length of the lease term
   (*c*) Transfer of risks and rewards
   (*d*) Maintenance responsibilities

7. According to AS 19, a lease that transfers substantially all the risks and rewards incidental to ownership is classified as
   (*a*) Finance Lease
   (*b*) Operating Lease
   (*c*) Sales-Type Lease
   (*d*) Direct Financing Lease

8. What is the recognition criteria for a finance lease under AS 19 by the lessee at the commencement of the lease term?
   (*a*) Recognize the lower of fair value of the leased asset or present value of minimum lease payments as an asset and a liability.
   (*b*) Recognize only the fair value of the leased asset as an asset.
   (*c*) Recognize the present value of minimum lease payments as an expense.
   (*d*) Do not recognize anything until the lease term ends.

9. Which of the following statements regarding an operating lease, as per AS 19, is true?
   (*a*) It is capitalized on the lessee's balance sheet.
   (*b*) It usually involves transferring ownership of the asset at the end of the lease term.
   (*c*) It includes finance charges.
   (*d*) It is expensed over the lease term.

10. In case of a finance lease, which statement regarding the lessee's profit and loss account is correct under AS 19?
   (*a*) A portion of the total lease payment is recognized as interest expense, and the rest is recorded as depreciation.
   (*b*) Total lease payment is recognized as interest expense.
   (*c*) Total lease payment is recognized as depreciation.
   (*d*) No expense is recorded until the lease term ends.

11. As per AS 19, what is the basis for recognizing lease payments for an operating lease?
   (*a*) Ratio of benefit obtained and if not available then Straight-line basis.
   (*b*) Reducing balance method
   (*c*) Annuity method
   (*d*) No specific basis is required for recognition.

12. Which financial statement should disclose the information about lease liabilities and assets recognized under AS 19?
   (*a*) Income Statement
   (*b*) Statement of Changes in Equity
   (*c*) Balance Sheet
   (*d*) Cash Flow Statement

13. Under AS 19, what happens if a lease agreement includes an option for the lessee to purchase the asset at a price significantly below its fair market value?

(*a*) It qualifies as a finance lease.

(*b*) It is recognized as an operating lease.

(*c*) It has no impact on lease classification.

(*d*) It is considered a direct financing lease.

14. In a finance lease, how is the interest component of the lease payment calculated by the lessee under AS 19?

(*a*) It remains constant throughout the lease term.

(*b*) It decreases over the lease term.

(*c*) It increases over the lease term.

(*d*) It is equal to the lease payment.

15. As per AS 19, a leased asset should be depreciated over the?

(*a*) Shorter of the lease term and the assets useful life

(*b*) Longer of the lease term and the assets useful life

(*c*) Entire lease term

(*d*) Useful life of the asset.

16. In the books of seller-lessee, If a sale and leaseback transaction results in a finance lease, any excess or deficiency of sales proceeds over the carrying amount is?

(*a*) immediately recognised as income or loss in the financial statements.

(*b*) deferred and amortised over the lease term in proportion to the depreciation of the leased asset.

(*c*) If there is loss, then immediately recognized in P&L statement and if there is gain, then amortised over the lease term.

(*d*) Either (*a*) or (*b*)

17. If Sale and leaseback transaction results in an operating lease and sale price is more than fair value, the excess amount is?

(*a*) Credited to Profit and Loss statement

(*b*) Deferred and amortized over expected period of use of the asset

(*c*) Deferred and amortized over period of five years

(*d*) Amortized in proportion to lease payments

18. If Sale and leaseback transaction results in a finance lease, any excess or deficiency of sales proceeds over the carrying amount should be?

(*a*) Credited to Profit and Loss statement.

(*b*) Deferred and amortized over the lease term in proportion to the depreciation of the leased asset.

(*c*) Deferred and amortized over period of five years.

(*d*) Amortized in proportion to lease payments

19. N Limited has entered into lease agreement for machinery from S Limited for 10 years for ₹1 lakh per year. Guaranteed scrap value of machinery after 10 years is ₹0.5 lakh unguaranteed scrap value is ₹0.2 lakh. Present Value of ₹1 lakh for 10 years is ₹7 lakh, Present value of ₹0.5 lakh after 10th year is 0.18 lakh & of ₹0.2 lakh is ₹0.07 lakh. Calculate Unearned Finance Income for S Limited.

(*a*) ₹3.45 lakh (*b*) ₹3 lakh

(*c*) ₹3.32 lakh (*d*) ₹3.13 lakh

Answer Key

1. (*b*)	**2.** (*a*)	**3.** (*c*)	**4.** (*c*)	**5.** (*b*)	**6.** (*c*)	**7.** (*a*)	**8.** (*a*)	**9.** (*d*)	**10.** (*a*)
11. (*a*)	**12.** (*c*)	**13.** (*a*)	**14.** (*b*)	**15.** (*a*)	**16.** (*b*)	**17.** (*b*)	**18.** (*b*)	**19.** (*a*)	

AS 20

CHAPTER

Earnings Per Share

MULTIPLE CHOICE QUESTIONS

1. AB Company Ltd. had 1,00,000 shares of common stock outstanding on January 1. Additional 50,000 shares were issued on July 1, and 25,000 shares were re-acquired on September 1. The weighted average number of shares outstanding during the year on Dec. 31 is

(*a*) 1,40,000 shares
(*b*) 1,25,000 shares
(*c*) 1,16,667 shares
(*d*) 1,20,000 shares

2. As per AS 20, potential equity shares should be treated as dilutive when, and only when, their conversion to equity shares would

(*a*) Decrease net profit per share from continuing ordinary operations.
(*b*) Increase net profit per share from continuing ordinary operations.
(*c*) Make no change in net profit per share from continuing ordinary operations.
(*d*) Decrease net loss per share from continuing ordinary operations.

3. As per AS 20, equity shares which are issuable upon the satisfaction of certain conditions resulting from contractual arrangements are

(*a*) Dilutive potential equity shares
(*b*) Contingently issuable shares
(*c*) Contractual issued shares
(*d*) Potential equity shares

4. In case potential equity shares have been cancelled during the year, they should be:

(*a*) Ignored for computation of Diluted EPS.
(*b*) Considered from the beginning of the year till the date they are cancelled.
(*c*) The company needs to make an accounting policy and can follow the treatment in (*a*) or (*b*) as it decides.
(*d*) Considered for computation of diluted EPS only if the impact of such potential equity shares would be material.

5. Partly paid up equity shares are:

(*a*) Always considered as a part of Basic EPS.
(*b*) Always considered as a part of Diluted EPS.
(*c*) Depending upon the entitlement of dividend to the shareholder, it will be considered as a part of Basic or Diluted EPS as the case may be.
(*d*) Considered as part of Basic/Diluted EPS depending on the accounting policy of the company.

6. Which of the following statements is correct?

(1) Options are generally dilutive in nature.

(2) Options are generally more dilutive as compared to other potential equity shares.

(*a*) Both (1) and (2) are correct. (*b*) Both (1) and (2) are incorrect.

(*c*) Only (1) is correct. (*d*) Only (2) is correct.

7. Which of the following is not a Potential Equity Share?

(*a*) Employee stock option

(*b*) Share warrants

(*c*) Cumulative Preference Shares

(*d*) Shares issuable under a loan contract upon default of payment of principal or Interest

8. Number of shares outstanding as on 01-01-2023 are 2000. Fresh issue of 600 shares for cash on 31-05-2023. Buy back of 300 shares on 01-11-2023. Calculate weighted average outstanding number of shares.

(*a*) 2300 shares (*b*) 2500 shares

(*c*) 2000 shares (*d*) 2800 shares

9. Opening balance of shares as on 01-01-2023 is 2000 shares. On 31-10-2023, issue of 600 shares of ₹10 each, ₹5 paid up. Calculate weighted average outstanding number of shares.

(*a*) 2100 shares (*b*) 2050 shares

(*c*) 2000 shares (*d*) 1500 shares

10. XYZ Limited reported a net profit of ₹50,00,000 for the year ended 31st December 2022. The company had ₹20 Lakh ordinary shares outstanding throughout the year. On 1st July 2022, XYZ issued ₹30,00,000 of 5% convertible bonds of ₹100 each convertible into 10 shares. The bonds were outstanding for the entire year, and XYZ pays tax at a rate of 25%. Calculate the diluted earnings per share (EPS) for the year ended 31st December 2022.

(*a*) 1.80 (*b*) 2.00

(*c*) 2.50 (*d*) 2.35

11. Earnings Per Share (EPS) is calculated for which class of securities?

(*a*) Equity shares (*b*) Preference shares

(*c*) Debentures (*d*) Both (*a*) and (*b*)

12. When calculating Diluted Earnings Per Share (DEPS), what should be considered as potential equity shares?

(*a*) Convertible preference shares (*b*) Convertible debentures

(*c*) Stock options (*d*) All of the above

13. If a company has a net profit of ₹800,000, dividends on preference shares of ₹50,000, and 150,000 equity shares outstanding, what is the Basic Earnings Per Share (BEPS)?

(*a*) 5.33 (*b*) 5.00

(*c*) 6.00 (*d*) 8.00

14. If converting a security to share will increase the DEPS then it is:

(*a*) Dilutive
(*b*) Anti-dilutive
(*c*) Accurate
(*d*) None of the above

15. While calculating DEPS, the net income is adjusted by the following amounts related to potential equity shares:

(*a*) Interest savings
(*b*) Dividend savings
(*c*) any other expenses which will not incur after conversion in equity shares
(*d*) All of the above

Answer Key

1. (*c*)	**2.** (*a*)	**3.** (*b*)	**4.** (*b*)	**5.** (*c*)	**6.** (*a*)	**7.** (*c*)	**8.** (*a*)	**9.** (*b*)	**10.** (*d*)
11. (*a*)	**12.** (*d*)	**13.** (*b*)	**14.** (*b*)	**15.** (*d*)					

AS 22

CHAPTER

Accounting for Taxes on Income

MULTIPLE CHOICE QUESTIONS

1. As per AS 22 on 'Accounting for Taxes on Income', tax expense is:

(*a*) Current tax + deferred tax charged to profit and loss account

(*b*) Current tax-deferred tax credited to profit and loss account

(*c*) Either (*a*) or (*b*)

(*d*) Deferred tax charged to profit and loss account

2. G Ltd. has provided the following information:

Depreciation as per accounting records	= ₹2,00,000
Depreciation as per tax records	= ₹5,00,000
Unamortized preliminary expenses as per tax record	= ₹30,000

There is adequate evidence of future profit sufficiency. How much deferred tax asset/liability should be recognized as transition adjustment when the tax rate is 50%?

(*a*) Deferred Tax asset = ₹2,70,000.

(*b*) Deferred Tax asset = ₹1,35,000.

(*c*) Deferred Tax Liability = ₹2,70,000

(*d*) Deferred Tax Liability = ₹1,35,000.

3. Which of the followings statements are correct?

(A) There are no pre-conditions required to recognize deferred tax liability,

(B) Deferred tax asset under all circumstances can only be created if and only if there is reasonable certainty that future taxable income will arise.

(*a*) Both are correct.

(*b*) Only (A) is correct.

(*c*) Only (B) is correct.

(*d*) None of the statements are correct.

4. Which of the following statement are incorrect?

(*a*) Only timing differences result in creation of deferred tax.

(*b*) Permanent differences do not result in recognition of deferred tax.

(*c*) The tax rate used for measurement of deferred tax is substantively enacted tax rate.

(*d*) The entity has to recognize deferred tax liability/asset arising out of timing difference. There are no conditions which are required to evaluated for their recognition.

5. According to AS 22, how should deferred tax assets and liabilities be measured?

(*a*) At the enacted or substantively enacted tax rates

(*b*) At the highest current tax rate

(*c*) At the average of historical tax rates

(*d*) At the lowest current tax rate

6. How does AS 22 recommend accounting for the tax effect of timing differences that reverse during the tax holiday period?

(*a*) Ignored in financial statements

(*b*) Recognized in the profit and loss statement

(*c*) Adjusted against the revaluation reserve

(*d*) Amortized over an extended period

7. According to AS 22, what is the primary objective of accounting for taxes on income?

(*a*) To minimize tax liabilities

(*b*) To ensure compliance with tax laws

(*c*) To reflect the impact of income taxes in financial statements

(*d*) To maximize deferred tax assets

8. How does AS 22 recommend accounting for deferred tax assets arising from unabsorbed depreciation and carry-forward of losses?

(*a*) Recognized in full without any limitations

(*b*) Recognized only to the extent of virtual certainty of future taxable profits

(*c*) Ignored in financial statements

(*d*) Amortized over a fixed period

9. Permanent differences do not result in _____.

(*a*) Deferred taxes

(*b*) Deferred liabilities

(*c*) Deferred taxes or deferred liabilities

(*d*) None of the above

Answer Key

1. (*c*)	**2.** (*d*)	**3.** (*a*)	**4.** (*d*)	**5.** (*a*)	**6.** (*a*)	**7.** (*c*)	**8.** (*b*)	**9.** (*c*)

CHAPTER

AS 23 Accounting for Investment in Associates in Consolidated Financial Statements

MULTIPLE CHOICE QUESTIONS

1. Identity which of the statements are correct?

An enterprise can influence the significant economic decision making by many ways like

(*i*) Representation on the board of directors or governing body of the investee.

(*ii*) Participation in policy-making processes.

(*iii*) Interchange of managerial personnel.

(*iv*) Provision of essential technical information.

(*a*) Statement (*i*) and (*ii*) are correct.

(*b*) Statement (*i*), (*ii*) and (*iii*) are correct.

(*c*) Statement (*i*), (*ii*), (*iii*) and (*iv*) are correct.

(*d*) Statement (*ii*) and (*iii*) are correct.

2. A Ltd. is holding 90% share in B Ltd. and 10% shares in C Ltd., and B Ltd. is holding 11% shares in C Ltd. Identity which of the statements are incorrect?

(*i*) In this case, A Ltd. is parent of B Ltd.

(*ii*) As far as the relationship between A Ltd. and C Ltd. is concerned; A Ltd. has a total of direct and indirect holding of (10% + 90% of 11%) 19.9 % in C Ltd.

(*iii*) C Ltd. is an associate of A Ltd.

(*a*) Statement (*ii*) is incorrect.

(*b*) Statement (*iii*) is incorrect.

(*c*) Statement (*ii*) and (*iii*) both are incorrect.

(*d*) All statements are incorrect.

3. A Ltd. acquired 10% stake of B Ltd. on April 01 and further 15% on October 01 of the same year. Other information is as follows:

Cost of Investment for 10% ₹1,00,000 and for 15% ₹1,55,000

Net asset on April 01 ₹8,50,000 and on October 01 ₹10,00,000.

What is the amount of goodwill or capital reserve arising on significant influence?

(*a*) Goodwill = ₹10,000.

(*b*) Goodwill = ₹20,000.

(*c*) Capital Reserve = ₹10,000.

(*d*) Capital Reserve = ₹20,000.

4. A Ltd. acquired 10% stake of B Ltd. on April 01 and further 15% on October 01 during the same year. Other information is as follow:

Cost of Investment for 10% ₹1,00,000 and for 15% ₹1,45,000

Net asset on April 01 ₹8,50,000 and on October 01 ₹10,00,000.

What is the amount of goodwill or capital reserve arising on significant influence?

(*a*) Goodwill = ₹10,000.
(*b*) Goodwill = ₹20,000.
(*c*) Capital Reserve = ₹10,000.
(*d*) Capital Reserve = ₹20,000.

5. Identity which of the statements are correct?

(*i*) In case an associate has made a provision for proposed dividend (i.e. dividend declared after the reporting period but it pertains to that reporting year) in its financial statements, the investor's share of the results of operations of the associate should be computed without taking into consideration the proposed dividend.

(*ii*) In case an associate has made a provision for proposed dividend (i.e. dividend declared after the reporting period but it pertains to that reporting year) in its financial statements, the investor's share of the results of operations of the associate should be computed after taking into consideration the proposed dividend.

(*iii*) The potential equity shares of the investee held by the investor should not be taken into account for determining the voting power of the investor.

(*iv*) The potential equity shares of the investee held by the investor should be taken into account for determining the voting power of the investor.

(*a*) Statement (*i*) and (*iii*).
(*b*) Statement (*ii*) and (*iv*).
(*c*) Statement (*i*) only.
(*d*) Statement (*iii*) only.

6. _____ of voting power in investee company by investor company is considered as significant influence.

(*a*) 15%
(*b*) 20%
(*c*) 10%
(*d*) 5%

7. An investor should stop using equity method if _____.

(*a*) It ceases to have a significant impact in associate company
(*b*) When following equity method is not appropriate
(*c*) Both (*a*) and (*b*)
(*d*) None of the above

8. AS 23 doesn't applies to:

(*a*) Subsidiary Companies
(*b*) Joint venture
(*c*) Associate companies
(*d*) Both (*a*) and (*b*)

9. X Ltd acquired 10% shareholding of Y Ltd. on 1 January and further 15% on 1 July of the same year.

Cost of investment for 10% = ₹2,00,000

Cost of investment for 15% = ₹2,90,000

Net asset on 1 January ₹17,00,000 and on 1 July ₹20,00,000

Calculate the amount of goodwill/capital reserve.

(*a*) Goodwill ₹20,000 (*b*) Goodwill ₹40,000

(*c*) Capital reserve ₹20,000 (*d*) Capital reserve ₹40,000

Answer Key

1. (*c*)	**2.** (*a*)	**3.** (*b*)	**4.** (*a*)	**5.** (*a*)	**6.** (*b*)	**7.** (*c*)	**8.** (*d*)	**9.** (*a*)

AS 24 Discontinuing Operations

CHAPTER

MULTIPLE CHOICE QUESTIONS

1. AB decided to dispose of its Clothing division as part of its long-term strategy.

A. Date of Board approval – 1st March 2021;

B. Date of formal announcement made to affected parties – 15th March 2021.

C. Date of Binding Sale agreement – 1st July 2021;

D. Reporting date – 31st March 2021

The date of initial disclosure event would be:

(*a*) 1st March 2021

(*b*) 15th March 2021

(*c*) 31st March 2021

(*d*) 31st July 2021

2. To qualify as a component that can be distinguished operationally and for financial reporting purposes, the condition(s) to be met is (are):

(*a*) The operating assets and liabilities of the component can be directly attributed to it.

(*b*) Its revenue can be directly attributed to it.

(*c*) At least a majority of its operating expenses can be directly attributed to it.

(*d*) All of the above

3. Identify which of the following statements is incorrect?

(*a*) A discontinuing operation is a component of an enterprise that represents a separate major line of business or geographical area of operations.

(*b*) A discontinuing operation is a component of an enterprise that can be distinguished operationally and for financial reporting purposes.

(*c*) A discontinuing operation is a component of an enterprise that may or may not be distinguished operationally and for financial reporting purposes.

(*d*) A discontinuing operation may be disposed of in its entirety or piecemeal, but always pursuant to an overall plan to discontinue the entire component.

4. Identify the incorrect statement.

(*a*) Discontinuing operations are infrequent events, but this does not mean that all infrequent events are discontinuing operations.

(*b*) The fact that a disposal of a component of an enterprise is classified as a discontinuing operation under AS 24 would always raise a question regarding the enterprise's ability to continue as a going concern.

(*c*) For recognising and measuring the effect of discontinuing operations, AS 24 does not provide any guidelines, but for the purpose the relevant Accounting Standards should be referred.

(*d*) An enterprise shall include a description of the discontinuing operation, in its financial statements beginning with the financial statements for the period in which the initial disclosure event occurs.

5. What does AS 24 primarily deal with in accounting?

(*a*) Revenue recognition
(*b*) Property, plant, and equipment
(*c*) Discontinuing operations
(*d*) Employee benefits

6. A discontinuing plan includes:

(*a*) expected method of disposal
(*b*) the principal location affected
(*c*) estimated proceeds
(*d*) All of the above

7. After providing the disclosures as per AS 24 during initial disclosure event, in following year _____.

(*a*) updation for significant changes is required in notes to accounts.
(*b*) re-disclosure is required
(*c*) No formality is required
(*d*) None of the above

8. How should the results of a discontinued operation be presented in the financial statements according to AS 24?

(*a*) As part of continuing operations
(*b*) As a separate line item after continuing operations
(*c*) As extraordinary items
(*d*) As a separate line item before continuing operations

Answer Key

1. (*b*)	**2.** (*d*)	**3.** (*c*)	**4.** (*b*)	**5.** (*c*)	**6.** (*d*)	**7.** (*a*)	**8.** (*b*)

AS 25 Interim Financial Reporting

CHAPTER

MULTIPLE CHOICE QUESTIONS

1. AS 25 mandates the following in relation to interim financial reports.

(*a*) Which entities should publish interim financial reports.

(*b*) How frequently it should publish interim financial reports.

(*c*) How soon it should publish after the end of interim period.

(*d*) None of the above.

2. The standard defines Interim financial Report as a financial report for an interim period that contains a set of _____ financial statements.

(*a*) Complete

(*b*) Condensed

(*c*) Financial statement similar to annual

(*d*) Either complete or condensed

3. ABC Limited has reported ₹85,000 as per tax profit in first quarter and expects a loss of ₹25,000 each in subsequent quarters. It has corporate tax rate slab of 20% on the first ₹20,000 earnings and 40% on all additional earnings. Calculate tax expenses that should report in first quarter interim financial report.

(*a*) ₹17,000

(*b*) ₹30,000

(*c*) ₹2,000

(*d*) AS 25 does not mandate to report tax expenses

4. An entity prepares quarterly interim financial reports in accordance with AS 25. The entity is engaged in sale of mobile phones and normally 5% of customers claim on their warranty. The provision in the first quarter was calculated as 5% of sales to date, which was ₹10 million. However, in the second quarter, a fault was found and warranty claims were expected to be 10% for the whole of the year. Sales in the second quarter were ₹15 million. What would be the provision charged in the second quarter's interim financial statements?

(*a*) ₹1 million

(*b*) ₹2 million

(*c*) ₹1.25 million

(*d*) ₹1.5 million

5. Which of the following is not an objective of AS 25?
   (*a*) To prescribe the minimum content of an interim financial report
   (*b*) To prescribe which entities are required to publish interim financial reports, how frequently and how soon after the end of the reporting period
   (*c*) To prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period
   (*d*) None of the above

6. _____ is a financial reporting period shorter than a full financial year.
   (*a*) Short period
   (*b*) A quarter
   (*c*) Interim period
   (*d*) None of these

7. XYZ Ltd. follows the calendar year as its financial year-end. The company releases interim financial statements for the six-month period ending June 30th. According to AS 25, what is the minimum requirement for the interim financial statements?
   (*a*) Balance Sheet
   (*b*) Profit and Loss Statement
   (*c*) Statement of Cash Flows
   (*d*) All of the above

8. Under AS 25, how should an entity account for income tax expense in interim financial statements?
   (*a*) Estimate and recognize income tax expense based on the annual effective tax rate
   (*b*) Ignore income tax expense in interim financial statements
   (*c*) Recognize income tax expense only in the fourth quarter
   (*d*) Pro-rate the annual income tax expense evenly across all quarters

9. ABC Ltd. has identified a significant impairment loss on one of its assets during the second quarter of the financial year. According to AS 25, how should this impairment loss be disclosed in the interim financial statements?
   (*a*) Disclose only in the notes to the interim financial statements
   (*b*) Recognize the impairment loss in the profit and loss statement for the second quarter
   (*c*) Ignore the impairment loss until the annual financial statements
   (*d*) Recognize the impairment loss in the profit and loss statement for the entire financial year

10. Interim period as per AS 25 means?
   (*a*) A Quarter
   (*b*) Half year
   (*c*) A Calendar year
   (*d*) Any period shorter than a full financial year

11. Following is not part of Minimum component of an Interim Financial Report?
   (*a*) Condensed Cash flow statement
   (*b*) Condensed Director's Report
   (*c*) Condensed profit & loss statement
   (*d*) Selected Explanatory Notes

12. Interim financial reports include
   (*a*) Complete financial set of financial statements
   (*b*) Condensed financial statements
   (*c*) Both (*a*) and (*b*)
   (*d*) None of the above

13. Income tax amount is recorded in the interim financial statements based on best estimate of

(*a*) Simple average
(*b*) Weighted average of annual effective tax
(*c*) Last year tax
(*d*) Estimated future tax

14. B Ltd. has started its operations on 1st September. On year end i.e. on 31st March, this period (1st September to 31st March) is:

(*a*) Interim period
(*b*) Not an interim period
(*c*) Can be both (*a*) and (*b*)
(*d*) None of the above

15. X Ltd has changes its accounting policies since last financial statements, what information it should present in interim financial report.

(*a*) Nature of change
(*b*) Effect of change
(*c*) Both (*a*) and (*b*)
(*d*) None of the above

Answer Key

1. (*d*)	**2.** (*d*)	**3.** (*a*)	**4.** (*b*)	**5.** (*b*)	**6.** (*c*)	**7.** (*d*)	**8.** (*a*)	**9.** (*b*)	**10.** (*d*)
11. (*b*)	**12.** (*c*)	**13.** (*b*)	**14.** (*b*)	**15.** (*c*)					

AS 26

CHAPTER

Intangible Assets

MULTIPLE CHOICE QUESTIONS

1. Which of the following is not covered within the scope of AS 26?

(*a*) Intangible assets held-for-sale in the ordinary course of business

(*b*) Assets arising from employee benefits

(*c*) (*a*) & (*b*) both

(*d*) Research and development activities

2. Intangible asset is recognised if it:

(*a*) meets the definition of an intangible asset

(*b*) is probable that future economic benefits will flow

(*c*) the cost can be measured reliably

(*d*) meets all of the above parameters

3. Sun Limited has purchased a computer with various additional software. These are integral part of the computer. Which of the following are true in the context of AS 26:

(*a*) Recognise Computer and software as tangible asset

(*b*) Recognise tangible and intangible separately

(*c*) Recognise computer and software as intangible asset

(*d*) Does not recognize the software as an asset.

4. Hexa Ltd developed a technology to enhance the battery life of mobile devices. Hexa has capitalised development expenditure of ₹5,00,000. Hexa estimates the life of the technology developed to be 3 years but the company has forecasted that 50% of sales will be in year 1, 35% in year 2 and 15% in year 3. What should be the amortisation charge in the second year of the product's life?

(*a*) ₹2,50,000 (*b*) ₹1,75,000

(*c*) ₹1,66,667 (*d*) ₹1,85,000

5. Which of the following is an objective of AS 26?

(*a*) To prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard.

(*b*) To specify how to measure the carrying amount of intangible assets.

(*c*) To specify disclosure requirements about intangible assets.

(*d*) All of the above.

6. If an asset incorporates both intangible and tangible elements, it shall be treated under
(*a*) AS 10 Property, Plant and Equipment
(*b*) AS 26 Intangible Assets
(*c*) A or B, depending which element is more significant
(*d*) (*a*) and (*b*)

7. What are intangible assets?
(*a*) Monetary assets with physical substance
(*b*) Non-monetary assets without physical substance
(*c*) Non-monetary assets with physical substance
(*d*) Monetary assets without physical substance

8. If an intangible asset is exchange for another, cost of intangible assets is measured at
(*a*) Cost price
(*b*) Acquisition price
(*c*) Fair value
(*d*) Nominal value

9. As per AS 26 internally generated goodwill is:
(*a*) Not recognised as an asset
(*b*) Recognised after 3 years
(*c*) Recognised as an assets
(*d*) Recognised if accrued

10. Which of the following items qualify as an intangible asset under AS 26?
(*a*) Advertising and promotion on the launch of a huge product
(*b*) Operating losses incurred during the initial stages of the project
(*c*) Legal costs paid to intellectual property lawyers to register a patent
(*d*) Expenditure on research

11. Gain or loss arising from the disposal of an intangible asset is?
(*a*) Recognised as income or expense in the Statement of Profit and Loss in the year of disposal
(*b*) Deferred over a period of five years
(*c*) Capitalized
(*d*) Not recognized at all

12. B Ltd. has a patent worth ₹500000, In what circumstances this asset will be derecognize?
(*a*) When asset is disposed
(*b*) When there is no future economic benefit
(*c*) When amortization method is changed
(*d*) Both (*a*) and (*b*)

13. An asset can be recognized as per AS 26 if the value of the asset can be measured:-
(*a*) Reliably
(*b*) Accurately
(*c*) Probably
(*d*) None of the above

Answer Key

1. (*c*)	**2.** (*d*)	**3.** (*a*)	**4.** (*b*)	**5.** (*d*)	**6.** (*c*)	**7.** (*b*)	**8.** (*c*)	**9.** (*a*)	**10.** (*c*)
11. (*a*)	**12.** (*d*)	**13.** (*a*)							

AS 27

CHAPTER

Financial Reporting of Interest in Joint Ventures

MULTIPLE CHOICE QUESTIONS

1. State which of the following statements are incorrect.

(*i*) The requirements relating to accounting for joint ventures in consolidated financial statements according to proportionate consolidation method, as contained in AS 27, applies only when consolidated financial statements are prepared by venturer.

(*ii*) The requirements relating to accounting for joint ventures in consolidated financial statements according to proportionate consolidation method, as contained in AS 27, applies irrespective whether consolidated financial statements are prepared by venturer or not.

(*iii*) An investor in joint venture, which does not have joint control, should report its interest in a joint venture in its consolidated financial statements in accordance with AS 13, AS 21 and AS 23as the case may be.

(*a*) Only (*i*) is incorrect.
(*b*) Only (*ii*) is incorrect.
(*c*) Only (*iii*) is incorrect.
(*d*) None of the above.

2. Identify which of the following is not a feature of a Jointly controlled operations (JCO)?

(*a*) Each venturer has his own separate business.
(*b*) There is a separate entity for joint venture business.
(*c*) Each venturer record only his own transactions without any separately set of books maintained for the joint venture business.
(*d*) There is a common agreement between all of them.

3. Identify which of the following is/arenot a feature of a Jointly controlled assets (JCA)?

(*i*) There is a separate legal identity.
(*ii*) There is a common control over the joint assets.
(*iii*) Expenses on jointly held assets are shared by the venturers as per the contract.
(*iv*) In their financial statement, venturer shows only their share of the asset and total income earned by them along with total expenses incurred by them.

(*a*) Only (*i*)
(*b*) (*i*) and (*iii*)
(*c*) (*iii*) and (*iv*)
(*d*) Point (*i*) and (*ii*)

4. Identify which is/ are features of a Jointly controlled entity (JCE):

(*i*) Venturer creates a new entity for their joint venture business.

(*ii*) All the venturers pool their resources under new banner and this entity purchases its own assets, create its own liabilities, expenses are incurred by the entity itself and sales are also made by this entity.

(*iii*) The revenues and expenses of the entity is shared by the venturers in the ratio agreed upon in the contractual agreement.

(*a*) Only (*i*)
(*b*) (*i*) and (*ii*)
(*c*) (*i*), (*ii*) and (*iii*)
(*d*) Only (*iii*)

5. Identify the correct statements.

From the date of discontinuing the use of the proportionate consolidation method:

(i) If interest in entity is more than 50%, investments in such joint ventures should be accounted for in accordance with AS 21, Consolidated Financial Statements.

(*ii*) If interest is 20% or more but upto 50%, investments are to be accounted for in accordance with AS 23, Accounting for Investment in Associates in Consolidated Financial Statements.

(*iii*) For all other cases investment in joint venture is treated as per AS 13, Accounting for Investments.

(*iv*) For this purpose, the fair value of the investment at the date on which joint venture relationship ceases to exist should be regarded as cost thereafter.

(*a*) (*i*) and (*ii*)
(*b*) (*i*), (*ii*) and (*iii*)
(*c*) (*i*), (*ii*), (*iii*) and (*iv*)
(*d*) None of the above

6. What is the primary objective of AS 27?

(*a*) To determine fair value of assets
(*b*) To prescribe accounting treatment for joint ventures
(*c*) To calculate depreciation
(*d*) To assess liquidity ratios

7. What kind of joint ventures classified under AS 27?

(*a*) Jointly controlled operations
(*b*) Jointly controlled assets and
(*c*) Jointly controlled entities
(*d*) All of the above

8. Joint venture requires:

(*a*) Two or more parties
(*b*) Contractual agreement
(*c*) Both (*a*) and (*b*)
(*d*) Social work

9. A separate entity is not created under this form of joint venture:

(*a*) Jointly controlled operations
(*b*) Jointly controlled assets and
(*c*) Jointly controlled entities
(*d*) Both (*a*) and (*b*)

10. In _____ venturer use their own assets.

(*a*) Jointly controlled operations (*b*) Jointly controlled assets

(*c*) Jointly controlled entities (*d*) None of the above

11. In case of jointly controlled entity, how are joint assets and liabilities recognized in the financial statements?

(*a*) Using proportionate consolidation (*b*) Using equity method

(*c*) Based on the controlling interest (*d*) Ignored in accounting

12. Under jointly controlled assets , venturers show _____ in financial statements :-

(*a*) Their share in assets (*b*) Expenses incurred under joint venture

(*c*) Income earned under venture (*d*) All of the above

13. _____ raise finance in its own right.

(*a*) Jointly controlled operations (*b*) Jointly controlled assets and

(*c*) Jointly controlled entities (*d*) None of the above

Answer Key

1. (*b*)	**2.** (*b*)	**3.** (*a*)	**4.** (*c*)	**5.** (*b*)	**6.** (*b*)	**7.** (*d*)	**8.** (*c*)	**9.** (*d*)	**10.** (*a*)
11. (*a*)	**12.** (*d*)	**13.** (*c*)							

AS 28 Impairment of Assets

CHAPTER

MULTIPLE CHOICE QUESTIONS

1. If there is indication that an asset may be impaired but the recoverable amount of the asset is more than the carrying amount of the asset, the following are true:

(*a*) No further action is required and the company can continue the asset in the books at the book value itself.

(*b*) The entity should review the remaining useful life, scrap value and method of depreciation and amortization for the purposes of AS 10.

(*c*) The entity can follow either (*a*) or (*b*).

(*d*) The entity should review the scrap value and method of depreciation and amortization for the purposes of AS 10.

2. In case Goodwill appears in the Balance Sheet of an entity, the following is true:

(*a*) Apply Bottom up test if goodwill cannot be allocated to CGU (cash generating unit) under review.

(*b*) Apply Top down test if goodwill cannot be allocated to CGU (cash generating unit) under review.

(*c*) Apply both Bottom up test and Top down test if goodwill cannot be allocated to CGU (cash generating unit) under review.

(*d*) Apply either Bottom up test or Top down test if goodwill cannot be allocated to CGU (cash generating unit) under review.

3. In case of Corporate assets in the Balance Sheet of an entity, the following is true:

(*a*) Apply Bottom up test if corporate assets cannot be allocated to CGU (cash generating unit) under review.

(*b*) Apply Top down test if corporate assets cannot be allocated to CGU (cash generating unit) under review.

(*c*) Apply both Bottom up test and Top down test if corporate assets cannot be allocated to CGU (cash generating unit) under review.

(*d*) Apply either Bottom up test or Top down test if corporate assets cannot be allocated to CGU (cash generating unit) under review.

4. In case of reversal of impairment loss, which statement is true:
   (*a*) Goodwill written off can never be reversed.
   (*b*) Goodwill written off can be reversed without any conditions to be met.
   (*c*) Goodwill written off can be reversed only if certain conditions are met.
   (*d*) Goodwill written off can be reversed.

5. Which of the following terms does this statement define: "the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount"?
   (*a*) Depreciation
   (*b*) Fair value
   (*c*) Impairment loss
   (*d*) Value in use

6. Which of the following statements do agree with AS 28?
   (*a*) An entity shall assess at the end of each reporting period whether there is any indication that its assets may be impaired
   (*b*) An entity shall assess at the end of each reporting period the recoverable amount of its assets
   (*c*) An entity shall test its assets on impairment at the end of each reporting period
   (*d*) All of the above

7. The existence of which of the following in the entity's internal reporting does indicate that an asset may be impaired?
   (*a*) Cash flows for acquiring the asset, or subsequent cash needs for operating or maintaining it, that are significantly lower than those originally budgeted
   (*b*) Actual net cash flows or operating profit or loss flowing from the asset that are significantly worse than those budgeted
   (*c*) A significant decline in budgeted net cash flows or operating profit, or a significant increase in budgeted loss, flowing from the asset
   (*d*) Both (*b*) and (*c*)

8. On 1st January Year 1, Entity Q purchased a machine costing ₹2,40,000 with an estimated useful life of 20 years and an estimated zero residual value. Depreciation is computed on straight-line basis. The asset had been re-valued on 1st January Year 3 to ₹2,50,000, but with no change in useful life at that date. On 1st January Year 4 an impairment review showed the machine's recoverable amount to be ₹1,00,000 and its estimated remaining useful life to be 10 years.
   Calculate the carrying amount of the machine at the end of Year 2
   (*a*) ₹2,00,000
   (*b*) ₹2,16,000
   (*c*) ₹2,35,000
   (*d*) ₹2,66,000

9. Venus Ltd. has an asset, which is carried in the Balance Sheet on 31st March, 2023 at ₹500 lakh. As at that date the value in use is ₹400 lakh and the fair value less costs to sells is ₹375 lakh. From the above data calculate impairment loss.
   (*a*) ₹20 lakhs
   (*b*) ₹120 lakhs
   (*c*) ₹100 lakhs
   (*d*) None of these

10. Jupiter Ltd, a leading manufacturer of steel is having a furnace, which is carried in the balance sheet on 31st March, 2023 at ₹250 lakh. As at that date the value in use and fair value is ₹200 lakh.

The cost of disposal is ₹13 lakh. Calculate the Impairment Loss to be recognized in the books of the Company?

(*a*) ₹100 lakhs
(*b*) ₹150 lakhs
(*c*) ₹50 lakhs
(*d*) None of these

11. Recoverable amount is higher of it's value in use or _____.

(*a*) Net selling price
(*b*) Fair value
(*c*) Intrinsic value
(*d*) None of the above

12. Cost of disposal doesn't include:

(*a*) Income tax expense
(*b*) Finance costs
(*c*) Both (*a*) and (*b*)
(*d*) None of the above

13. Cash flow projections are based on maximum _____ recent years of budgets approved.

(*a*) Two
(*b*) Three
(*c*) Five
(*d*) Four

14. If recoverable amount of an asset is more than it's book value then we _____ the difference.

(*a*) Ignore
(*b*) Transfer to capital reserve
(*c*) Transfer to profit and loss A/c
(*d*) Debit in asset

15. Following type of assets do not generate cash flows

(*a*) Cash generating units
(*b*) Corporate assets
(*c*) Both (*a*) and (*b*)
(*d*) None of the above

16. Impairment loss _____.

(*a*) Can be reversed
(*b*) Cannot be reversed
(*c*) Is assessed once in lifetime
(*d*) None of the above

Answer Key

1. (*b*)	**2.** (*c*)	**3.** (*c*)	**4.** (*c*)	**5.** (*c*)	**6.** (*d*)	**7.** (*d*)	**8.** (*b*)	**9.** (*c*)	**10.** (*c*)
11. (*a*)	**12.** (*c*)	**13.** (*c*)	**14.** (*a*)	**15.** (*b*)	**16.** (*a*)				

AS 29

CHAPTER

Provisions, Contingent Liabilities and Contingent Assets

MULTIPLE CHOICE QUESTIONS

1. Which of the following best describes a provision?

(*a*) A provision is a liability of uncertain timing or amount.

(*b*) A provision is a possible obligation of uncertain timing.

(*c*) A provision is a credit balance set up to offset a contingent asset so that the effect on the statement of financial position is nil.

(*d*) A provision is a possible obligation of uncertain amount.

2. X Co. is a business that sells second hand cars. If a car develops a fault within 30 days of the sale, X Co. will repair it free of charge. At 1st March 2023, X Co. had made a provision for repairs of ₹25,000. At 31st March 2023, X Co. calculated that the provision should be ₹20,000. What entry should be made for the provision in X Co's income statement for the month 31st March 2023?

(*a*) A charge of ₹5,000

(*b*) A credit of ₹5,000

(*c*) A charge of ₹20,000

(*d*) A credit of ₹25,000

3. Which of the following item does the statement below describe?

"A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the entity's control"

(*a*) A provision

(*b*) A current liability

(*c*) A contingent liability

(*d*) Deferred tax liability

4. Z Ltd. has commenced a legal action against Y Ltd. claiming substantial damages for supply of a faulty product. The lawyers of Y Ltd. have advised that the company is likely to lose the case, although the chances of paying the claim is not remote. The estimated potential liability estimated by the lawyers are:

Legal cost (to be incurred irrespective of the outcome of the case) ₹50,000 Settlement if the claim is required to be paid ₹5,00,000

What is the appropriate accounting treatment in the books of Z Ltd.?

(*a*) Create a Provision of ₹5,50,000

(*b*) Make a Disclosure of a contingent liability of ₹5,50,000

(*c*) Create a Provision of ₹50,000 and make a disclosure of contingent liability of ₹5,00,000

(*d*) Create a Provision of ₹5,00,000

5. An onerous contract is a contract in which _____ of meeting the obligations under the contract _____ the economic benefits expected to be received under it.

(*a*) Unavoidable costs; are less than

(*b*) Unavoidable costs; exceed

(*c*) Avoidable costs; exceed

(*d*) Avoidable costs; are less than

6. Which of the following statements does more likely define the term "restructuring"?

(*a*) Significant change in the scope of a business undertaken by an entity

(*b*) Significant change in the manner in which that business is conducted

(*c*) None of the above

(*d*) Either (*a*) or (*b*)

7. Contingent asset usually arises from unplanned or unexpected events that give rise to

(*a*) The possibility of an inflow of economic benefits to the business entity.

(*b*) The possibility of an outflow of economic benefits to the business entity.

(*c*) Either (*a*) or (*b*)

(*d*) None of the above

8. In Financial Statements, Contingent Liabilities are?

(*a*) Recognized

(*b*) Not Recognized

(*c*) Adjusted

(*d*) Not disclosed

9. If an inflow of economic benefits is probable then a contingent asset is disclosed

(*a*) In the financial statements.

(*b*) In the report of the approving authority (Board of Directors in the case of a company, & corresponding approving authority in case of any other enterprise).

(*c*) In the cash flow statement.

(*d*) None of the above

10. In the case of _____, either outflow of resources to settle the obligation is not probable or the amount expected to be paid to settle the liability cannot be measured with sufficient reliability.

(*a*) Liability

(*b*) Provision

(*c*) Contingent liabilities

(*d*) Contingent Asset

11. Present liability of uncertain amount, which can be measured reliably by using a substantial degree of estimation is termed as

(*a*) Provision

(*b*) Liability

(*c*) Contingent liability

(*d*) Contingent Asset

12. XYZ limited has likely liability of ₹10 cr. for which it is considering to create provision in books of accounts. However, if liability materialises, then XYZ limited is entitled to sell an asset of ₹1 cr. What should be the accounting treatment of ₹1 cr. while recognizing provision in books?

(*a*) ₹1 crore should be ignored
(*b*) Provision should be reduced by ₹1 cr.
(*c*) Gain should be recorded separately for ₹1 cr.
(*d*) Present value of ₹1 cr. should be recorded as income

13. A company had made a provision for rent liability of ₹10 cr. & interest provision of ₹1 cr. However, Court made order to the company to pay ₹8 cr. Rent & ₹1.5 cr. interest. What should be the correct accounting treatment?

(*a*) Provision for Rent of ₹2 cr. shall be written back and provision for interest shall be increased by ₹0.5 cr.
(*b*) Provision for Rent of ₹1.5 cr. shall be written back and remaining rent provision shall be adjusted with additional interest by ₹0.5 cr.
(*c*) Total provision of ₹11 cr. shall be written back and fresh rent & interest expense shall be booked by ₹8 cr. & ₹1.5 cr. respectively.
(*d*) Provision for Rent of ₹10 cr. shall be written back and provision for interest shall be increased by ₹0.5 cr.

14. As per AS 29, Provisions, Contingent Liabilities and Contingent Assets warranty claims normally generate.

(*a*) A contingent liability
(*b*) A provision
(*c*) A contingent asset
(*d*) An onerous contract

15. AS 29 is applicable in making provision from which of the following case?

(*a*) Onerous Contract
(*b*) Provision for employee benefit
(*c*) Deferred tax liability
(*d*) None of the above

16. What should be the accounting treatment of Income which is Virtually certain?

(*a*) Recognised in P&L
(*b*) Disclosed in notes to accounts
(*c*) Considered as Remote
(*d*) No Action is required

17. In line with AS 29 Provisions, Contingent Liabilities and Contingent Assets, a provision shall be recognized when?

(*a*) An entity has a present obligation that is a result of a past event
(*b*) It is probable that an outflow of resources embodying economic benefits will be required
(*c*) A reliable estimate can be made of the amount of the obligation
(*d*) All the three

18. What does a restructuring provision not include?

(*a*) Investment in new systems
(*b*) Relocating continuing staff
(*c*) Marketing
(*d*) All of these

Answer Key

1. (*a*)	**2.** (*b*)	**3.** (*c*)	**4.** (*c*)	**5.** (*b*)	**6.** (*d*)	**7.** (*a*)	**8.** (*b*)	**9.** (*b*)	**10.** (*c*)
11. (*a*)	**12.** (*a*)	**13.** (*a*)	**14.** (*b*)	**15.** (*a*)	**16.** (*a*)	**17.** (*d*)	**18.** (*d*)		

CORPORATE AND OTHER LAW

01 CHAPTER

Preliminary

MULTIPLE CHOICE QUESTIONS

1. The Best Dry Fruits Ltd was incorporated under the Companies Act, 1913. Whether the provisions of the Companies Act, 2013 shall apply on it?

(*a*) No, the provisions of the Companies Act, 2013 shall not apply on it.

(*b*) Yes, the provisions of the Companies Act, 2013 shall apply on it.

(*c*) The Companies Act, 1913 was enacted by the British Government, hence only an Act made by British Government shall apply on such company.

(*d*) Since, this company was incorporated by the British Government, hence the Companies Act of UK Govt shall apply.

2. P&Q were the only members of a company who died in a road accident. In this case, the company comes to an end on the death of P&Q.

(*a*) True (*b*) False

(*c*) Partly True (*d*) Partly False

3. A company being a legal person is also a citizen under the Constitution of India.

(*a*) True (*b*) False

(*c*) Only company incorporated under Companies Act, 2013 is a citizen

(*d*) Company having only individual members is a citizen.

4. Word 'Corporation' is _____ 'Company'.

(*a*) Wider than (*b*) Narrower than

(*c*) Synonymous to (*d*) None of the above

5. Life Insurance Corporation Limited is formed under:

(*a*) Companies Act, 2013 (*b*) Special Act of Parliament

(*c*) Both (*a*) & (*b*) (*d*) None of the above

6. Company's corporate personality was brought forward in the case of;

(*a*) Gilford Motors vs. Horne (*b*) Sir Dinshaw Manakjee Petit

(*c*) Salomon vs. Salomon Co. Limited (*d*) Connors Bros vs. Connors

7. Shares of company are freely transferable of _____.

(*a*) Public company
(*b*) Private company
(*c*) Both (*a*) & (*b*)
(*d*) None of the above

8. Which of the following are true in relation to a Private company?

(*a*) It prohibits the transfer of shares and invitation to public to subscribe to its securities.
(*b*) It restricts the transfer of shares and invitation to public to subscribe to its securities.
(*c*) It prohibits the transfer of shares and restricts the invitation to public to subscribe to its securities.
(*d*) It restricts the transfer of shares and prohibits the invitation to public to subscribe to its securities.

9. Which of the following are the characteristics of a Private Company?

A. Limited liability of members
B. Perpetual succession
C. Minimum paid-up capital of INR 1 lakh
D. Free transferability of shares

(*a*) A and B
(*b*) A, B and C
(*c*) A, B, C and D
(*d*) A, B and D

10. What are the limits on number of members in a Private company?

(*a*) 7
(*b*) 50
(*c*) 100
(*d*) 200

11. The minimum paid-up share capital of a private company shall be:

(*a*) INR 10,000
(*b*) INR 1 lakh
(*c*) INR 5 lakh
(*d*) Such amount as may be prescribed

12. The minimum paid-up capital of a public company shall be:

(*a*) INR 10,000
(*b*) INR 1 lakh
(*c*) INR 5 lakh
(*d*) Such amount as may be prescribed

13. The minimum members in a public company shall be:

(*a*) 2
(*b*) 3
(*c*) 7
(*d*) 200

14. The maximum members in a public company can be:

(*a*) 7
(*b*) 200
(*c*) 1000
(*d*) No Limit

15. Foresta Limited was registered as a public company. There are 240 members in the company as noted below –

(*a*)	Director & their relatives	50
(*b*)	Employees	20

(*c*)	Ex-employees (shares were allotted when they were employees)	10
(*d*)	5 Couples holding shares jointly in the name of husband & wife (5*2)	10
(*e*)	Others	150

The Board of Directors of the company propose to convert it into a private company. How many members should be reduced in the company?

(*a*) NIL
(*b*) 5
(*c*) 10
(*d*) 20

16. In case of a company limited by guarantee, the liability of the members can be enforced _____.

(*a*) At any time when the company so decides
(*b*) Only at the time of winding-up of the company
(*c*) Only by an order of NCLT
(*d*) Only by order of Registrar of companies

17. Which of the following is not true in reference to an unlimited company?

(*a*) The liability is extended to their personal property
(*b*) The members are not liable directly to the creditors of the company
(*c*) It cannot convert itself into a public company
(*d*) All of the above

18. The term 'Associate company' is defined under section _____.

(*a*) 2 (5)
(*b*) 2 (6)
(*c*) 2 (85)
(*d*) 2 (87)

19. Company X exercises significant influence in Company Y. Which of the following is correct?

(*a*) X is an associate company of Y
(*b*) Y is an associate company of X
(*c*) Both (*a*) & (*b*)
(*d*) None of the above

20. Significant influence means control of -

(*a*) 20% or more of Total voting power
(*b*) More than 20% of Total voting power
(*c*) 50% or more of Total voting power
(*d*) More than 50% of Total voting power

21. Seema Bulbs Ltd, is desirous of having significant influence in Shaukeen LED Bulbs and Tubes Ltd. so that the latter becomes its 'associate company. For exercising 'significant influence' one of the options available to Seema Bulbs is to control at least twenty per cent of total voting power of Shaukeen LED Bulbs and Tubes. What is the other option available?

(*a*) To control or participate in the recruitment decisions relating to appointment of middle management personnel of Shaukeen LED Bulbs and Tubes under an agreement.
(*b*) To control or participate in the dividend decisions of Shaukeen LED Bulbs and Tubes under an agreement.

(*c*) To control or participate in the business decisions of Shaukeen LED Bulbs and Tubes under an agreement.

(*d*) To control or participate in the export decisions of Shaukeen LED Bulbs and Tubes under an agreement.

22. Ruchir Marcons Ltd. which provides marketing and consultancy services is keen to have a 'significant influence' in Ruchika Marketing Ltd. so that it becomes its 'associate company'. For having 'significant influence' Ruchir Marcons Ltd. needs to control certain percentage of total voting power of Ruchika Marketing Ltd. What is that?

(*a*) For creating 'significant influence' Ruchir Marcons Ltd. must control at least 5% of total voting power of Ruchika Marketing Ltd.

(*b*) For creating 'significant influence' Ruchir Marcons Ltd. must control at least 10% of total voting power of Ruchika Marketing Ltd.

(*c*) For creating 'significant influence' Ruchir Marcons Ltd. must control at least 15% of total voting power of Ruchika Marketing Ltd.

(*d*) For creating 'significant influence' Ruchir Marcons Ltd. must control at least 20% of total voting power of Ruchika Marketing Ltd.

23. Which of the following entities is not a body corporate under the Companies Act, 2013?

(*a*) Company incorporated under Companies Act, 2013

(*b*) Companies incorporated outside India

(*c*) Limited Liability Partnership

(*d*) Co-operative Society

24. The term Financial Statements is defined under section _____.

(*a*) 2(40) (*b*) 2(41)

(*c*) 2(42) (*d*) 2(43)

25. A company is incorporated on 1st October, 2021. As per section 2(41), its first Financial year will end on _____.

(*a*) 31st December 2021 (*b*) 31st March 2022

(*c*) 31st December 2022 (*d*) 31st March 2023

26. Kanya Ltd, is incorporated on 3rd January, 2021. As per the Companies Act, 2013, what will be the financial year for the company?

(*a*) 31st March, 2021 (*b*) 31st December, 2021

(*c*) 31st March, 2022 (*d*) 30th September, 2022

27. Feel Rich Co. Ltd. Having its registered office at New Delhi, is a subsidiary of a German company named Richman Company limited. The financial year of the parent/holding company ends on 31st December every year. The subsidiary company intends to follow a different financial year for consolidation of its accounts with its parent company, situated outside India. For doing so it is required to take prior permission of the competent authority. For the purpose from the following who will be this competent authority -

(*a*) Registrar of Companies at New Delhi (*b*) Tribunal

(*c*) Central Government (*d*) SEBI

28. The term 'Small company' is defined under section

(*a*) 2(85) (*b*) 2(86)
(*c*) 2(87) (*d*) 2(88)

29. A small company is a private company having

(*a*) Paid up capital ≤ INR 4 crore (*b*) Turnover ≤ INR 40 crore
(*c*) Either (*a*) or (*b*) (*d*) Both (*a*) and (*b*)

30. Which of the following can never be a small company?

(*a*) Holding company (*b*) Subsidiary company
(*c*) Section 8 company (*d*) All of the above

31. Angel Infrastructures Pvt. Ltd. with a paid-up capital of ₹ 3.5 crores and annual turnover of ₹ 37.5 crores, is a wholly owned subsidiary of Almighty Infrastructure Development Ltd. a listed company. Can Angel Infrastructures be called a small company?

(*a*) Yes. The paid up capital and annual turnover of Angel Infrastructure Pvt. Ltd. is not exceeding the limit as specified under the definition of Small company.
(*b*) No. Because Angel Infrastructure Pvt. Ltd. is a wholly owned subsidiary company.
(*c*) No. Because Angel Infrastructure Pvt. Ltd. is not a subsidiary of a listed company.
(*d*) No. Because the paid-up capital is ₹ 3.5 crores is less than prescribed limit of ₹ 4 crores but its turnover is exceeding ₹20 crores.

32. Roma along with her six friends has got incorporated Roma Trading Ltd. in May 2017. She kept the paid-up share capital at ₹ 3.30 crores. Further, in April 2018, she noticed that in the last financial year, the turnover of the company was well below ₹ 40 crores. Advise whether the company can be treated as a 'small company'.

(*a*) Roma Trading Ltd. is definitely a 'small company' since its paid-up capital is much below ₹ 4 crores and also its turnover has not exceeded the threshold limit of ₹ 40 crores.
(*b*) The concept of 'small company' is applicable only in case of a private limited company/OPC and therefore, despite meeting the criteria of 'small company' it being a public limited company cannot enjoy benefits of 'small company'.
(*c*) Unlike a private limited company/OPC which automatically becomes a 'small company' as soon as it meets the criteria of 'small company'. Roma Trading Ltd. being a public limited company has to maintain the norms applicable to a 'small company' continuously for two years so that, thereafter, it is treated as a 'small company.
(*d*) If all the shareholders of Roma Trading Ltd. give an undertaking to the ROC stating that they will not let the paid share capital and also turnover exceed the limits applicable to a 'small company' in the next two years, then it can be treated as a 'small company'.

33. 'Abhilasha and Amrita have incorporated a not for profit' private limited company which is registered under Section 8 of the Companies Act, 2013. One of their friends has informed them that their company can be categorized as a 'small company' because as per the last profit and loss account for the year ending 31st March, 2018, its turnover was less than ₹ 40 crores and its paid-up share capital was less than ₹ 4 crores. Advise.

(*a*) A section 8 company, which meets the criteria of "turnover" and 'paid-up share capital' in the last financial year, can avail the status of 'small company' only if it acquires at least 5% stake in another 'small company' within the ensuing financial year.

(*b*) If the acquisition of minimum 5% stake in another 'small company' materializes in the second financial year (*a*nd not in the ensuing financial year) after meeting the criteria of 'turnover' and 'paid-up share capital' then with the written permission of concerned ROC, it can acquire the status of 'small company'.

(*c*) The status of 'small company' cannot be bestowed upon a 'not for profit' company which is registered under Section 8 of the Companies Act, 2013.

(*d*) A section 8 company, if incorporated as a private limited company (and not as public limited company) can avail the status of 'small company' with the permission of concerned ROC, after it meets the criteria of 'turnover' and 'paid-up share capital'.

34. A company becomes subsidiary of another company when the other company control

(*a*) 50% or more of the total voting power
(*b*) More than 50% of the total voting power
(*c*) 51% or more of the total voting power
(*d*) More than 51% of the total voting power

35. A company can have maximum layer(s) of subsidiary

(*a*) 1
(*b*) 2
(*c*) 3
(*d*) No Limit

36. A Ltd. is the holding company of B Ltd. Another company C Ltd, is the subsidiary company of B Ltd. Is there any relationship between A Ltd. and C Ltd?

(*a*) There is no relationship between A Ltd. and C Ltd.

(*b*) C Ltd. is deemed to be the subsidiary of A Ltd.

(*c*) A Ltd. shall be deemed to be the holding company of C Ltd. provided A Ltd, acquires at least 10% stake in C Ltd.

(*d*) C Ltd, shall be deemed to be the subsidiary of A Ltd. if the latter company acquires minimum 10% stake in the former company within six months after C Ltd. becomes subsidiary of B Ltd.

37. The subscribers to the Memorandum of Association

(*a*) may become members only if there is a specific provision to that effect in the Company's Articles of Association.

(*b*) become a member as soon as company is registered.

(*c*) are members irrespective of any formality as to registration etc.

(*d*) In a depository system, the following is considered to be a member of the company.

Answer Key

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

CHAPTER 2

Incorporation of Company and Matters Incidental Thereto

MULTIPLE CHOICE QUESTIONS

1. _____ conceives the ideal of forming a company.

(*a*) Directors
(*b*) Shareholders
(*c*) Promoters
(*d*) Auditors

2. The minimum number of members in a private company and public company are

(*a*) 3 and 7 respectively
(*b*) 2 and 7 respectively
(*c*) 2 and 9 respectively
(*d*) None of the above

3. A private company shall have minimum _____ and public company shall minimum _____ directors.

(*a*) 2 : 3
(*b*) 2 : 7
(*c*) 3 : 7
(*d*) 1 : 2

4. An individual citizen and resident in India can establish maximum of following number of one Person Company.

(*a*) 10
(*b*) 20
(*c*) 01
(*d*) 05

5. Rukmani, a fresh science graduate, wants to make available the farmers good quality seeds and manure. For her business she is contemplating to form a company and is weighing various options. Sometimes before, she came to know that a 'One Person Company' has minimum one member and one director whereas a private company has minimum two members and two directors. As regards a public company she has vague idea that there should be minimum three directors but she does not know about the minimum members required in this case. Advise

(*a*) When there is requirement of minimum three directors, the public company can be formed by minimum three persons.
(*b*) There should be minimum five persons for formation of a public company though requirement of minimum directors shall remain three.
(*c*) There should be minimum seven person for formation of a public company though requirement of minimum directors shall remain three.
(*d*) There should be minimum nine person for formation of a public though requirement of minimum directors shall remain three.

6. Which of the following person can become member of OPC?

(*a*) Individual (*b*) Company

(*c*) LLP (*d*) All of the above

7. Which of the following statement(s) is/are false?

(*a*) OPC can be incorporated as section 8 company

(*b*) OPC can carry out NBFC activity

(*c*) A minor can be member of OPC

(*d*) All of the above

8. OPC can voluntarily convert into any other company only after the expiry of

(*a*) 1 year (*b*) 2 years

(*c*) 3 years (*d*) There is no minimum time period

9. OPC should have minimum _____ director(s).

(*a*) 1 (*b*) 2

(*c*) 3 (*d*) 7

10. Jatin is desirous of forming a 'One Person Company (OPC)' for which he wants to nominate his wife Jasmin who in the event of his death shall become the member of OPC. However, he is not aware of as to which document should contain the name of the nominee. Advise him in the matter.

(*a*) Name of the nominee should be mentioned in the Articles of Association after the names of the directors.

(*b*) Name of the nominee should be mentioned in the Memorandum of Association.

(*c*) Either Articles of Association or Memorandum of Association may contain the name of the nominee.

(*d*) There is no need to mention the name of he nominee in either Articles of Association or Memorandum of Association; a simple consent letter obtained from the nominee and kept in the records is sufficient.

11. Rajesh has formed a 'One Person Company (OPC)' with his wife Roopali as nominee. For the last two years his wife Roopali is suffering from terminal illness and due to this hard fact he wants to change her as nominee. He has a trusted and experienced friend Ramnivas who could be made nominee or his (Rajesh) son Rakshak who is of seventeen years of age. Whom should he nominate as nominee in place of his wife?

(*a*) Since blood relation can only be appointed as nominee in case of OPC, Rajesh needs to appoint his son Rakashak.

(*b*) Rajesh can appoint his friend Ramnivas as nominee in his OPC

(*c*) Roopali is not agreegable to the proposal of Rajesh and hence, Rajesh cannot change her as the nominee

(*d*) Either Rakshak or Mr. Ramnivas can be appointed as nominee

12. Abha formed a 'One Person Company (OPC)' on 15-10-2017 with her husband Akhil as nominee and ₹ 10 lacs as Authorised and paid-up share capital. In the month of April, 2018 she got in touch

with a foreigner and is expecting to receive a substantial export order by May 2018 whose final delivery must be completed by December 2018. She is contemplating to convert her OPC into a private limited company before she receives the export order in May 2018.

(*a*) Since Abha is the sole member of OPC she is having full discretion to voluntarily convert it into a private limited company any time after 15-10-2017

(*b*) Abha can voluntarily convert her OPC into a private limited company only after the expiry of first financial year by which the accounts are closed (i.e. after 31.3.2018 without any restriction.)

(*c*) Abha can voluntarily convert her OPC into a private limited company only after she delivers duly audited first financial statements and Annual Return to the concerned Register of Companies by due date and without making payment of any additional fee.

(*d*) Abha can voluntarily convert her OPC into a private limited company only after expiry of two years from 15-10-2017 (i.e. on 15-10- 2019 or thereafter).

13. Anupam got incorporated 'One Person Company with his sister Alpana as the nominee and about three years have passed satisfactorily. From time- to-time Anupam does a number of Charitable works and is attached with three NGOs undertaking such assignments. In the meantime, his business under his OPC has also flourished. Now he is contemplating the convert the OPC either as a Section 8 company (i.e. formation of companies with charitable objects) or as a private or public company. Select the best option for him.

(*a*) Since OPC belongs to Anupam, he has full discretion to convert the OPC either as a Section 8 Company or as a private or public company

(*b*) Since OPC was formed as a private company, the only option available with Anupam is to get it converted into a private limited company. Moreover, there is specific prohibition on converting OPC into a public limited company.

(*c*) There is specific prohibition on converting OPC into a Section 8 company; otherwise it can be converted into a private or public company without any hindrance.

(*d*) Since Anupam does a lot of charitable works there is no prohibition if he converts his OPC into a Section 8 company (Companies formed with charitable objects.

14. Vivek is in trading business whereby he supplies handmade gloves and socks to many charitable trusts who supports the elderly people. Vivek now wants to expand his business and wants to reap the benefits of company form of organization by opening his business as a OPC registered under section 8 of the Companies Act, 2013. Advise Vivek

(*a*) Vivek cannot form an OPC as he is in trading business

(*b*) Vivek cannot form an OPC to be registered under section 8 of the Companies Act, 2013

(*c*) Vivek can form an OPC to be registered under section 8 of the Companies Act, 2013

(*d*) Vivek can form an OPC as a private company and then convert it into a section 8 company

15. Shruti a common friend of Suchitra and Sukanya, got incorporated OPC Sometimes before and during a chit-chat with her friends informed them that there is some limit on the maximum capital which her OPC can have and she would have to convert her OPC either into a private or public limited company if such limit exceeded. Suchitra and Sukanya who are desirous of forming a private limited company for carrying on textile trading business, are unsure about the maximum capital which a private limited company can have. Advise.

(*a*) A private limited company can have maximum of ₹ 1 crore as share capital.
(*b*) A private limited company can have maximum of ₹ 2 crores as share capital.
(*c*) A private limited company can have maximum of ₹ 5 crores as share capital as share capital.
(*d*) A private limited company can have unlimited share capital.

16. Ram has incorporated a One-Person Company with the name of Food lovers Inc. His friends Ramesh is a member of another One Person Company. Juice loves Inc. Ramesh has appointed Ram as the nominee of his OPC, Juice lovers Inc. Unfortunately, Ramesh died and Ram becomes the member of Juice lovers Inc., by virtual of his being the nominee, Now Ram wants to know whether he can continue his membership in both the companies?
(*a*) Yes, Ram can continue to hold the membership in both the OPCs
(*b*) Ram needs to give up the membership in any one OPC within a period of 120 days
(*c*) Ram needs to give up the membership in any one OPC within a period of 180 days
(*d*) Ram needs to give up the membership in any one OPC within a period of 365 days.

17. If the number of members is reduced below statutory minimum members become personally liable after a period of
(*a*) 1 month
(*b*) 3 months
(*c*) 6 months
(*d*) 1 year

18. Which one of the following is not the content of the Memorandum of Association?
(*a*) Name clause
(*b*) Registered office clause
(*c*) Objects clause
(*d*) Board of directors clause

19. Which of the following documents is the constitution of the company?
(*a*) Memorandum of Association
(*b*) Articles of Association
(*c*) Resolution
(*d*) Schedules

20. MOA of a company limited by shares is included in
(*a*) Table A
(*b*) Table B
(*c*) Table C
(*d*) Table D

21. MOA of an unlimited company not having a share capital is included in
(*a*) Table B
(*b*) Table C
(*c*) Table D
(*d*) Table E

22. Situation clause in MOA contains the
(*a*) The name of Registrar of companies
(*b*) Complete postal address
(*c*) Name of the state in which registered office is situated
(*d*) Name of city/town only and not that of state.

23. Liability clause in MOA is required by
(*a*) Company limited by shares
(*b*) Company limited by guarantee

(*c*) Company limited by both shares & guarantee
(*d*) All of the above

24. Which of the following is not a clause of MOA?
(*a*) Name clause
(*b*) Capital clause
(*c*) Object clause
(*d*) Profit clause

25. What is the meaning of maxim ultra vires?
(*a*) An accomplished act
(*b*) Within the powers
(*c*) Beyond the powers
(*d*) With the guilty mind

26. The term 'electoral trust' may be allowed to be used in the name of only
(*a*) Foreign company
(*b*) Section 8 company
(*c*) Nidhi company
(*d*) Producer company

27. Upon receipt of application, Register will reserve the name for an initial period of
(*a*) 20 days from the date of application
(*b*) 20 days from the date of approval
(*c*) 30 days from the date of application
(*d*) 30 days from the date of approval

28. Upon receipt of application, Registrar reserved the name of a new company. However, the documents for incorporation of the company couldn't be filled with the initial period permitted under the Companies Act, 2013. The application is ready to pay an additional fees of ₹ 1,000 but wants to know for how many days the name will be kept reserved.
(*a*) 20 days from the date of approval
(*b*) 30 days from the date of approval
(*c*) 40 days from the date of approval
(*d*) 60 days from the date of approval

29. Sapan and Sanjay made a name reservation application accompanied by requisite fee to the Registrar for forming a new private company. The Registrar accorded its approval for reservation of most preferred name Sapanjay Softwares Private Ltd. On 6th July, 2018. In how many days, necessary documents for incorporation of the company must be submitted to the Registrar so that the reserved name does not get lapsed, in case, they do not intend to pay any additional fees.
(*a*) Within 10 days from the date of approval
(*b*) Within 20 days from the date of approval
(*c*) Within 45 days from the date of approval
(*d*) Within 60 days form the date of approval

30. Vinay and Sanjay made a name reservation application accompanied by requisite fee to the Registrar for forming a new private company. The Registrar accorded its approval for reservation of most preferred name Vinanjay Softwares Private Ltd. on 7th July, 2018. By which date necessary documents for incorporation of the company must be submitted to the Registrar so that the reserved name does not get lapsed, in case they do not intend to pay any additional fees.
(*a*) Latest by 20th July, 2018
(*b*) Latest by 27th July, 2018
(*c*) Latest by 4th August, 2018
(*d*) Latest by 4th September, 2018

31. Amar made an application, his wife Abhilasha being other proposed subscriber and got reserved a name for incorporation of a private limited company but the Registrar of Companies, Delhi and Haryana, much before the incorporation, found that the name was applied by furnishing wrong information.

(*a*) The reserved name shall be cancelled by the ROC because the name was applied by furnishing wrong information and Amar who made the application shall be liable to a penalty up to Rs. One lac.

(*b*) The reserved name, after seeking explanation from Amar and after the pays a penalty of Rs. One lac shall be allotted by the ROC and the company shall be incorporated by this name.

(*c*) The reserved name shall be cancelled by the ROC but Amar shall not be liable to pay any penalty because cancellation of name in itself is a penalty.

(*d*) Besides cancellation of the reserved name Amar and Abhilasha shall be debarred from making an application for reservation of name for one year from the date on which cancellation letter was issued by the ROC.

32. _____ contains the regulations for management of the company.

(*a*) Memorandum of Association
(*b*) Articles of Association
(*c*) Schedules
(*d*) Notifications

33. Articles of a company may be altered by complying with more restrictive provisions than Special Resolution. This is called

(*a*) Doctrine of Constructive notice
(*b*) Doctrine of Indoor Management
(*c*) Doctrine of Alter Ego
(*d*) Entrenchment provision

34. To entrench its article after incorporation a public company

(*a*) Will have to pass a special resolution
(*b*) Will have to take consent of all members
(*c*) Is not allowed to do so
(*d*) Will have to pass special resolution and take approval of Tribunal

35. In case of a private company, the provisions for Entrenchment may be made at the time of formation of the company or by amendment of articles.

(*a*) By passing a special resolution
(*b*) With the consent of all the members
(*c*) By passing a special resolution and approval of the Central Government
(*d*) With the consent of all the members and approval of the Central Government

36. The Articles of a company limited by guarantee having share capital is in

(*a*) Table F
(*b*) Table G
(*c*) Table H
(*d*) Table I

37. A model form of articles contained in Table F relates to a company limited by

(*a*) Shares
(*b*) Guarantee
(*c*) Shares and guarantee
(*d*) None of the above

38. A company has a right to _____ provision of Model Articles.

(*a*) Adopt
(*b*) Exclude
(*c*) Modify
(*d*) All of the above

39. Every person dealing with the company is deemed to have read and understood the MOA and AOA. This is called

(*a*) Doctrine of Ultra Vires
(*b*) Doctrine of Constructive Notice
(*c*) Doctrine of Indoor Management
(*d*) Doctrine of Alter Ego

40. Doctrine of Indoor Management was laid down in the case of

(*a*) Griffing vs. Paget
(*b*) Royal British Bank vs. Turquand
(*c*) Howard vs. Patent Ivory Co.
(*d*) Rouben vs Great Fingal Consolidated

41. Doctrine of Indoor Management works in favour of the _____ and against the _____.

(*a*) Company, outsiders
(*b*) Outsiders, company
(*c*) Company, directors
(*d*) Directors, Company

42. Certificate of incorporation is issued in Form

(*a*) INC – 1
(*b*) INC – 10
(*c*) INC – 11
(*d*) INC – 32

43. Company is incorporated using

(*a*) INC – 1
(*b*) INC – 10
(*c*) INC – 11
(*d*) SPICe + : INC – 32

44. SPICe + stands

(*a*) Specified Proforma forIncorporating Company Electronically Plus
(*b*) Simplified Proforma forIncorporating Company Electronically Plus
(*c*) Specified Proforma forIncorporating Company Easily Plus
(*d*) Simplified Proforma forIncorporating Company Easily Plus

45. Corporate Identification Number is a _____ digit alphanumeric number.

(*a*) 10
(*b*) 11
(*c*) 16
(*d*) 21

46. If a company is registered by incorrect information, then its winding up may be ordered by

(*a*) Central Government
(*b*) Registrar of Companies
(*c*) NCLT
(*d*) Court

47. Section 8 companies are also known as

(*a*) Government company
(*b*) Licensed company
(*c*) Dormant company
(*d*) Nidhi company

48. Where a company is granted licence under section 8, it is not required to use the following word even though it is a limited company.

(*a*) Guarantee company
(*b*) Limited Liability Partnership
(*c*) Limited or Private Limited, as the case may be
(*d*) Development Authority

49. _____ may, by order, revoke the license of Section 8 company.

(*a*) NCLT
(*b*) Central Government
(*c*) Special Court
(*d*) High Court

50. Mr. Pushpa wishes to start his own venture with an idea of recycling of plastic waste. He approaches you for your advice so as to decide on which type of entity he should incorporate mainly based on the aspects of taxation, capital funding and other monetary benefits to the promoters. Kindly suggest a suitable form of entity from the following:

(*a*) Limited Liability Partnership
(*b*) Private Limited Company
(*c*) Section 8 Company
(*d*) Producer Company

51. Ravi and Ragini have formed a Section 8 company: date of incorporation being 18.02.2018 and they being the directors and also the shareholders. During June, 2018, two unsuitable articles in AOA were required to be altered for smooth functioning of the company. Advise.

(*a*) Since articles regulate the internal management of the company, both Ravi and Ragini being directors and shareholders are themselves capable of altering the articles.
(*b*) In case of section 8 company, articles can be altered only if the company shows profits consecutively for two years.
(*c*) In case of Section 8 company, prior approval of the Central Government is required to be obtained before its articles are altered.
(*d*) In case of Section 8 company, at least one year must elapse from the date of its incorporation before its articles are altered but there is no need to obtain prior permission of the Central Government.

52. A not for profit company shall not alter the provisions of its memorandum or articles.

(*a*) False, it can freely change it
(*b*) False, it can do so with the permission of CG
(*c*) True, because it will be violative of terms of license
(*d*) True, because MOA/AOA of a section 8 company is unalterable

53. A director of a company has to file a declaration that every subscriber has paid the value of the shares agreed to be taken by him within _____ days of incorporation.

(*a*) 30
(*b*) 90
(*c*) 120
(*d*) 180

54. A company shall within _____days have a registered office from days of incorporation.

(*a*) 10
(*b*) 15
(*c*) 30
(*d*) 60

55. If a company has changed its name, it shall affix the former name along with new name for _____ year(s).

(*a*) 1
(*b*) 2
(*c*) 3
(*d*) 4

56. A company can shift its registered office outside the City, town or village only after the approval by way of

(*a*) Board resolution
(*b*) Ordinary resolution
(*c*) Special resolution
(*d*) Written consent from Central Government

57. If a company wants to shift its registered office from one RoC-Mumbai to RoC-Pune, but within Maharashtra, then approval of is required

(*a*) NCLT
(*b*) Central Government
(*c*) Regional Director
(*d*) Special Court

58. If a company wants to shift its registered office from one RoC to another within the same state, then approval of Regional Director is filed with the Registrar within __days.

(*a*) 15
(*b*) 30
(*c*) 60
(*d*) 90

59. Omni Limited was incorporated on 1st July 2019. It has to establish its registered office on or before

(*a*) 1st October 2019
(*b*) 1st December 2019
(*c*) 16th July 2019
(*d*) 31st July 2019

60. SNDT Ltd decided to shift its registered office from jurisdiction of one Registrar to the jurisdiction of another Registrar. SNDT Ltd complied with the provisions of Companies Act, 2013 and did all relevant filing within due period of time. Confirmation on such shifting was received by Regional Director on 26th June, 2017. By when SNDT Ltd has to file that confirmation with the Registrar?

(*a*) 11th July, 2017
(*b*) 25th July, 2017
(*c*) 11th August, 2017
(*d*) 25th August, 2017

61. Indian Company decided to shift its registered office within the jurisdiction of same Registrar in a Board meeting held on 25th May, 2017. Within how many days Company shall intimate such change to Registrar of Companies?

(*a*) Within 15 days from the date of such change
(*b*) Within 30 days from the date of such change
(*c*) Within 15 days from the date of Board meeting
(*d*) Within 30 days from the date of Board meeting

62. If a company changes its name: which of the following is most accurate.

(*a*) It is not allowed to use old name in any way.
(*b*) New name should not be identical with the old name.
(*c*) Old name should be painted/printed for next 1 year along with new name.
(*d*) Old name should be painted/printed for next 2 years along with new name.

63. Alteration of object clause of MOA of a company requires

(*a*) Special Resolution
(*b*) Approval of ROC
(*c*) Approval of NCLT
(*d*) Special Resolution & approval of NCLT

64. The Registrar shall register any alteration of the memorandum with respect to the objects of the company and certify the registration within a period of _____ from the date of filing of the special resolution.

(*a*) 30 days (*b*) 60 days

(*c*) 90 days (*d*) 6 months

65. Alteration of AOA requires

(*a*) Central Government approval (*b*) Ordinary resolution

(*c*) Special Resolution (*d*) NCLT approval

66. Alteration of AOA for conversion of Public company into Private company requires

(*a*) Central Government approval (*b*) NCLT approval

(*c*) Approval of Special Court (*d*) High Court approval

67. In the view of the fact that a private company enjoys a number of privileges. Yellow Pharma Limited having 20 members is proposing to convert itself into a private company. For this purpose, the company needs to alter its articles by inserting three restrictive clauses as specified in Section 2(68) and the consequent change in the name of the company requires:

(*a*) A special resolution and prior approval of the Central Government.

(*b*) A special resolution prior approval of the National Company Law Tribunal (*N*CLT).

(*c*) A special resolution and prior approval of the Registrar of Companies (*R*OC).

(*d*) A special resolution and prior approval of the State Government.

68. ABC Private Limited altered its Articles of Association on its conversion into Public Company. A copy of order of the competent authority approving the alteration, is required to be filed with Registrar. How many days Company have to file such order?

(*a*) 15 days (*b*) 30 days

(*c*) 45 days (*d*) 60 days

69. Rectification of name of a company requires

(*a*) Ordinary resolution (*b*) Special resolution

(*c*) NCLT approval (*d*) Unanimous resolution of Board

70. A company registered with the name of a trade mark already in existence:

(*a*) CG can give it an order anytime to change its name.

(*b*) Company will have to change its name withing 3 months from the order of CG.

(*c*) Trademark owner will make complaint within 3 years.

(*d*) All of the above

71. PayTM Hospitality Limited ("Company") was incorporated in 2013. Company run resorts and hotels nearby Mumbai. In 2018. Central government received an application from Mr. X ("Proprietor") who has registered trademark for word "PayTM". In ideal situation, what will be the Central Government's stand?

(*a*) Central Government will ask to take permission from Registrar, as he have approved this name in first place.

(*b*) Central Government will ask them to mutually agree to use the word "PayTM".

(*c*) Central Government will direct the Company to change its name.

(*d*) Central Government will deny his application.

72. Subsidiary company cannot hold shares of its holding company. This is laid down by section.

(*a*) 16 (*b*) 17

(*c*) 18 (*d*) 19

73. A member deposited with Company ₹ 5,000 and demanded that AGM notice should be sent by DTDC courier only. Is that company bound to serve it that way only?

(*a*) Yes, because he is a director

(*b*) No because company is allowed to served documents by ordinary post

(*c*) Yes, because member has deposited money

(*d*) No because can't get special privileges

Answer Key

1. (*c*)	**2.** (*b*)	**3.** (*a*)	**4.** (*c*)	**5.** (*c*)	**6.** (*a*)	**7.** (*d*)	**8.** (*d*)	**9.** (*a*)	**10.** (*b*)
11. (*b*)	**12.** (*a*)	**13.** (*c*)	**14.** (*b*)	**15.** (*d*)	**16.** (*c*)	**17.** (*c*)	**18.** (*d*)	**19.** (*a*)	**20.** (*a*)
21. (*c*)	**22.** (*c*)	**23.** (*d*)	**24.** (*d*)	**25.** (*c*)	**26.** (*b*)	**27.** (*b*)	**28.** (*c*)	**29.** (*b*)	**30.** (*b*)
31. (*a*)	**32.** (*b*)	**33.** (*d*)	**34.** (*a*)	**35.** (*b*)	**36.** (*b*)	**37.** (*a*)	**38.** (*d*)	**39.** (*b*)	**40.** (*b*)
41. (*b*)	**42.** (*c*)	**43.** (*d*)	**44.** (*b*)	**45.** (*d*)	**46.** (*c*)	**47.** (*b*)	**48.** (*c*)	**49.** (*b*)	**50.** (*c*)
51. (*c*)	**52.** (*b*)	**53.** (*d*)	**54.** (*c*)	**55.** (*b*)	**56.** (*c*)	**57.** (*c*)	**58.** (*c*)	**59.** (*d*)	**60.** (*d*)
61. (*b*)	**62.** (*d*)	**63.** (*a*)	**64.** (*a*)	**65.** (*c*)	**66.** (*a*)	**67.** (*a*)	**68.** (*a*)	**69.** (*a*)	**70.** (*c*)
71. (*d*)	**72.** (*d*)	**73.** (*c*)							

CHAPTER 3

Propsectus and Allotment of Securities

MULTIPLE CHOICE QUESTIONS

1. The term 'Public Offer' does not include
(*a*) Offer for sale
(*b*) Initial Public Offer
(*c*) Further Public Offer
(*d*) Preferential allotment

2. A private company may issue securities through the way of except.
(*a*) Public Offer
(*b*) Rights Issue
(*c*) Bonus Issue
(*d*) Private Placement

3. A Private Company cannot issue securities:
(*a*) By way of rights issue
(*b*) By way of bonus issue
(*c*) By way of private placement
(*d*) By issue of Prospectus in Public

4. A public company can raise funds from
(*a*) Offer for sale
(*b*) Public issue
(*c*) Private Placement
(*d*) All of the above

5. Deemed prospectus is dealt by section
(*a*) 23
(*b*) 24
(*c*) 25
(*d*) 26

6. Under section 25, unless contrary is proved, it is evidence that allotment of securities was made with a view to offer them for sale to public, if offer for sale to the public was made within _____.
(*a*) 30 days
(*b*) 60 days
(*c*) 6 months
(*d*) 1 year

7. No prospectus shall be valid if it is issued more than ____ days after the date on which a copy thereof is delivered to Registrar for registration.
(*a*) 30
(*b*) 60
(*c*) 90
(*d*) 180

8. A company can change terms of contract mentioned in prospectus by way of:
(*a*) Ordinary resolution though postal ballot
(*b*) Ordinary resolution in meeting
(*c*) Special resolution in meeting
(*d*) Special resolution through postal ballot

9. Offer for sale is dealt by section

(*a*) 28 (*b*) 29

(*c*) 30 (*d*) 31

10. The paid-up share capital of XYZ Ltd. is 50,00,000 shares of ₹ 200 each. 20% of its paid-up share capital is held by 4 of its promoters, who wants to off load their holding by making an offer of sale to the public by issuing a prospectus. They want to authorize someone to take all actions and complete all formalities related to such offer of sale. Form the following who can be authorised by them to do so

(*a*) Any person who has agreed to fulfil all the formalities related to such offer to sale

(*b*) Any one or more director of the company

(*c*) Company itself whose shareholding they want to offload.

(*d*) Any competent officer of the company.

11. In case of offer of sale of shares by certain members of the company, which of the following options is applicable

(*a*) The provisions relating to minimum subscription are not applicable

(*b*) Entire minimum subscription amount is required to be received within three days of the opening date

(*c*) 25% of the minimum subscription amount is required to be received on the opening date and the remaining 75% within three days thereafter

(*d*) 50% of the minimum subscription is required to be received by the second day of the opening date and the remaining 50% within next three days after the second day

12. Neptune Metal Tools Limited was incorporated on 2nd December, 2018 with twenty-five subscribers and authorized capital of ₹ 50,00,000 (5,00,000 equity shares of ₹ 10 each). As the directors of the company are in a dilemma whether to issue physical share certificates to the subscribers or keep the shares in dematerialized form, they need to be advised correctly in this respect.

(*a*) Being a unlisted company, Neptune may either issue physical share certificate to the subscribers or alternatively, issue them in dematerialized form.

(*b*) Neptune needs to issue shares to the subscribers only in dematerialized form.

(*c*) A company having more than 100 share holders needs to issue shares in dematerialized form and therefore. Neptune may issue physical share certificates to the subscribers

(*d*) A company having authorized capital of ₹ Fifty lakhs and above needs to issue shares in dematerialized form and therefore. Neptune may issue physical share certificates to the subscribers

13. Russian Equipment Finance Limited, a non- banking finance company (NBFC), is desirous of offering secured, redeemable, non- convertible 9% Debentures to the public in three or more tranches over a search period of time. Which kind of prospectus it is required to issue so that its purpose is served and there arises no need to take out a fresh prospectus for second and subsequent offer of securities.

(*a*) Deemed Prospectus (*b*) Shelf Prospectus

(*c*) Red Herring Prospectus (*d*) Abridged prospectus

14. Shelf prospectus remains valid up to

(*a*) 6 months (*b*) 1 year

(*c*) 2 years (*d*) 5 years

15. A shelf prospectus field with field with the ROC shall remain valid for a period of

(*a*) One year from the date of registration

(*b*) One year from the date of closing of first issue

(*c*) One year from the date of opening of first issue

(*d*) Ninety days from the date on which a copy was delivered to ROC

16. Extra Limited is a growing Company and requires additional funds for expansion from time to time. They are following the same process for making an offer to public and then issue those shares. This is very time and energy consuming for them. Kindly advise them if there is any way out.

(*a*) During first offer they shall file prospectus with a validity on one year, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required.

(*b*) During first offer they shall file prospectus with a validity on two years, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required.

(*c*) During first offer they shall file shelf prospectus with a validity on one year, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required.

(*d*) During first offer they shall file shelf prospectus with a validity on two years, so subsequent offer issued during the period of validity of that prospectus, no further prospectus is required.

17. A prospectus issued in the form of advertisement must state.

(*a*) The objects for which the company has been formed

(*b*) The liability of members

(*c*) The amount of share capital of company

(*d*) All of the above

18. Which of the following prospectus is filed in case of book-building issue?

(*a*) Deemed prospectus (*b*) Red-herring prospectus

(*c*) Shelf prospectus (*d*) Abridged prospectus

19. Red-herring prospectus must be filed at least _____ days price to opening of the subscription list.

(*a*) 3 (*b*) 10

(*c*) 15 (*d*) 30

20. A prospectus which does not include complete particulars of the quantum or price of the securities included therein is called:

(*a*) A deemed Prospectus (*b*) A shelf Prospectus

(*c*) An Abridged Prospectus (*d*) A Red Herring Prospectus

21. PQR Limited decided to make an offer for purchase of securities. Application Forms for the purchase were issued to public. However, it was not accompanied by an abridged prospectus. For this default company is liable for penalty. How much penalty Company has to bear?

(*a*) ₹ 25,000 (*b*) ₹ 50,000

(*c*) ₹ 100,000 (*d*) ₹ 500,000

22. Which of the following persons are entitled to damages for mis-statement in prospectus?

(*a*) Subscriber to securities

(*b*) A person who bought securities from stock exchange after relaying on prospectus

(*c*) A person who purchased shares from subscriber after relaying on prospectus

(*d*) All of the above

23. If a person makes multiple applications in different names; then which of the following statements are not true;

(*a*) He shall be liable for action under section 447

(*b*) Above provision shall be prominently reproduced in prospectus

(*c*) Court may also order disgorgement of gain

(*d*) Disgorged gain will be transferredto Insolvency and Bankruptcy fund

24. As per Companies Act, 2013; the minimum subscription is

(*a*) 50% (*b*) 80%

(*c*) 90% (*d*) Amount stated in the prospectus

25. The minimum amount of subscription in a public issue shall be received within _____ days from the date of issue of prospectus.

(*a*) 30 (*b*) 60

(*c*) 90 (*d*) 120

26. If minimum subscription is not received within 30 days, the amount shall be returned within ___ days.

(*a*) 10 (*b*) 15

(*c*) 30 (*d*) 45

27. On which offer of securities, commission is permitted to be paid to any underwriter by the company.

(*a*) When securities are offered on rights basis

(*b*) When securities are offered in the form of bonus issue

(*c*) When securities are offered on private placement basis

(*d*) When securities are offered to the public for subscription

28. The underwriting commission on shares must not exceed

(*a*) 2% of the issue price (*b*) 2.5% of the issue price

(*c*) 5% of the issue price (*d*) 5.5% of the issue price

29. The underwriting commission on debenture must not exceed

(*a*) 2% of the issue price
(*b*) 2.5% of the issue price
(*c*) 5% of the issue price
(*d*) 5.5% of the issue price

30. ABC Limited made a public issue of Debentures. The articles of the company authorizes the payment of underwriting commission at 2 percent of the issue price. The company has negotiated with the proposed underwriters, Gama Brokers and has finalized the rate at 2.5 percent. The amount that the company is eligible to pay as underwriting commission is:

(*a*) 5%
(*b*) 2%
(*c*) 2.5%
(*d*) 2.25%

31. Which of the following is not true?

(*a*) In case of shares; the rate of underwriting commission to be paid shall not exceed five percent of the issue of the share.
(*b*) Underwriting commission should not be more than the rate specified by the Article of Association.
(*c*) In case of debentures; the rate of underwriting commission shall not exceed five percent of the issue price of the debentures.
(*d*) Amount of commission may be paid out of profits of the company .

32. When a copy of the contract for the payment of underwriting commission is required to be delivered to Registrar:

(*a*) Three days before the delivery of the prospectus for registration
(*b*) At the time of delivery of the prospectus for registration
(*c*) Three days after the delivery of the prospectus for registration
(*d*) Five days after the delivery of the prospectus for registration

33. GDRs can be issued after passing

(*a*) Ordinary Resolution
(*b*) Special Resolution
(*c*) Board resolution
(*d*) Unanimous Resolution of board

34. In case of GDR, the name of the _____ is entered in the Registered of members.

(*a*) Foreign Investors
(*b*) Overseas Depository
(*c*) Domestic Custodian Bank
(*d*) Overseas Custodian Bank

35. Offer of securities or invitation to subscribe securities under private placement shall be made to maximum _____ number of persons in the aggregate in a financial year.

(*a*) 50
(*b*) 100
(*c*) 150
(*d*) 200

36. Innovation Limited intends to invite subscription to ₹ 1.10 crores equity shares of ₹ 10 each on private placement basis. The persons identified as potential subscribers are within the statutory limit and also include the two other categories to which such statutory limit is not applicable.

On such category is employees of the company who are offered equity shares under Employees 'Stock Option Scheme, by choosing the correct option, name the other excluded category.

(*a*) Quality Institutional Buyers
(*b*) Qualified Institutional Buyers.
(*c*) Qualificational Institutional Buyers.
(*d*) Qualified Investing Institutional Buyers.

37. In case of private placement, the value of offer per person shall not be less than

(*a*) INR 10,000 of face value of securities
(*b*) INR 20,000 of face value of securities
(*c*) INR 30,000 of face value of securities
(*d*) No minimum limit

38. Which of the following statement is contrary with the provisions of the Companies Act 2013?

(*a*) A private company can make a private placement of its securities
(*b*) Company has to pass a special resolution for private placement
(*c*) Minimum offer per person should have Market Value of ₹ 20,000
(*d*) A public can company can make a private placement of its securities

39. Guru Govind Publishers Limited has received application money of ₹ 20,00,000 (2,00,000 equally shares of ₹ 10 each) on 10th October, 2019 from the applicants who applied for allotment of shares in response to a private placement offer of securities made by the company to them. Select the latest date by which the company must allot the shares against the application money so received

(*a*) 9th November, 2019
(*b*) 24th November, 2019
(*c*) 9th December, 2019
(*d*) 8th January, 2020

40. XYZ Private Limited made private placement offer to identified people. It was clearly stated that such people have no right of renunciation. Company received shares application money within given period of time however could not allot shares within 60 days from receipt. Now it is duty of XYZ Private Limited to repay the share application money. Company will be liable to pay interest if they fail to do so. Within how many days Company has to repay the share application money to avoid interest payment?

(*a*) 15 days
(*b*) 30 days
(*c*) 60 days
(*d*) 90 days

41. If company fails to refund the application money within time in case of Private placement, then the company is liable to pay interest at the rate of

(*a*) 10%
(*b*) 12%
(*c*) 15%
(*d*) 18%

42. A public company sent private placement offer letter to 200 persons of its choice in march 20xx and allotted shares to them in April 20xx. Can it send private placement offer letter to 200 new people in May 20xx?

(*a*) Yes
(*b*) No
(*c*) Yes with the permission of ROC
(*d*) Yes with the permission of NCLT

43. Nitin Goel Limited raised ₹ 10 crore through private placement. The company wants to utilized these funds as soon as possible. Which of the following statements is true with respect to utilization of funds?

(*a*) The company can utilize the funds immediately on receipt of application money.

(*b*) The company shall not utilize the funds unless the allotment is made.

(*c*) The company shall not utilize the funds unless the allotment is made and return of allotment is filed.

(*d*) The company can utilize the funds after 30 days from the date of filing return of allotment.

44. Being in need of further capital, Rimisi Cotton – Silk Products Limited opted to offer 50.00 lacs equity shares of ₹ 1 each to 50 identified person on private placement basis and accordingly a letter of offer accompanied by serially numbered application form was sent to them after fulfillment of due formalities including passing of special resolution. One of the applicants, Rajan made a written complaint to the company highlighting the fact that the letter of offer was incomplete as well as illegal, for the same did not contain 'renunciation clause' through he wanted to exercise his 'right of renunciation' in favour of one of his son Uday. By choosing the correct option, advise the company in this matter.

(*a*) As the 'Right of Renunciation' cannot be denied, the company needs to rectify its mistake by including the same in the letter of offer and the application.

(*b*) The company is prohibited from providing 'Right of Renunciation' and therefore, the letter of offer and the application form need not include any such clause.

(*c*) Instead of absolute prohibition, the company needs to provide 'Right of Renunciation' limited to twenty five percent of offering.

(*d*) Instead of absolute prohibition, the company needs to provide 'Right of Renunciation' limited to fifty percent of offering.

Answer Key

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

CHAPTER 4

Share Capital and Debentures

MULTIPLE CHOICE QUESTIONS

1. Part of the capital for which application have been received from the public and shares allotted to them.

(*a*) Nominal capital (*b*) Issued capital
(*c*) Subscribed capital (*d*) Called-up capital

2. Preference share capital has preferential rights over equity shares in respect of

(*a*) Payment of dividend (*b*) Repayment of capital
(*c*) None of the above (*d*) Both (*a*) and (*b*)

3. The voting rights on equity shares with differential voting rights shall not exceed

(*a*) 26% of the total voting power (*b*) 51% of the total voting power
(*c*) 74% of the total voting power (*d*) 90% of the total voting power

4. The issue of equity shares with differential rights requires authorization by way of

(*a*) Unanimous resolution of Board (*b*) Ordinary resolution
(*c*) Special resolution (*d*) Creditor's consent

5. A company limited by shares can issue equity shares with differential voting rights. Which of the following is not a necessary condition to be fulfilled before issue of such shares?

(*a*) The articles of association of the company shall authorized issue of shares with differential rights.
(*b*) The issue of shares shall be authorized by a ordinary resolution passed at a general meeting of the shareholders:
(*c*) The company shall have consistent track record of distributable profits for the last three years.
(*d*) The company has not defaulted in filling financial statements and annual return for 3 financial years immediately preceding the financial year in which it is decided to issue such shares.

6. ABC Limited defaulted in the repayment of last two instalments of term loan availed from National Commercial Bank. On 30th September, 2019, they cleared all the dues by repaying it. When can it issue equity shares with differential voting rights?

(*a*) Upon expiry of five years from the date on which the default was made good.

(*b*) Upon expiry of three years from the end of the financial year in which the default was made good.
(*c*) Upon expiry of five years from the end of the financial year in which the default was made good.
(*d*) Upon expiry of seven years from the end of the financial year in which the default was made good.

7. Every share certificate shall be in Form
(*a*) SH – 1
(*b*) SH – 2
(*c*) SH – 5
(*d*) SH – 11

8. The Board can charge a fee not exceeding _____ per share certificate for issuing a duplicate share certificate
(*a*) INR 10
(*b*) INR 20
(*c*) INR 50
(*d*) INR 100

9. In an unlisted company, duplicate share certificate shall be issued within _____ from the date of submission of completed document with the company
(*a*) 1 months
(*b*) 2 months
(*c*) 3 months
(*d*) 6 months

10. In a listed company, duplicate share certificate shall be issued within _____ from the date of submission of completed documents with the company
(*a*) 15 days
(*b*) 30 days
(*c*) 45 days
(*d*) 3 months

11. A preference shareholder can vote on resolution
A. Directly affecting their rights
B. Winding-up of company
C. Reduction of preference share capital
D. Reduction of equity share capital
(*a*) All of the above
(*b*) Only A
(*c*) Only A & B
(*d*) Only A, B & C

12. A preference shareholder gets a right to vote on all the resolutions if dividend has not been paid for a period of
(*a*) 1 year
(*b*) 2 years
(*c*) 3 years
(*d*) 5 years

13. A general meeting of the company is to be held on 30th August, 2020. The company has not paid dividend for the financial year 2018-2019. It has also not yet paid any dividend for the year 2019- 2020. In such case preference shareholders.
(*a*) Will not have the right to vote because preferential shareholder has no right to vote.
(*b*) Will have the right to vote because dividend for last two years have not been paid.
(*c*) Will not have the right to vote because only equity shareholders can vote in general meetings.
(*d*) Will have right to vote because preference shareholder have the right to vote in general meetings.

14. AOA of a Private company says that Preference shareholders will have right to vote only if last 3 years dividend is not paid. This is

(*a*) Void as it is against the Companies Act

(*b*) Valid because section 47 is applicable to a private company subject to AOA

(*c*) Void because a per Section 6 act is superior

(*d*) Valid because Companies Act allows voting power to preference shareholders if their dividend is not paid for last 3 years

15. The rights attached to a class of shares may be varied

(*a*) With consent of holders of $3/4^{th}$ issued shares of that class

(*b*) By means of Special resolution

(*c*) Either (*a*) or (*b*)

(*d*) Unanimous resolution of Board

16. Holders of not less than _____ of the issued shares of a class may apply to the NCLT to have the variation of rights of a class of shares cancelled.

(*a*) 5%

(*b*) 10%

(*c*) 20%

(*d*) 25%

17. The application against variation of rights of a class of shares must be made within _____ days after the approval of variation.

(*a*) 10

(*b*) 15

(*c*) 21

(*d*) 30

18. If change of right of one class also affect right of other class then

(*a*) A resolution should be passed in general meeting in the case

(*b*) Company need to do anything else

(*c*) Written consent of three fourth majority of that other class should also be obtained

(*d*) A resolution in combined meeting of both class should be passed

19. The securities premium account cannot be utilized for

(*a*) In writing off the preliminary expenses of the company

(*b*) In writing off the expenses of commission paid and issue of shares of the company

(*c*) For redemption of redeemable preference shares

(*d*) In providing for a premium payable on the redemption of redeemable preference shares

20. Which of the following securities cannot be offered at a discount?

(*a*) Shares

(*b*) Debentures

(*c*) Both of the above

(*d*) None of the above

21. Following are the exceptions for issuing shares at a discount

(*a*) Sweat equity shares

(*b*) Conversion of debt into equity pursuant to statutory resolution plan

(*c*) Conversion of debt into equity pursuant to debt restructuring scheme

(*d*) All of the above

22. Such shares which are issued by a company to its directors or employees at a discount or for a consideration other than cash for working extraordinary hard and achieving desired output is rewarded with

(*a*) Equity shares
(*b*) Preference shares
(*c*) Sweat equity shares
(*d*) Redeemable preference shares

23. Sweat equity shares may be issued if it is authorized by

(*a*) Ordinary resolution
(*b*) Special resolution
(*c*) Unanimous resolution
(*d*) Majority of the employees

24. It has been decided by Tata Watches Limited to sweat equity shares to five of its employees for the 'value additions' made by them in term of economic benefits which proved beneficial to the company. For how many year(s), the employees who have been allotted sweat equity shares cannot transfer them

(*a*) One year from the date of allotment
(*b*) Three years from the date of allotment
(*c*) Five years from the date of allotment
(*d*) Six months from the date of allotment

25. The sweat equity shares shall not exceed of paid-up equity at any time

(*a*) 10%
(*b*) 15%
(*c*) 20%
(*d*) 25%

26. Identify the false statement with respect to issue of sweat equity shares by a company.

(*a*) Company should pass a special resolution
(*b*) There is not limit as to maximum rate of discount
(*c*) Company should seek approval of Central Government
(*d*) Sweat equity shares means the equity shares issued by the company to the directors or employees at a discount or for consideration other than cash

27. A private company can issue preference shares which are liable to be redeemed within particular period, only if articles authorizes such issue. Within how much such preference shares have to be redeemed?

(*a*) Within a period not exceeding 10 years;
(*b*) Within a period not exceeding 15 years;
(*c*) Within a period not exceeding 20 years;
(*d*) Within a period not exceeding 25 years;

28. Preference shares may be redeemed out of

(*a*) Profit
(*b*) Proceeds of a fresh issue of equity shares
(*c*) Proceeds of a fresh issue of preference shares
(*d*) All of the above

29. ABC Ltd. wants to issue redeemable preference shares for a period of 35 years. Advise whether it can do so

(*a*) Yes, ABC Ltd. can issue redeemable preference shares
(*b*) Yes, ABC Ltd. can issue redeemable preference shares but for only 30 years

(*c*) Instead of issuing of shares of 35 years, ABC Ltd. Should issue irredeemable preference shares.
(*d*) No, ABC Ltd. can issue redeemable preference shares for a period not extending 20 years.

30. Raju infrastructure limited wants to issue preference shares for a period of more than 20 years for its infrastructure project. On the basis of which statement company can do so?
(*a*) Yes; company can issue irredeemable preference shares by passing special resolution
(*b*) Yes; company issue preference shares for a period of more than 20 years with the prior approval of Central Government
(*c*) Yes; company can issue irredeemable preference shares for infrastructure project
(*d*) Yes; company can issue preference shares for infrastructure project for a period up to 30 years.

31. The share transfer deed must be delivered to the company with _____ days of the date of execution
(*a*) 15 (*b*) 30
(*c*) 60 (*d*) 90

32. Share Certificate are to be issued by a company within
(*a*) 2 months after allotment (*b*) 1 month after allotment
(*c*) 6 months after allotment (*d*) 3 months after allotment

33. In case of transfer of shares, share certificate shall be delivered within
(*a*) 1 month of receipt of transfer deed (*b*) 2 months of receipt of transfer deed
(*c*) 3 months of receipt of transfer deed (*d*) 6 months of receipt of transfer deed

34. Himansh has received a notice from Chaitanya Progressive Books Private Limited on 7th August, 2019 intimating that Shefali has submitted a transfer deed duly signed by her for transfer of 500 partly paid shares (₹ 6 paid-up out of face Value of ₹ 10 per shares) in his name. Himansh as transferee must raise his objection to the proposed transfer of partly paid shares latest by.
(*a*) 14th August 2021 (*b*) 21st August 2021
(*c*) 22nd August 2021 (*d*) 6th September 2021

35. Keshika is the original owner of 1000 equity shares of ₹ 50 each being allotted by Modern Biscuits Private Limited. As she wanted these shares to be transferred to her younger sister Vanshika as a gift, she completed the transfer deed in all respect and delivered the same to the company along with share certificates on 17th July 2020. However, the company did not register the transfer even after the expiry of more than one month nor did it send any notice of refusal. The reminder to the company remained unanswered. An appeal needs to be field against the company with the National Company Law Tribunal (NCLT). Advise by choosing the correct option as to who has the right to fil the appeal.
(*a*) Keshika, who continues to remain owner and transferor of equity shares till they are registered in the name of Vanshika, has the right to file on appeal with NCLT against the Company.
(*b*) Vanshika, as transferee and 'would be' owner of equity shares, has the right to file an appeal with NCLT against the Company.
(*c*) Both Keshika and Vanshika have to file a joint appeal with NCLT against the company, for either Keshika nor Vanshika are authorized to file the appeal individually.
(*d*) As per its direction, NCLT may allow either Keshika or Vanshika to file an appeal against the company.

36. If a private company refuses to transfer the shares, the transferee may appeal to NCLT within

(*a*) 15 days of receipt of notice of refusal
(*b*) 30 days of receipt of notice of refusal
(*c*) 60 days of receipt of notice of refusal
(*d*) 90 days of receipt of notice of refusal

37. If a public company refuses to transfer the shares, the transferee may appeal to NCLT within

(*a*) 15 days of receipt of notice of refusal
(*b*) 30 days of receipt of notice of refusal
(*c*) 60 days of receipt of notice of refusal
(*d*) 90 days of receipt of notice of refusal

38. A company may convert all or any of its fully paid up shares into stock

(*a*) By special resolution
(*b*) By ordinary resolution
(*c*) With the approval of the tribunal
(*d*) All of the above

39. ESOP may be issued subject to approval

(*a*) By way of Ordinary resolution
(*b*) By way of Special resolution
(*c*) By unanimous resolution of Board
(*d*) By approval of majority of the employees

40. In case of ESOP, there shall be a minimum period of between grant of options and vesting of options

(*a*) 3 months
(*b*) 6 months
(*c*) 1 year
(*d*) 3 years

41. If a company have authorized share capital of ₹ 6,00,000; paid up share capital of ₹ 5,00,000; and a Loan from government of ₹ 2,00,000. Government ordered the company to convert its loan into shares. In this case; such order has the effect of increasing.

(*a*) The subscribed share capital of the company
(*b*) The paid-up share capital of the company
(*c*) The authorized share capital of the company
(*d*) All of the above

42. A company cannot issue fully paid bonus shares out of

(*a*) Free reserves
(*b*) Securities Premium
(*c*) Capital redemption reserve
(*d*) Revaluation reserve

43. Fully paid bonus shares may be issued if it is authorized by way of

(*a*) Ordinary resolution
(*b*) Special resolution
(*c*) NCLT approval
(*d*) Approval of registrar of companies

44. The scheme of capital reduction shall be sanctioned by

(*a*) NCLT
(*b*) Special Court
(*c*) High Court
(*d*) Company Law Board

45. Before Tribunal's order, the capital can be reduced only after _____.

(*a*) Ordinary resolution
(*b*) Special resolution
(*c*) Unanimous resolution of Board
(*d*) Board resolution

46. While making an application to the Tribunal for seeking its confirmation in respect of extinguishing the liability of ₹ 3 per equity share, Babita Publisher Limited has to file a certificate along with the application, that the accounting treatment proposed by it for such reduction of share capital is in conformity within the accounting standards specified in the prescribed Section. Advise the company as to who can issue such certificate?

(*a*) Any of the directors of the company as authorized by the Board may issue such certificate

(*b*) A practicing company secretary is authorized to issue such certificate

(*c*) The auditor of the company is authorized to issue such certificate

(*d*) The legal advisor of the company is authorized to issue such certificate

47. A public company may give loans to its employee for an amount not exceeding their salary for a period _____ with a view to enable them to purchase of its fully paid – up shares.

(*a*) 1 month (*b*) 3 months

(*c*) 6 months (*d*) 1 year

48. Section _____ of Companies Act, 2013 deals with buy-back.

(*a*) 67 (*b*) 68

(*c*) 69 (*d*) 70

49. Buy-back up _____ of the total paid-up equity capital and free reserved can be done only by passing a Board resolution.

(*a*) 5% (*b*) 10%

(*c*) 15% (*d*) 25%

50. Shareholders can approve buy-back up to _____ of the total paid-up capital and free reserves after passing _____.

(*a*) 25%; Ordinary resolution (*b*) 25%; Special resolution

(*c*) 26%; Ordinary resolution (*d*) 26%; Special resolution

51. Aim Limited, a listed company has authorized share capital of ₹ 25,00,000 (issued, subscribed and paid up capital of ₹ 20,00,000). The company has planned to buy back shares worth ₹ 10,00,000. What is the maximum amount of equity shares that the company is allowed to buy back based on the total amount of equity shares?

(*a*) ₹ 2,00,000 (*b*) ₹ 5,00,000

(*c*) ₹ 6,25,000 (*d*) ₹ 8,00,000

52. The post of buy-back debt-equity ratio shall not exceed

(*a*) 1 : 1 (*b*) 2 : 1

(*c*) 3 : 1 (*d*) 6 : 1

53. In case of a government company providing Housing Finance service, the post buy-back debt-equity ratio shall exceed

(*a*) 1 : 1 (*b*) 2 : 1

(*c*) 3 : 1 (*d*) 6 : 1

54. Securities bought back shall be extinguished within _____ of the last date of completion of buy- back.

(*a*) 2 days (*b*) 5 days

(*c*) 7 days (*d*) 15 days

55. There must be a gap of at least _____ between 2 buy-backs.

(*a*) 6 months (*b*) 1 year

(*c*) 2 years (*d*) 3 years

56. Rakhi Cements Limited is desirous of issuing debentures carrying voting rights. Which of the following options is best suited in such a situation.

(*a*) Rakhi Cements can issue debentures carrying voting rights if an ordinary resolution is passed permitting such issue.

(*b*) Rakhi Cements Limited can issue debentures carrying voting rights if a special resolution is passed permitting such issue.

(*c*) Rakhi Cements Limited can issue debentures carrying voting rights if it mortgages land and buildings worth two times the amount of such debentures.

(*d*) Rakhi Cements Limited cannot issue debentures carrying voting right.

Answer Key

1. (*c*)	**2.** (*d*)	**3.** (*c*)	**4.** (*b*)	**5.** (*c*)	**6.** (*c*)	**7.** (*a*)	**8.** (*c*)	**9.** (*c*)	**10.** (*c*)
11. (*a*)	**12.** (*b*)	**13.** (*b*)	**14.** (*b*)	**15.** (*c*)	**16.** (*b*)	**17.** (*c*)	**18.** (*c*)	**19.** (*c*)	**20.** (*a*)
21. (*d*)	**22.** (*c*)	**23.** (*b*)	**24.** (*b*)	**25.** (*d*)	**26.** (*c*)	**27.** (*c*)	**28.** (*d*)	**29.** (*d*)	**30.** (*d*)
31. (*c*)	**32.** (*a*)	**33.** (*a*)	**34.** (*b*)	**35.** (*b*)	**36.** (*b*)	**37.** (*c*)	**38.** (*b*)	**39.** (*b*)	**40.** (*c*)
41. (*d*)	**42.** (*d*)	**43.** (*a*)	**44.** (*a*)	**45.** (*b*)	**46.** (*c*)	**47.** (*c*)	**48.** (*b*)	**49.** (*b*)	**50.** (*b*)
51. (*b*)	**52.** (*b*)	**53.** (*d*)	**54.** (*c*)	**55.** (*b*)	**56.** (*d*)				

5 CHAPTER

Acceptance of Deposits by Companies

MULTIPLE CHOICE QUESTIONS

1. A reserve account that shall not be used by the company for any purpose other than repayment of deposits is called

(*a*) Deposit redemption reserve
(*b*) Deposit Repayment reserve
(*c*) Capital redemption reserve
(*d*) General reserve

2. Deposit Repayment Reserve must be created for at least _____ of the deposits maturing during a following financial year

(*a*) 10%
(*b*) 15%
(*c*) 20%
(*d*) 25%

3. Guru Real Estate Developers Limited has accepted deposits from its members which are being paid on the maturity without any default. As a statutory obligation, the company is required to deposit in a specified account opened with its bankers, a particular amount on or before 30th April of each year till the deposits are fully repaid. Advise the company regarding the quantum of amount which must be so deposited.

(*a*) Not less than 50% of the amount of its deposits maturing during the following financial year
(*b*) Not less than 30% of the amount of its deposits maturing during the following financial year.
(*c*) Not less than 20% of the amount of its deposits maturing during the following financial year
(*d*) Not less than 10% of the amount of its deposits maturing during the following financial year.

4. Puneet Spices Limited decides to raise deposits of ₹ 20.00 lacs from its members. However, it is of the opinion to secure such deposits partially by offering security worth ₹ 15.00 lacs. Which of the following options best describe such deposits:

(*a*) Fully secured deposits (except a small portion)
(*b*) Unsecured deposits
(*c*) Partially secured deposits
(*d*) None of the above

5. Eligible company means a public company having

(*a*) Net worth ≥ ₹100 Cr
(*b*) Turnover ≥ ₹ 500 Cr
(*c*) Both (*a*) and (*b*)
(*d*) Either (*a*) or (*b*)

6. An eligible company, as per Section 76, which is accepting deposits within the limits specified under section 180(1)(c) may accept deposits by means of _____.
   (*a*) Ordinary resolution
   (*b*) Special resolution
   (*c*) Unanimous resolution
   (*d*) Special resolution and approval of central Government

7. Which of them will be considered as deposits?
   (*a*) Money raised by issuing commercial papers
   (*b*) Loans from State Bank of India
   (*c*) Loans from Kotak Mahindra Bank Ltd.
   (*d*) Amount raised from unlisted unsecured NCDs

8. Which of them will be considered as deposits?
   (*a*) Amount raised from foreign as per FEMA
   (*b*) Amount received from Government
   (*c*) Security deposit for performance of service
   (*d*) Trade advance for supply of goods within 400 days

9. Any amount received in the course of, or for the purpose of, business of the company as an advance for the supply of goods or provision of services shall be deemed to be deposits on the expiry of _____ from the date of they become due to refund.
   (*a*) 15 days
   (*b*) 30 days
   (*c*) 60 days
   (*d*) 365 days

10. Where depositors so desire, deposits may be accepted in joint name not exceeding
   (*a*) 2
   (*b*) 3
   (*c*) 5
   (*d*) 7

11. As per the provisions of the companies Act, 2013 and relevant rules made thereunder, an eligible company can, in case the depositors so desire, may accept deposits in joint name not exceeding _____. A joint deposit may "Either or be accepted with or without any of the clauses, namely, "Jointly", Survivor", "First named or Survivor", "Anyone or Survivor." These clauses operate on _____.
   (*a*) Three, maturity
   (*b*) Two, maturity
   (*c*) Five, accepting the deposits
   (*d*) Five, maturity

12. What is the maximum tenure for which a company can accept or renew deposits form its members as well as public?
   (*a*) 12 months
   (*b*) 24 months
   (*c*) 36 months
   (*d*) 48 months

13. As per the provisions of the companies Act, 2013 and relevant rules made thereunder, an eligible company is not permitted to accept form public or renew the same deposits (whether secured or unsecured) which is repayable on demand or in less than _____ months, Further the maximum period of acceptance of deposit cannot exceed _____ months. But, for the purpose of meeting any of its short – term requirements of funds, a company may accept or renew deposits of repayment earlier than _____ months subjects to certain conditions.

(*a*) Six, thirty- six, six
(*b*) Six, thirty- six, three
(*c*) Six, sixty, six
(*d*) Three, sixty, six

14. An eligible company shall not raise deposits from its members exceeding _____ of its paid-up share capital, free reserves & securities premium.

(*a*) 10%
(*b*) 25%
(*c*) 35%
(*d*) 100%

15. A government company shall not raise deposits from exceeding _____ of its paid–up share capital, free reserves and securities premium.

(*a*) 10%
(*b*) 25%
(*c*) 35%
(*d*) 100%

16. A company must execute a deposit trust deed at least _____ days before issuing the circular or circular in the form of advertisement.

(*a*) 7
(*b*) 14
(*c*) 21
(*d*) 28

17. Deposit trustee may be removed before the expiry of his term after approval by way of

(*a*) Ordinary resolution
(*b*) Special resolution
(*c*) Unanimous Board resolution
(*d*) Board Resolution

18. XYZ Limited company is accepting deposits of various tenures from its members from time to time. The current Register of Deposits, maintained at its registered office is complete. State the minimum period for which it should mandatorily be preserved in good order.

(*a*) Four years from the financial year in which the latest entry is made in the Register
(*b*) Six years from the financial year in which the latest entry is made in the Register
(*c*) Eight years from the financial year in which the latest entry is made in the Register.
(*d*) Ten years from the latest date of entry.

19. Noora wants to renew her deposit ₹ 5.00 lakh maintained with Guri constructions Limited before the expiry of original period with a view to avail higher rate of interest. For how much extended period, Noora is required to renew her deposit, so that the company shall pay her higher rate on deposits?

(*a*) One and a half times the unexpired period of original deposit.
(*b*) Double the unexpired period of original deposit.
(*c*) Six months more in addition to the unexpired period of deposit.
(*d*) Longer than the unexpired period of deposit.

20. A company must file a return of deposits on or before _____ every year.
(*a*) 31st March
(*b*) 30th April
(*c*) 30th June
(*d*) 30th September

21. Every company shall pay a penal rate of interest for the overdue period in case of deposits, whether secured or unsecured, matured and claimed but remaining unpaid.
(*a*) 9% p.a.
(*b*) 10% p.a.
(*c*) 12% p.a.
(*d*) 18% p.a.

22. AB limited failed to repay the Public Deposits on maturity after they are claimed. The company is required to pay penal interest at the rate of _____ for the overdue period.
(*a*) 15%
(*b*) 18%
(*c*) 12%
(*d*) 20%

Answer Key

1. (*b*)	**2.** (*c*)	**3.** (*c*)	**4.** (*b*)	**5.** (*d*)	**6.** (*a*)	**7.** (*d*)	**8.** (*d*)	**9.** (*a*)	**10.** (*b*)
11. (*a*)	**12.** (*c*)	**13.** (*a*)	**14.** (*a*)	**15.** (*c*)	**16.** (*a*)	**17.** (*c*)	**18.** (*c*)	**19.** (*d*)	**20.** (*c*)
21. (*d*)	**22.** (*b*)								

6 Registration of Charges

CHAPTER

MULTIPLE CHOICE QUESTIONS

1. An interest or lien created on the property or assets of a company or any of its undertakings or both as security is known as:

(*a*) Debt
(*b*) Charge
(*c*) Liability
(*d*) Hypothecation

2. Application for registration of charge created for debentures shall be in Form

(*a*) CHG-1
(*b*) CHG-2
(*c*) CHG-5
(*d*) CHG-9

3. Application for registration of charge created otherwise than for debentures shall be in Form

(*a*) CHG-1
(*b*) CHG-2
(*c*) CHG-5
(*d*) CHG-9

4. It shall be the duty of every company to register charge with Registrar within days of its creation

(*a*) 5
(*b*) 10
(*c*) 30
(*d*) 60

5. For a charge created after Nov 2, 2018, if a company doesn't register the charge within 30 days, Registrar may allow such registration to be made within

(*a*) 30 days from the date of creation by paying additional fees
(*b*) 60 days from the date of creation by paying additional fees
(*c*) 90 days from the date of creation by paying additional fees
(*d*) 120 days from the date of creation by paying additional fees

6. If a charge is created on or after 02-11-2018 but the registration is not made within the original period of 30 days and also not made within next 30 days after the expiry of original 30 days, then the Registrar is empowered to allow such registration to be made within a further period of

(*a*) 30 days
(*b*) 45 days
(*c*) 60 days
(*d*) 90 days

7. Eztech Machines Limited owns a plot of land which was mortgaged to XYZ Bank Limited for raising term loan of ₹ 2.00 crore. The mortgage was duly registered with the Central Registry.

First loan installment of ₹ 50.00 lacs was released immediately after sanction of term loan with the condition that subsequent three installments of ₹ 50.00 lacs shall be released as soon as the earlier released installment is utilized satisfactorily. Is it necessary either for the company or the bank to register, the charge on plot with the concerned Registrar of Companies (ROC) when the mortgage is registered with the Central Registry?

(*a*) It is not necessary either for the bank or the company to register the charge on plot of land with the concerned Registrar of Companies (ROC) when the mortgage is registered with the Central Registry.

(*b*) It is necessary to get the charge on plot on land registered with the concerned Registrar of Companies (ROC) irrespective of the fact that mortgage is registered with the Central Registry.

(*c*) The charge on plot needs to be registered with the concerned Registrar of Companies (ROC) only when the actual liability of the company with the Bank exceeds ₹ 1.00 crore.

(*d*) The charge on plot needs to be registered with the concerned Registrar of Companies (ROC) only when the term loan sanctioned by the bank to the company exceeds ₹2,00 crores.

8. With a view to augment its production, Surya Limited availed a loan of ₹ 50,00 lacs from IDFC First Bank Limited for purchase of a new machinery by offering its factory worth ₹ 2.25 crores as security. However, the company did not initiate any steps to get the charge on factory registered in favor of lending banker within the specified time. As soon as the charge- holder bank came to know about the non registration of charge with the ROC, it applied to the Registrar for registration of charges along with the instrument creating the charge and paid the requisite fees when demanded. Advise the bank whether it can recover the fees so paid for registration of charge from Surya Limited

(*a*) Yes, the bank can recover the fees paid by it for registration of charge.

(*b*) No, the bank cannot recover the fees paid by it for registration of charge because the bank is equally responsible for getting the charge registered.

(*c*) Only when it obtains recovery orders from Regional Director (RD), the bank can recover the fees paid by it for registration of charge from the company.

(*d*) Only when it obtains recovery orders from National Company Law Tribunal (NCLT), the barks can recover the fees paid by it for registration of charge from the company.

9. Any person acquiring property (on which charge is registered under section 77) shall be deemed to have notice of the charge from

(*a*) End of 30 days
(*b*) Date of application for charge
(*c*) Date of acquiring the property
(*d*) Date of such registration

10. A charge was created on assets of Amar Limited. Such charge is registered on 12th November, 2018. Any person acquiring such assets shall be deemed to have notice of the charge: (Give your answer as per the provisions of the Companies Act, 2013)

(*a*) from 12th November, 2018
(*b*) from 13th November, 2018
(*c*) from 12th December, 2018
(*d*) from 12th January, 2019

11. On receipt of intimation of satisfaction of charge, the registrar issues a notice to the holder calling a show cause within such time not exceeding days as to why payment or satisfaction in full should not be regarded as intimated to the registrar.

(*a*) 14 (*b*) 21
(*c*) 30 (*d*) 300

12. If a person obtains an order for appointment of a receiver, he shall give a notice of such appointment to the company and registrar within days
(*a*) 10 (*b*) 15
(*c*) 30 (*d*) 60

13. The company's instrument creating a charge or modification thereon shall be preserved for a period of years from the date of satisfaction of charge by the company.
(*a*) 5 (*b*) 7
(*c*) 8 (*d*) 15

14. The entry for every creation, modification and satisfaction of charges is being done properly. The company is also preserving every instrument related to such charges. From the following for how long the instrument of charges shall be maintained/preserved by the compony -
(*a*) For minimum 8 years from the date of creation of charge
(*b*) For minimum 10 years from the date of creation of charge
(*c*) For minimum 8 years from the date of satisfaction of charge
(*d*) Permanently, without any time limit

15. The Register of Charges and instrument of charges maintained by the company shall be open for inspection during
(*a*) working hours (*b*) business hours
(*c*) at all times (*d*) 9 A.M. to 5 P.M.

16. The registrar shall keep register of charges which shall be open to inspection by on payment of fee:
(*a*) the company (*b*) the charge holder
(*c*) holder (*d*) any person

17. If a company contravenes the provisions of registration of charges, the company is liable to a penalty of
(*a*) INR 1 lakh (*b*) INR 2 lakh
(*c*) INR 5 lakh (*d*) INR 25 lakh

18. For contravention of chapter of charges, every officer in default shall be liable to a penalty of
(*a*) INR 50000 (*b*) INR 1 Lakh
(*c*) INR 5 Lakh (*d*) INR 10 Lakh

Answer Key

1. (*b*)	**2.** (*d*)	**3.** (*a*)	**4.** (*c*)	**5.** (*b*)	**6.** (*c*)	**7.** (*b*)	**8.** (*a*)	**9.** (*d*)	**10.** (*a*)
11. (*a*)	**12.** (*c*)	**13.** (*c*)	**14.** (*c*)	**15.** (*b*)	**16.** (*d*)	**17.** (*c*)	**18.** (*a*)		

CHAPTER 7

Management and Administration

MULTIPLE CHOICE QUESTIONS

1. The entries in register of members shall be made within _____ after the Board of directors or its duly constituted committee approves the allotment of securities.

(*a*) 30 days (*b*) 7 days
(*c*) 3 days (*d*) 15 days

2. Maintenance of index in a register of members is not necessary in case the number of members are less than

(*a*) 100 (*b*) 50
(*c*) 75 (*d*) 200

3. The company shall within _____ from the date of the opening of a foreign register of members, file with the Registrar notice of the situation of office where such register is kept.

(*a*) 90 days (*b*) 30 days
(*c*) 180 days (*d*) 45 days

4. The company shall transmit to its registered office in India, a copy of every entry in any foreign register of members within __ after the entry is made.

(*a*) 15 days (*b*) 30 days
(*c*) 45 days (*d*) 60 days

5. The Annual return of public company is filed in Form _____.

(*a*) MGT-6 (*b*) MGT-7
(*c*) MGT-7A (*d*) MGT-9

6. Where the name of a person is entered in the register of members of a company as the holder of shares in that company but who does not hold the beneficial interest in such shares, such person shall made a declaration to the company specifying the name of the person who holds the beneficial interest within. from the date on which his name is entered in the register of members

(*a*) 15 days (*b*) 30 days
(*c*) 45 days (*d*) 60 days

7. Significant beneficial owner means an individual holding beneficial interested of not less than

(*a*) 10% (*b*) 20%

(*c*) 25% (*d*) 51%

8. Company may close its register of members for a maximum tenure of days _____ in a year and for a maximum of _____ days at any one time.

(*a*) 30;15 (*b*) 45:30

(*c*) 60;30 (*d*) 75;45

9. X Limited is a manufacturer of glassware. Its paid-up share capital is divided into 20,0000 shares of ₹ 100 each. The company is maintaining its register of members as per the provisions of the Companies Act, 2013. The company wanted to close its register of members for declaring dividend. It may do so by giving minimum days' notice.

(*a*) 7 days (*b*) 10 days

(*c*) 15 days (*d*) The register of members cannot be closed.

10. ABC Infrastructures Limited is a listed company quoted at National Stock Exchange. The company closed its Register of Members in June and August, 2017 for 12 and 21 days respectively. The CFO of company has informed the company secretary to consider closing of register in December for another 15 days for some strategic reasons. Referring to the provisions of Companies Act, 2013, examine the validity of above action of the company.

(*a*) Valid, as the closure of register of members by company each time is not exceeding 30 days.

(*b*) Invalid, as company cannot go for closure of Register of members more than twice in a year

(*c*) Invalid, as the period of closing register of members exceeding 30 days in a year.

(*d*) Invalid, as the period of closing the Register of members by the company is exceeding 45 days in a year

11. The annual return of small Company is filed in Form

(*a*) MGT-5 (*b*) MGT-7A

(*c*) MGT-8 (*d*) MGT-9

12. The annual return of One Person Company is required to be filed in Form

(*a*) MGT-7 (*b*) MGT-7A

(*c*) MGT-9 (*d*) MGT-8A

13. Rema formed and occupied the office of director in Rem Stationers (OPC) Private Limited which deals in manufacturing and trading of various items of stationery. Rema noticed a changed provision which mandates that from the Financial Year 2020- 21 onwards, an OPC shall file its Annual Return in MGT - 7A. Rema is also one of the directors in another company which too is required to file its Annual Return in MGT –7A. Which is that 'other company' where Rema also occupies the office of director in addition to OPC.

(*a*) That other company is a 'small company' where Rema also occupies the office of director in addition to OPC

(*b*) That other company is an 'associate company' where Rema also occupies the office of director in addition to OPC.

(*c*) That other company is a 'subsidiary company' where Rema also occupies the office of director In addition to OPC.

(*d*) That other company is a 'dormant company' where Rema also occupies the office of director In addition to OPC.

14. Annual return of every company other than OPC & small Company is required to be signed by

(*a*) Any director
(*b*) Company secretary
(*c*) Either by a director or company secretary
(*d*) A director and company secretary

15. The annual return of a One Person Company or Small company shall be signed by

(*a*) Company secretary only
(*b*) A director only
(*c*) A director or company secretary at the choice of the company
(*d*) A company secretary, or where there is no company secretary, by the director of the company.

16. Which of the following companies, shall get there annual return certified by a company secretary in practice stating that the annual return discloses the facts correctly and adequately and that the company has complied with all the provisions of the Act.

(*a*) Listed company
(*b*) Public Company having a paid-up capital of INR 10 crore or more
(*c*) Private company having a turnover of INR 50 crore or more
(*d*) All of the above

17. Every company must file its annual return within _____ days from its AGM.

(*a*) 30
(*b*) 60
(*c*) 90
(*d*) 210

18. If a company does not hold its AGM, then

(*a*) there is no need to file annual return
(*b*) annual return shall still be filed within 30 days from the last due date of AGM
(*c*) annual return shall still be filed within 60 days from the last due date of AGM
(*d*) annual return shall still be filed within 180 days from closure of financial year

19. Register of members, debenture-holders, other security holders or copies of return may also be kept at any other place in India in which more than of the total number of members entered in the register of members reside, if approved by a special resolution passed at a general meeting of the company and the Registrar has been given a copy of the proposed special resolution in advance.

(*a*) One-half
(*b*) One-eighth
(*c*) One-tenth
(*d*) One-third

20. The register of members may be kept at any other place in India where 1/10th members reside, if approved by

(*a*) Board resolution
(*b*) Ordinary resolution
(*c*) Special resolution
(*d*) Registrar

21. The register of members along with the index shall be preserved and shall be kept in the custody of the company secretary or other person authorised by the Board for the following period:

(*a*) 8 years from the date of issue of the shares

(*b*) 8 years from the date of cessation of the membership

(*c*) 8 years from the end of the financial year in which the name was first entered in the register

(*d*) Permanently

22. Which among the following is correct under the provisions of Companies Act, 2013 and the relevant rules made thereunder regarding preservation of the Register of members along with the index?

(*a*) The register of members of a compony along with the index shall be preserved for a period of 8 years and shall be kept in the safe custody of company secretory of the company or any other person authorized by Board for this purpose.

(*b*) The register of members of a compony along with the index shall be preserved for a period of 10 years and shall be kept in the state custody of company secretary of the company or any other person authorized by Board for this purpose.

(*c*) The register of members of a compony along with the index shall be preserved for a period of 20 years and shall be kept in the safe custody of company secretary of the company or any other person authorized by Board for this purpose.

(*d*) The register of members of a company along with the index shall be preserved for a period permanently and shall be kept in the safe custody of company secretary of the company or any other person authorized by Board for this purpose.

23. The register of debenture and other security holders along with the index shall be preserved and shall be kept in the custody of the company secretary or other person authorized by the Board for the following period:

(*a*) 8 years from the date of issue of the debentures or other securities

(*b*) 8 years from the date of redemption

(*c*) 8 years from the end of the financial year in which the name was first entered in the register

(*d*) Permanently

24. Copies of annual return along with copies of all the certificates and documents required to be annexed shall be preserved for

(*a*) 8 years from the date of filing with the Registrar

(*b*) 8 years from the end of the Financial year for which the annual return pertains

(*c*) 8 years from the date of the Annual General Meeting where the annual return was adopted

(*d*) Permanently

25. Register of member shall be open for inspection during business hours for not less than _____ on every working day.

(*a*) 3 hours (*b*) 2 hours

(*c*) 4 hours (*d*) 6 hours

26. The Registrar may grant an extension by for holding AGM to any company for special reasons except in the case of first AGM of the company

(*a*) 1 month (*b*) 9 months

(*c*) 3 months (*d*) 6 months

27. The gap between 2 AGMs must not be more than

(*a*) 12 months

(*b*) 15 months

(*c*) 18 months

(*d*) 15 months as may be extended by Registrar of companies to 18 months

28. A company may hold its first AGM within

(*a*) 6 months from the closing of first financial year

(*b*) 9 months from the closing of first financial year

(*c*) 6 months from the closing of first financial year and may be extended by Registrar by another 3 months

(*d*) 9 months from the closing of first financial year and may be extended by Registrar by another 3 months

29. OPR Limited incorporated on 10th January, 2019 and closed its Financial Statement on 31st March, 2020. The First Annual General Meeting of the Members shall be held on or before

(*a*) 31st October, 2020

(*b*) 30th September, 2020

(*c*) 31st December, 2020

(*d*) 30th November, 2020

30. Annual General Meeting of a company may be held on

(*a*) any day

(*b*) any day other than a public holiday

(*c*) any day other than a national holiday

(*d*) any day other than Bank holiday and Sunday

31. Swiss Commodities Private Limited was incorporated in 2015. Company was not running its business properly due to unexpected ups and downs. It could not hold its first annual general meeting in the year 2016. The company is planning to apply for extension of time for holding the AGM from the Registrar of Companies. On which grounds Company can get an extension?

(*a*) They will not get any extension.

(*b*) It Company proves that their financial statements are confiscated.

(*c*) It they prove that directors have fell below numbers.

(*d*) If they prove that members are not available.

32. Soya Limited was incorporated in 2014 and has its registered office in Noida. Company wants to call its 4th Annual General Meeting in Mumbai Whether it is possible?

(*a*) It is not possible as Annual General Meeting hos to be held in Noida:

(*b*) It is possible with consent of 50% members is received:

(*c*) It is possible if consent of 75% members is received:

(*d*) It is possible if consent of 100% members is received;

33. Due to the management disputes, Flow Writing Industries Limited could not hold its current Annual General Meeting by the latest due date. Even after lapse of the due date, it seemed rather impossible to convene the AGM. In such a grim situation, one option available was to approach National Company Law Tribunal (NCLT) and seek direction for the calling of AGM. Out of the following four options, which one is applicable in the given case:

(*a*) Any member of the company can make on application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.

(*b*) A member of the company holding at least 1% of the total paid-up share capital must make on application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.

(*c*) Minimum two members of the company holding of least 1% of the total paid-up share capital must make a joint application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.

(*d*) Minimum five members of the company holding at least 1% of the total paid-up share capital must make a joint application to the National Company Law Tribunal (NCLT) and seek direction for the calling of AGM.

34. If a company defaults in holding AGM, then the company and officer in default may be subject to a fine up to and for continuous offence, further fine up to

(*a*) INR 10 lakh; INR 1,000 per day
(*b*) INR 1 lakh; INR 1,000 per day
(*c*) INR 1 lakh; INR 5,000 per day
(*d*) INR 10 lakh; INR 5,000 per day

35. An extraordinary general meeting may be convened by

(*a*) Board resolution
(*b*) Requisitions
(*c*) Tribunal
(*d*) All of the above

36. The request to call an extraordinary general meeting may be given to Board by members holding of the paid-up share capital carrying voting rights

(*a*) One-fourth
(*b*) One-tenth
(*c*) One-third
(*d*) One-eighth

37. On the request of requisitions, the Board must proceed to call EGM within ___ days for the consideration of that matter on a day not later than __ days from the date of receipt of such requisition

(*a*) 30;60
(*b*) 21;90
(*c*) 30;90
(*d*) 21;45

38. The Board of Directors of Gama Ltd. did not call the Extra Ordinary General meeting within 21 days from the date of receipt of requisition from members, then the requisitions may themselves call a meeting within a period of from the date of requisition.

(*a*) 15 days
(*b*) 30 days
(*c*) 1 month
(*d*) 3 months

39. A section 8 company can call a general meeting by giving not less than clear _____ days' notice.

(*a*) 3
(*b*) 14
(*c*) 7
(*d*) 21

40. A company, other than section 8 company, can call its general meeting by giving not less than clear days' notice

(*a*) 3
(*b*) 14
(*c*) 7
(*d*) 21

41. ABC Limited wants to hold its AGM on 26 July, 2019. What should be the last date by which notice shall be sent by post so that the provisions of section 101 are not contravened

(*a*) 5th July, 2019
(*b*) 4th July, 2019
(*c*) 2nd July, 2019
(*d*) 1st July, 2019

42. An AGM may be called at a shorter notice if consent is given by

(*a*) Members holding 95% of the paid-up share capital
(*b*) 95% of the number of members
(*c*) Majority in number of members and having 95% of the paid-up share capital
(*d*) Majority of the number of members

43. In case of a company having share capital, an Extraordinary General Meeting may be called at a shorter notice if consent is given by

(*a*) Members holding 95% of the paid-up share capital
(*b*) 95% of the number of members
(*c*) Majority in number of members and having 95% of the paid-up share capital
(*d*) Majority of the number of members

44. In case notice of general meeting is given by post, it is presumed that the notice is received by members

(*a*) In normal course of post
(*b*) Within 24 hours of dispatch of notice
(*c*) Within 48 hours of dispatch of notice
(*d*) Within 36 hours of dispatch of notice

45. Annual general meeting needs to be called by giving 21 days clear notice. However, it can be called on a shorter notice if members entitled to vote in that meeting give their consent in writing or by electronic mode. In such case, how many members have to give their consents?

(*a*) 75% of members entitled
(*b*) 90% of members entitled
(*c*) 91% of members entitled
(*d*) 95% of members entitled

46. All the 40 members of Taxila Traders Limited have valid voting rights. Due to some urgency, its directors are desirous of convening Annual General Meeting (AGM) at a shorter notice than statutorily required. Is it possible for them to do so?

(*a*) Taxila Traders Limited cannot convene AGM- at shorter notice than statutorily required.
(*b*) Taxila Traders Limited can convene AGM at shorter notice than statutorily required, if consent in writing or by electronic mode is accorded by all the forty members who are entitled to vote at the AGM.
(*c*) Taxila Traders Limited can convene AGM at shorter notice than statutorily required if consent in writing or by electronic mode is accorded by at least 38 members who are entitled to vote at the AGM.
(*d*) Taxila Traders Limited can convene AGM at shorter notice than statutorily required if consent in writing or by electronic mode is accorded by at least 36 members who are entitled to vote at the AGM.

47. In Annual General Meeting, which one of the following will be treated as special business?

(*a*) declaration of any dividend
(*b*) fixing of the remuneration of the auditors
(*c*) appointment of directors in place of those retiring
(*d*) regularization of Director's Appointment

48. Unless articles provide for a larger quorum, the quorum of a general meeting for a private company is

(*a*) 2 members personally present
(*b*) 5 members personally present
(*c*) 15 members personally present
(*d*) 30 members personally present

49. In case of a public company having 5,000 members: quorum of a general meeting is

(*a*) 2 members personally present
(*b*) 5 members personally present
(*c*) 15 members personally present
(*d*) 30 members personally present

50. There are 5,400 members in Dicey Limited. The quorum for its AGM is

(*a*) 2 members personally present
(*b*) 5 members personally present
(*c*) 15 members personally present
(*d*) 30 members personally present

51. The Articles of Star Limited, having 10,000 members, provide that the quorum for its general meeting shall be 15 members personally present. How many members must be personally present in its AGM to convene the meeting

(*a*) 2
(*b*) 15
(*c*) 30
(*d*) 50

52. The quorum of a general meeting shall be

(*a*) present only at the start of the meeting
(*b*) present throughout the meeting
(*c*) present for only 30 minutes from the start of the meeting
(*d*) can be present anytime during the meeting

53. If AGM of XYZ Private Limited is adjourned for the want of quorum, then how many members will constitute quorum at the adjourned meeting

(*a*) 10
(*b*) 15
(*c*) Members personally present
(*d*) 30

54. Which of the following persons shall not be counted for the purpose of quorum?

(*a*) Member
(*b*) Legal representative of President of India, who is a member in the company
(*c*) Legal representative of a body corporate, which is a member in the company
(*d*) Proxy of members

55. Wide Infra Limited is a Company with 1350 members. Extra General Meeting of Wide Infra Limited was scheduled on 15thNovember, 2018 at 11am. On the day of meeting, 3 members were 11am were present at 10.45am. What number of members is required to fulfil quorum requirement?

(*a*) Additional 4 members before 11.30 am
(*b*) Additional 4 members before 11.15 am
(*c*) Additional 12 members before 11.30 am
(*d*) Additional 12 members before 11.15 am

56. The members of Matrix Limited requisitioned for calling Extra Ordinary General Meeting to consider some urgent matters. The same was called by the company. Meeting was scheduled on 31st August, 2018. However, required quorum was not present at the meeting. In this case, what Matrix Limited shall do?
(*a*) Matrix Limited shall adjourn the meeting to the same day in the next week at the same time and place.
(*b*) Matrix Limited shall adjourn the meeting to such other day at such other time and place.
(*c*) The meeting shall be cancelled.
(*d*) Matrix Limited shall proceed ahead with the available quorum.

57. A person can be appointed as proxy
(*a*) of only 1 member
(*b*) any number of members
(*c*) of maximum 200 members
(*d*) of maximum 50 members having an aggregate shareholding of up to 10% of total share capital

58. The proxy form must be deposited at least before the meeting
(*a*) 24 hours
(*b*) 48 hours
(*c*) 72 hours
(*d*) 36 hours

59. The AOA of a company provides that a member must deposit his proxy form at least 90 hours before the meeting. In this case, by when member can deposit his proxy form?
(*a*) 24 hours before the meeting
(*b*) 48 hours before the meeting
(*c*) 90 hours before the meeting
(*d*) After the meeting

60. For inspecting proxies, a member must give a notice of his intention at least _____ before the meeting.
(*a*) 24 hours
(*b*) 48 hours
(*c*) 3 days
(*d*) 7 days

61. The Annual General Meeting of ORT Limited was scheduled on 22, January 2022. Mr. A. shareholder of QRT Limited desires to inspect proxy forms lodged with the company. He requires to put notice in writing for inspection at least on or before
(*a*) 7th January 2022
(*b*) 22nd December 2021
(*c*) 15th January 2022
(*d*) 19th January 2022

62. After giving due notice, a member can inspect the proxy form during the period
(*a*) beginning 24 hours before the meeting
(*b*) beginning 48 hours before the meeting
(*c*) beginning with the start of the meeting
(*d*) beginning 24 hours before the conclusion of the meeting

63. The AGM of Pawan Limited was scheduled on 20th January 2019. Mr. Anant, shareholder of Pawan Limited desires to inspect proxy forms lodged with the company. He requires to put notice for inspection on or before

(*a*) 5th January 2019 (*b*) 13th January 2019

(*c*) 19th January 2019 (*d*) 17th January 2019

64. If a member has not paid his calls, company of restrict his voting rights

(*a*) after passing ordinary resolution

(*b*) after passing special resolution

(*c*) if proper authorization is there in articles

(*d*) compony can not restrict his voting rights at all

65. Which of the following companies are required provide E-voting facility to its members?

(*a*) Company which has listed its equity shares (*b*) Nidhi company

(*c*) Company having 900 members (*d*) All of the above

66. The remote e-voting facility shall be kept open for minimum

(*a*) 1 day (*b*) 2 days

(*c*) 3 days (*d*) 5 days

67. The remote e-voting facility shall conclude

(*a*) 72 hours before the meeting (*b*) with the start of the meeting

(*c*) 48 hours before the start of the meeting (*d*) at 5:00 pm one day before the meeting

68. The cut-off date for e-voting shall be within maximum _____ days before the date of General Meeting.

(*a*) 30 (*b*) 15

(*c*) 7 (*d*) 3

69. Member who has already voted in the remote e-voting

(*a*) Cannot attend the general meeting

(*b*) Can attend the general meeting but will not be counted in the quorum

(*c*) Can attend the general meeting and will also be counted in the quorum but cannot vote

(*d*) Can attend and vote at the meeting and his previous vote will be automatically revoked

70. In the current financial year Zunee Traders Limited, a non-listed company, has 556 members. increased from 451 members which it had in the immediate previous financial year. For the forthcoming Annual General Meeting (AGM). advise the company whether it is required to provide to its members the facility to exercise their right to vote at this AGM by electronic means.

(*a*) Since the company has more than 500 members it is required to provide to its members the facility to exercise their right to vote at the forthcoming AGM by electronic means.

(*b*) The company is not required to provide to its members the facility to exercise their right to vote at the forthcoming AGM by electronic means since its members are less than one thousand.

(*c*) Though the company is required to provide to its members the facility to exercise their right to vote at the forthcoming AGM by electronic means because it has more than 500 members, it can, as a one-time measure, seek exemption from ROC beforehand and in that case, it need not provide facility of voting by electronic means.

(*d*) Only a listed company is required to provide to its members the facility to exercise their right to vote at the General Meetings by electronic means.

71. In case of company having share capital, the poll may be demanded by

(*a*) Members holding at least one-tenth of the total voting power: or

(*b*) Members holding paid-up share capital of INR 5 lakh

(*c*) Either (*a*) or (*b*)

(*d*) Both (*a*) and (*b*)

72. A poll demanded by members shall be taken by Chairman

(*a*) forthwith

(*b*) within 24 hours

(*c*) within 48 hours

(*d*) before conclusion of the meeting

73. On which of the following matters, poll shall be taken forthwith

(*a*) appointment of CEO

(*b*) appointment of CFO

(*c*) appointment of chairman

(*d*) removal of auditor

74. The scrutinizer needs to submit his report on the poll within days from the date on which poll is taken

(*a*) 3 days

(*b*) 5 days

(*c*) 7 days

(*d*) 30 days

75. Which of the following companies are exempted from the requirement of postal ballot?

(*a*) OPC

(*b*) Private company having 150 members

(*c*) Public company having 200 members

(*d*) All of the above

76. Which of the following businesses need not be passed by way of postal ballot?

(*a*) Issue of shares with differential rights

(*b*) Buy-back of shares

(*c*) Alteration of objects clause

(*d*) Change of registered office within the local limits of the city, town or village

77. On a requisition in writing u/s111, a notice of array resolution which those members may intend to move shall be given by company at least before the meeting

(*a*) 2 weeks

(*b*) 4 weeks

(*c*) 6 weeks

(*d*) 8 weeks

78. A company has 200 members. Only 60 turned up in the general meeting, out of which only 50 participated in the voting process. Minimum how many members need to vote in favor to pass an ordinary resolution

(*a*) 51 (*b*) 41

(*c*) 25 (*d*) 26

79. A company has 1,200 members. Only 1000 turned up in the general meeting, out of which only 500 participated in the voting process. Minimum how many members need to vote in favor to pass a special resolution

(*a*) 750 (*b*) 675

(*c*) 375 (*d*) 376

80. Which of the following require ordinary resolution?

(*a*) To change name of the company (*b*) Alteration of AOA

(*c*) Reduction of share capital (*d*) To declare dividend

81. A resolution shall be special resolution when the votes cast in favor of the resolution by members are not less than the number of votes, if any. cast against the resolution

(*a*) twice (*b*) 3 times

(*c*) One-third (*d*) One-fourth

82. Supertech Computers Pvt. Ltd. has 120 members. It sends notice to all of them, 20 members did not attend the meeting. Out of remaining 100 members, 20 members abstained from voting Advice the company, how many members should vote in favour of resolution, if it has to be passed as a Special Resolution?

(*a*) 60 votes (*b*) 80 votes

(*c*) 41 votes (*d*) 20 votes

83. Resolution requiring special notice is required

(*a*) For appointment of a person other than the retiring auditor as auditor at the AGM

(*b*) For removing a director before the expiry of the period of his office

(*c*) For both (*a*) and (*b*)

(*d*) For none of the above

84. A special notice u/s115 need to be given by members holding not less than

(*a*) 1% of the total voting power (*b*) 5% of the total voting power

(*c*) 10% of the total voting power (*d*) 15% of the total voting power

85. Special notice must be given by members at least _____days before the general meeting and the company need to circulate it to all the members at least _____days before the meeting.

(*a*) 45, 21 (*b*) 30, 21

(*c*) 21, 14 (*d*) 14, 7

86. Notice of a meeting was sent on 1st April, 2018 to pass a resolution for issuing bonus shares for a meeting scheduled on April 30, 2018. The meeting however was adjourned to May 7, 2018 and then again to May 14, 2018, where the resolution was finally passed. What shall be deemed to be the date of passing of this resolution.

(*a*) April 1, 2018 (*b*) April 30, 2018

(*c*) May 7, 2018 (*d*) May 14, 2018

87. A copy of every special resolution is required to be filed with Registrar in Form_____ within _____ days of the passing of the resolution

(*a*) MGT-9; 30 (*b*) MGT-9;60

(*c*) MGT-14; 30 (*d*) MGT-14;60

88. Minutes of every meeting are required to be prepared within days of conclusion of the meeting

(*a*) 10 (*b*) 15

(*c*) 30 (*d*) 60

89. _____ shall have absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes.

(*a*) Directors (*b*) Chairman

(*c*) Managing Director (*d*) Manager

90. The minutes of a Board meeting shall be signed by

(*a*) Chairman of the said meeting (*b*) Chairman of the next succeeding meeting

(*c*) Either (*a*) or (*b*) (*d*) Managing Director

91. If the Chairman of a general meeting dies, the minutes of the general meeting can be signed by

(*a*) Chairman of the next general meeting (*b*) Chairman of the next board meeting

(*c*) Director duly authorised by the Board (*d*) Manager

92. The minutes of a general meeting shall be preserved

(*a*) for 7 years (*b*) for 8 years

(*c*) for 15 years (*d*) permanently

93. Minutes book shall be open for inspection during business hours for not less than in each business day

(*a*) 3 hours (*b*) 2 hours

(*c*) 5 hours (*d*) 10 hours

94. The minute book of General meetings of Alpha Limited will be kept at:

(*a*) That place where members of Alpha Limited will decide.

(*b*) That place where all employees of Alpha Limited will decide.

(*c*) Registered office of the company Alpha Limited.

(*d*) That place where senior officials of Alpha Limited will decide.

95. On request of any member, a copy of minutes book shall be furnished to member within days

(*a*) 10 (*b*) 9

(*c*) 3 (*d*) 7

96. Every listed company shall file with the Registrar a copy of the report on each annual general meeting within _____ of the conclusion of the AGM.

(*a*) 7 days (*b*) 30 days

(*c*) 3 months (*d*) 90 days

97. The Annual General Meeting of Yellow Limited was held on 25th June 2022. According to the provisions of Companies Act, 2013, till what date the company should submit report on AGM to the registrar?

(*a*) 30.06 .2022 (*b*) 10.07 .2022

(*c*) 24.07.2022 (*d*) 25.07.2022

98. The Annual General Meeting (AGM) of Green Limited was held on 31.8.2022. Suppose the Chairman of the company after two days of AGM went abroad for next 31 days. Due to the unavailability of the Chairman, within time period prescribed for submission of copy of report of AGM with the registrar, the report as required was signed by two Directors of the company, of which one was additional Director of the company. Comment on the signing of this report of AGM.

(*a*) Yes, the signing is in order as the report can be signed by any director in the absence of Chairman.

(*b*) No, the signing is not in order as only the Chairman is authorised to sign the report.

(*c*) Yes, the signing is in order, as in the absence of Chairman at least two directors should sign the report.

(*d*) No, the signing is not in order, since in case the Chairman is unable to sign, the report shall be signed by any two directors of the company, one of whom shall be the Managing director, if there is one and company secretary of the company.

Answer Key

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

CHAPTER 8

Declaration and Payment of Dividend

MULTIPLE CHOICE QUESTIONS

1. When the dividend is declared at the Annual General Meeting of the company, it is known as

(*a*) Final Dividend
(*b*) Interim Dividend
(*c*) Dividend on preference shares
(*d*) Scrip Dividend

2. Dividend can be declared out of -

(*a*) Capital reserve
(*b*) Revaluation reserve
(*c*) Debenture Redemption Reserve
(*d*) Earlier year's reserve brought forward

3. Amount to be transferred to reserves out of profits before any declaration of dividend is

(*a*) 5%
(*b*) 7.5%
(*c*) 10%
(*d*) at the discretion of the company

4. Guri Mechanics Limited owns a plot of land which was purchased long before. As the property rates are going up, it is decided to revalue the plot at fair value which is moderately ten times the original price, thus resulting in a revaluation profit of ₹ 20,00,000. The Board of Directors is keen to utilize ₹ 20,00,000 along with free reserves of ₹ 24,00,000 for declaration of dividend at the forthcoming Annual General Meeting (AGM) to be held on 28th September, 2019. Advise the company.

(*a*) ₹ 20,00,000 are to be excluded from the distributable profits as the same cannot be utilized towards declaration of dividend.
(*b*) Only 25% of ₹ 20,00,000 can be utilized as distributable profits towards declaration of dividend.
(*c*) Up to 50% of ₹ 20,00,000 can be utilized as distributable profits towards declaration of dividend.
(*d*) Up to 60% of ₹ 20,00,000 can be utilized as distributable profits towards declaration of dividend.

5. The interim dividend in a public company is declared by the -

(*a*) Board of Directors
(*b*) Shareholders in the AGM
(*c*) Company Secretary
(*d*) Chief Financial Officer

6. In how many days from the declaration, interim dividend shall be deposited in separate bank account?

(*a*) 5 (*b*) 7

(*c*) 15 (*d*) 21

7. The Board of Directors of Mitali Ltd. declared interim dividend on 10th April 2019. The Directors have to deposit the amount of interim dividend in a scheduled bank in a separate bank account on or before

(*a*) 25th April 2019 (*b*) 15th April 2019

(*c*) 10th May 2019 (*d*) 18th April 2019

8. The authorised and paid-up share capital of Ananya Ayurvedic Products Limited is ₹ 50.00 lacs divided into 5,00,000 equity shares of ₹ 10 each. At its Annual General Meeting (AGM) held on 24th September, 2019, the company declared a dividend of ₹ 2 per share by passing an ordinary resolution. Mention the latest date by which the amount of dividend must be deposited in a separate account maintained with a scheduled bank

(*a*) Latest by 29th September, 2019 (*b*) Latest by 4th October, 2019

(*c*) Latest by 9th October, 2019 (*d*) Latest by 24th October, 2019

9. The Board of Directors of Jio Rise Pharmaceuticals Limited are contemplating to declare interim dividend in the last week of July. 2018 but the company has incurred loss during the current financial year up to the end of June, 2018. However, it is noted that during the previous five financial years i.e., 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18, the company had declared dividend at the rate of 8%,9%,12%,11% and 10% respectively. Advise the Board as to the maximum rate at which they can declare interim dividend despite incurring loss during the current financial year.

(*a*) Maximum at the rate of 10%. (*b*) Maximum at the rate of 11%.

(*c*) Maximum at the rate of 10.5%. (*d*) Maximum at the rate of 11.5%.

10. After declaration, dividend shall be paid within

(*a*) 14 days (*b*) 21 days

(*c*) 30 days (*d*) 45 days

11. Where dividend is not paid within 30 days, it shall be transferred to Unpaid dividend account within.

(*a*) 5 days (*b*) 7 days

(*c*) 21 days (*d*) 30 days

12. In case of delay in transferring the amount to unpaid dividend account, company shall pay interest on such amount at

(*a*) 8% (*b*) 10%

(*c*) 12% (*d*) 18%

13. XYZ Ltd declared 12% dividend to its Equity Shareholders. However, Company missed to transfer unpaid dividend to bank account even after 40 days from declaration of Dividend, In such case how much interest will be payable?

(*a*) 8% p.a. (*b*) 16% p.a.

(*c*) 10% p.a. (*d*) 12% p.a.

14. In how many years the amount of unpaid dividend account should be transferred to IEPF?

(*a*) 3 years (*b*) 5 years

(*c*) 7 years (*d*) 10 years

15. Which of the following is not credited to IEPF account?

(*a*) Unpaid dividend account (*b*) Matured deposits with company

(*c*) Profit on sale of asset (*d*) Matured debentures with company

16. Sunita Healthcare and Hospitality Limited had issued 9% non-convertible debentures which matured four years back. However, 1000 such debentures of ₹100 each are still remaining unclaimed and unpaid even after the maturity. State the period after which the company needs to transfer them to Investor Education and Protection Fund (IEPF) if they remain unclaimed and unpaid.

(*a*) After the expiry of five years from the maturity date.

(*b*) After the expiry of six years from the maturity date.

(*c*) After the expiry of seven years from the maturity date.

(*d*) After the expiry of eight years from the maturity date.

17. The amount accumulated in the IEPF shall not be used for

(*a*) refunds in respect of unclaimed dividends. matured deposits, mature debentures, application money due for refund and interest thereon,

(*b*) reimbursement of legal expenses incurred in pursuing class action suits under Section 37 and 245.

(*c*) grants or donation to the Central Government for the purpose of investor's education and training.

(*d*) distribution of any disgorged amount among eligible and identifiable applicants who have suffered losses.

18. Mr. X is a shareholder of Russian Cycle Pvt Ltd. He transferred his shares to his daughter Ms. D in the month of February. Registration of such instrument of transfer is still pending by the Company. In this scenario, Companies Act, 2013 state certain provisions which have to be kept in mind by the Company. Which provision mentioned below in this regard is correct?

(*a*) Company has to transfer the dividend in relation to such shares to the Unpaid Dividend Account

(*b*) Company has to transfer the dividend in relation to such shares in the name of transferee

(*c*) Company has to issue fully paid-up bonus shares in the name of transferor

(*d*) Company has to issue fully paid-up bonus shares in the name of transferee

19. The Directors of Golden tongue Solutions Limited proposed dividend at 18% on equity shares for the financial year 2018-2019. The same was approved in the Annual general body meeting held on 30th September 2019. The Directors declared the approved dividends. Mr. Jagan was the holder of 2000 equity of shares on 31st March, 2019. but he transferred the shares to Mr. Rajiv on 8th August 2019. Mr. Rajiv has sent the shares together with the instrument of transfer to the company for registration of the shares in his favour only on 25th September 2019. The registration of the transfer of shares is pending on 30th September 2019 . With respect to the dividend declared the correct action to be taken by the company is:

(*a*) Pay the dividend to Mr. Jagan

(*b*) Pay the dividend to Mr. Rajiv

(*c*) Transfer the dividend in relation to such shares to the Unpaid Dividend Account

(*d*) Transfer the dividend in relation to such shares to the Investor Education and Protection Fund.

20. Dividend once declared, should be paid within ___ days from the date of declaration.

(*a*) 14 days (*b*) 21 days

(*c*) 30 days (*d*) 45 days

21. If declared dividend has not been paid or the warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the company shall also be liable to pay simple interest at the rate of p.a. during the period for which such default continues.

(*a*) 5% (*b*) 6%

(*c*) 15% (*d*) 18%

Answer Key

1. (*a*)	**2.** (*d*)	**3.** (*d*)	**4.** (*a*)	**5.** (*a*)	**6.** (*a*)	**7.** (*b*)	**8.** (*a*)	**9.** (*b*)	**10.** (*c*)
11. (*b*)	**12.** (*c*)	**13.** (*d*)	**14.** (*c*)	**15.** (*c*)	**16.** (*c*)	**17.** (*c*)	**18.** (*a*)	**19.** (*c*)	**20.** (*c*)
21. (*d*)									

9 Accounts of Companies

CHAPTER

MULTIPLE CHOICE QUESTIONS

1. The books of accounts of every company shall be maintained in order for

(*a*) 3 years (*b*) 5 years

(*c*) 8 years (*d*) 10 years

2. A company can keep its books of accounts at any place in India other then its registered office only after giving the Registrar a notice within

(*a*) 5 days (*b*) 7 Days

(*c*) 15 Days (*d*) 30 Days

3. XYZ Ltd, a pharmaceutical company was having its manufacturing plant in Solan, Himachal Pradesh. The address of its registered office as informed to the Registrar of Companies was of one of its Director's office, situated at Mumbai, Maharashtra. To comply with the provisions of the Companies Act, 2013 it was keeping all its books of accounts, other relevant papers and financial statements at its registered office. After sometime Directors of the company found it difficult to maintain such books etc. at the registered office, so in a duly convened meeting of the Board of the Directors, it was decided that the books of accounts and other relevant papers be kept at the office situated in Solan. Within which time period the Registrar must be given notice about such decision of the board -

(*a*) Within 30 days from the date of taking such decision by the board.

(*b*) Within 15 days from the date it starts maintaining its books of accounts at the office situated at Solan.

(*c*) Within 30 days from the date it starts maintaining its books of accounts at the office situated at Solan,

(*d*) Within 7 days from the date of taking such decision by the board.

4. Ganesh Company Ltd, a public company incorporated under the Companies Act, 2013 has Mr. Jay - Director, Mr. Sagar - Independent Director, Mr. Abhishek - Nominee Director and Mr. Yash - Whole time director. Mr. Abhishek wants to inspect the books of accounts of Shankar Company Limited, the subsidiary of Ganesh Company Limited. You are required to state whether Mr. Abhishek is eligible to inspect the books of accounts of Ganesh Company Limited?

(*a*) Yes, Mr. Abhishek can inspect the books of accounts of Shankar Company limited only on authorization of the public financial institution on whose behalf he has been so appointed in the board of the Ganesh Company Ltd.

(*b*) No. Mr. Abhishek being a nominee director can only inspect the books of accounts of Ganesh Company Ltd and not its subsidiary company.

(*c*) Yes, Mr. Abhishek can inspect the books of accounts of Shankar Company limited only on authorization by way of resolution of the board of directors.

(*d*) Yes, Mr. Abhishek can inspect the books of accounts of Shankar Company limited only on authorization by way of resolution of the members holding not less than 25% of the paid-up share capital of the company.

5. ABC Limited dealing in Fast Moving Consumable Goods (FMCG) has its registered office at Mumbai. The composition of Board of Directors and Key Managerial Personnel are :

Mr. P (Managing Director), Mr. Q (Director), Mr. R (Director). Mr. S (Nominee Director), Mr. V (Chief Financial Officer). Mr. W (Whole time Company secretary).

If any compliance relating to Maintenance and keeping of Books of accounts of Companies Act. 2013, is not followed by the company then penalty for contravention will be imposed on the following persons –

(*a*) Mr. P & Mr. V

(*b*) Mr. P. Mr. Q, Mr. R and Mr. S

(*c*) Mr. P. Mr. S, Mr. V and Mr. W

(*d*) Mr. P. Mr. Q, Mr. R, Mr. S, Mr. V & Mr. W

6. Which of the following company is mandatorily required to prepare cash flow statement?

(*a*) OPC

(*b*) Small company

(*c*) Dormant company

(*d*) Nidhi company

7. The financial statements of a One Person Company (OPC) include all of the following documents, except

(*a*) Balance Sheet

(*b*) Profit and Loss statement

(*c*) Cash flow statement

(*d*) Statement of changes in equity

8. The financial statement in relation to a dormant company may not include:

(*a*) balance sheet

(*b*) cash flow statement

(*c*) applicable explanatory note

(*d*) profit and loss account

9. Financial statements of a company are prepared as per

(*a*) Schedule I

(*b*) Schedule II

(*c*) Schedule III

(*d*) Schedule IV

10. On application of Central Government. Tribunal may order to re-open books of accounts of a company for maximum

(*a*) 3 years

(*b*) 5 years

(*c*) 8 years

(*d*) 10 years

11. ABC Limited has its shares listed on a recognized stock exchange in India. During the current financial year ending on 31st March 2021, the securities and exchange board of Indic (SEBI) has found some irregularities in the filings made by the company. Accordingly. SEBI proposes to make an application to the Tribunal for reopening of the books of accounts of the Company. You, as at expert, are called upon by SEBI to advise with which last financial year for reopening of books of accounts an application can be made?

(*a*) 2016-2017 (*b*) 2014-2015

(*c*) 2011-2012 (*d*) 2012-2013

12. Which one of the following person/authorities cannot make an application to Court/NCLT to reopen the books of accounts and financial statements of the Company?

(*a*) Central Government (*b*) Shareholder

(*c*) Income tax authorities (*d*) Securities and Exchange Board of India

13. A company may apply to Tribunal for voluntary revision of accounts for a period not exceeding

(*a*) 1 year (*b*) 2 years

(*c*) 3 years (*d*) 8 years

14. The Chairperson and members of National Financial Reporting Authority shall not be associated with any audit firm during the course of their appointment and _____ year(s) after ceasing to hold such appointment

(*a*) 1 (*b*) 2

(*c*) 3 (*d*) 8

15. The Board of Directors of M/s ABC Limited approved the financial statement for the year ended 31st March 2019 at their meeting. The Company has a Managing Director. Chief Financial Officer, Company Secretary and Four Other Directors. The financial statement shall be signed on behalf of Board by

(*a*) The Company Secretary and Managing Director

(*b*) Any two directors

(*c*) The Managing Director and another Director

(*d*) The Chief Financial Officer, Company Secretary. Managing Director and any one director

16. CSR Committees of the Board shall consist of

(*a*) Directors forming 1/3rd of the total number of directors

(*b*) Atleast 2 directors out of which 1 shall be independent

(*c*) 3 or more directors out of which one shall be managing director

(*d*) 3 or more directors, out of which atleast 1 director shall be independent

17. Provisions of CSR are applicable to

(*a*) Companies with Net worth of 500 crore or more

(*b*) Companies with Turnover of 1000 crore or more

(*c*) Companies with Net Profit of 5 crore or more

(*d*) All of the above

18. Where the amount to be spent by a company on CSR does not exceed , the requirement of CSR Committee shall not be applicable and the functions of such committee shall be discharged by the Board of Directors

(*a*) INR 10 lakh

(*b*) INR 50 lakh

(*c*) INR 2 crore

(*d*) There is no such provision and a company covered under CSR is always required to appoint a CSR Committee

19. Every company covered under CSR provisions must spend on CSR

(*a*) 1% of average net profits of past 3 years

(*b*) 2% of average net profits of past 3 years

(*c*) 3% of average net profits of past 3 years

(*d*) 5% of average net profits of past 3 years

20. While computing net profits for the purpose of CSR, which of the following should be excluded?

(*a*) Profits from USA branch

(*b*) Profits from Pakistan branch

(*c*) Dividend received from a company covered under CSR

(*d*) All of the above

21. From the following information in respect of company XYZ Ltd. Compute the amount the company is required to spend on account of Corporate Social Responsibility

Financial year	**Net profit (₹ cr.)**
2014-15	30
2015-16	22
2016-17	27

(*a*) 26 Crore

(*b*) 52 Lacs

(*c*) 55 Lacs

(*d*) 26 Lacs

22. Compute the minimum amount the company (ABC Limited) is required to spend on account of Corporate Social Responsibility in financial year 2022-23, if during the financial years 2019-20, 2020-21 and 2021-22 net profits are ₹30 Crores, ₹ 25 crores and ₹32 crores respectively

(*a*) ₹ 87 lakhs

(*b*) 1.45 crores

(*c*) 1.64 crores

(*d*) ₹ 58 lakhs

23. Kaddu limited is a public company having a net. worth of ₹ 950 crores, turnover of 200 crores (the company is just 5 years since the date of its incorporation) during the immediately preceding financial year, has to constitute a Corporate Social Responsibility (CSR) Committee, It has, Directors (A, B, C, D, E, F, G, H and I). Further Mr. F,G,H and I are independent directors O, of the following statements which statement is correct

(*a*) CSR committee may constitute of A, B and C

(*b*) CSR committee may constitute of A, B and D

(*c*) CSR committee may constitute of A, F and G

(*d*) There is no need to constitute a CSR committed es the turnover is just 200 crores during the immediately preceding financial year

24. Bablu limited is a public company having a net worth of ₹ 950 crores. The company is covered under the provisions of Corporate Social Responsibility. However, for FY 2020-21, the Board have failed to spend the requisite amount.

Now as per the provisions of Companies Act, 2013; what corrective action does Board needs to take to avoid any penal consequences.

(*a*) CSR is a voluntary activity and there are no penal consequences for not spending the requisite amount on CSR.

(*b*) The Board only needs to specify in the Board's report, the reasons for not spending the amount

(*c*) The Board needs to specify in the Board's report, the reasons for not spending the amount and transfer the unspent amount to a fund specified in Schedule VII, within a period of 6 months of the expiry of the financial year.

(*d*) The Board needs to specify in the Board's report. the reasons for not spending the amount and transfer the unspent amount to Investors Education and Protection Fund, within a period of 6 months of the expiry of the financial year.

25. Under the provisions of Companies Act, 2013, for the purpose of CSR, "ongoing project" means a multi-year project undertaken by a Company in fulfilment of its CSR obligation having timelines not exceeding excluding the financial year in which it was commenced

(*a*) 2 years (*b*) 3 years

(*c*) 5 years (*d*) 8 years

26. Any unspent amount of CSR during a financial year pursuant to an ongoing project, undertaken by the company in pursuance of its CSR Policy, shall be transferred by the company within a period of from the end of the financial year to an Unspent CSR Account

(*a*) 30 days (*b*) 60 days

(*c*) 90 days (*d*) 6 months

27. As per the provisions of Corporate Social Responsibility, a company is allowed to spend a maximum upto of its total CSR expenditure of the company for the financial year on administrative overheads

(*a*) 2% (*b*) 3%

(*c*) 5% (*d*) 10%

28. In the immediately preceding financial year, Jassi Limited was having a turnover of INR 1,050 crore. Accordingly, during the current financial year 2021-22; Jassi Limited spent 3% of its average net profits on CSR during FY 202122. The company later came to know that as per law, they were only required to spend 2% of its average net profits on CSR. The company wants to know if it can set-off the excess expenditure against the CSR obligations of future years. Choose the correct statement.

(*a*) No, there is no provision of set-off of such excess expenditure

(*b*) Yes, the company can set-off the excess expenditure against the CSR obligation of immediate next financial year only

(*c*) Yes, the company can set-off the excess expenditure against the CSR obligation of immediate succeeding 3 financial years

(*d*) Yes, the company can set-off the excess expenditure against the CSR obligation of immediate succeeding 8 financial year

29. As per the provisions of the Companies Act, 2013, which of the following statement is correct with respect to the surplus arising out of the CSR activities:

(*a*) The surplus cannot exceed five percent of total CSR expenditure of the company for the financial year.

(*b*) The surplus shall not form part of the business profit of a company

(*c*) The surplus cannot exceed 10 percent of total CSR expenditure of the company for the financial year.

(*d*) The surplus shall form part of the business profit of a company

30. Which of the following companies shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of INR 1 crore or more

(*a*) Every company covered under the provisions of CSR under section 135 of The Act

(*b*) Every company having CSR obligation of INR 10 crore or more in the immediately preceding financial year

(*c*) Every company having CSR obligation of INR 10 crore or more in any of the immediately preceding 3 financial years

(*d*) Every company having average CSR obligation of INR 10 crore or more in the immediately preceding 3 financial years

31. The audited financial statements must be circulated to members at least days before

(*a*) 10 (*b*) 21

(*c*) 30 (*d*) 60

32. In case of a company limited by shares, financial statements can be circulated to members at: shorter period if approval is granted by

(*a*) 95% of members

(*b*) Members having 95% of the paid-up share capital

(*c*) Majority of the members

(*d*) Majority in number of members and which hove 95% of the paid-up share capital

33. In case of a company not having share capital financial statements can be circulated to members at a shorter period if approval is granted by

(*a*) 95% of members

(*b*) Members having 95% of total voting power

(*c*) Majority of the members

(*d*) Majority in number of members and which have 95% of total voting power

34. A copy of the financial statements, including consolidated financial statements, if any, auditor's report and every other document required by low to be annexed or attached to the financial statements, which are to be laid before the company in its general meeting shall be sent to not less than 21 days before the date of the meeting

(*a*) every member of the company, to every director of the company, to every debenture holder of the company, to every trustee for the debenture holder of any debentures issued by the company. and to all persons other than such member or trustee, being the person so entitled:

(*b*) every member of the company, to every director of the company, to every trustee for the debenture-holder of any debentures issued by the company, and to all persons other than such member or trustee, being the person so entitled:

(*c*) every member of the company, to every trustee for the debenture-holder of any debentures issued by the company, and to all persons other than such member or trustee, being the person so entitled;

(*d*) every member of the company, to every debenture holder of the company, to every trustee for the debenture-holder of any debentures issued by the company, and to all persons other than such member or trustee, being the person so entitled;

35. The financial statements must be filed with Registrar within _____ days they are adopted.

(*a*) 15 (*b*) 30

(*c*) 60 (*d*) 90

36. OPC shall file a copy of the duly adopted financial statements to registrar in

(*a*) 30 days of the date of meeting in which it was adopted

(*b*) 90 days of the date of meeting in which it was adopted

(*c*) 90 days from the closure of the financial statements

(*d*) 180 days from the closure of the financial statements

37. Who can be appointed as an internal auditor?

(*a*) Chartered accountant (*b*) Cost accountant

(*c*) Any other professional (*d*) All of the above

38. Karm Ltd, is a listed company. It has a paid-up capital INR 40 crore and turnover of INR 100 crore. Decide whether the company needs to comply with internal audit requirement under the provisions of Companies Act, 2013

(*a*) No, the provisions of internal audit are not applicable to listed companies

(*b*) No, because the company has the paid-up capital of INR 40 crore only

(*c*) No, the turnover is less than INR 200 crore

(*d*) Yes, because the provisions of Internal audit are applicable to every listed company

39. Flawless Steel Ltd is a listed company. The company is in the business of manufacturing of steel and had its head office at Karnataka. The company's operations are spread out across India. The company appointed a firm of Chartered Accountants, N& Co LLP, as its internal auditors for the year ended 31 March 2019. However, for the financial year 2019-20, the company is planning to have an in-house internal audit system commensurate with its size and operations. If the company does that then it is planning not to continue with N& Co LLP as its internal auditors. Please advise.

(*a*) The company being listed needs to have a firm of CA as its internal auditors and hence the company needs to continue with N& Co LLP or appoint some other firm.

(*b*) The company being listed needs to have a firm of CA as its internal auditors and hence the company needs to continue with N& Co LLP or may appoint some other consultant which may not be a firm.

(*c*) The company being listed should not change its internal audit process within a year and hence should continue with N& Co LLP.

(*d*) If the internal audit function of the company is fine as per its size and operations then it may decide not to continue with N& Co LLP.

40. MajnuBhai Art Private Limited, has a paid-up capital of ₹ 50 crore, turnover of ₹ 25 crore and borrowing of ₹ 25 crore and outstanding deposits of ₹ 30 crore. Decide if the Company needs to comply with internal audit requirements under the Act?

(*a*) No. The provisions of Internal audit are not applicable on private companies.

(*b*) Yes. Company is having Paid up capital of ₹ 50 Crore and outstanding deposits more than ₹ 25 crore.

(*c*) No. Because the borrowings are less than ₹ 100 crore and Turnover is less than ₹ 200 crore.

(*d*) None of the above

Answer Key

1. (*c*)	**2.** (*b*)	**3.** (*d*)	**4.** (*c*)	**5.** (*a*)	**6.** (*d*)	**7.** (*c*)	**8.** (*b*)	**9.** (*c*)	**10.** (*c*)
11. (*d*)	**12.** (*b*)	**13.** (*c*)	**14.** (*b*)	**15.** (*d*)	**16.** (*d*)	**17.** (*d*)	**18.** (*b*)	**19.** (*b*)	**20.** (*d*)
21. (*b*)	**22.** (*d*)	**23.** (*c*)	**24.** (*c*)	**25.** (*b*)	**26.** (*a*)	**27.** (*c*)	**28.** (*c*)	**29.** (*b*)	**30.** (*d*)
31. (*b*)	**32.** (*d*)	**33.** (*b*)	**34.** (*c*)	**35.** (*b*)	**36.** (*d*)	**37.** (*d*)	**38.** (*d*)	**39.** (*d*)	**40.** (*c*)

10 CHAPTER

Audit and Auditors

MULTIPLE CHOICE QUESTIONS

1. After registration of company, first auditor of Company shall be appointed within
(*a*) 30 days
(*b*) 90 days
(*c*) 180 days
(*d*) 1 year

2. The auditor of a government company shall be appointed or re-appointed by
(*a*) The Central Government
(*b*) Comptroller and Auditor General of India
(*c*) Central Government on the advice of Comptroller and Auditor General of India
(*d*) None of the above

3. Every company shall, at the first annual general meeting, appoint an individual or a firm as an auditor who shall hold office from the conclusion of that meeting till the conclusion of its:
(*a*) Fifth annual general meeting
(*b*) Fourth annual general meeting
(*c*) Sixth annual general meeting
(*d*) Eight annual general meeting

4. Appointment of auditor shall be ratified at every Annual general meeting by
(*a*) Board of Directors
(*b*) Ordinary resolution
(*c*) Special resolution
(*d*) There is no requirement of ratification

5. The word 'firm' for the purpose of Section 139 shall include-
(*a*) An individual auditor
(*b*) A LLP
(*c*) An individual auditor and LLP both
(*d*) A company

6. The requirement of rotation of auditor is applicable to which of the following companies
(*a*) Listed company
(*b*) Public company having a paid-up capital of INR 1 crore
(*c*) Private company having a paid-up capital of INR 1 crore
(*d*) All of the above

7. For an individual auditor or firm which has completed its term, there is a cooling-off period of
(*a*) 2 years
(*b*) 3 years
(*c*) 4 years
(*d*) 5 years

8. XYZ Limited, a listed company can appoint or re-appoint, Mishra & Associates (a firm of Chartered Accountants), as their statutory auditors for:

(*a*) One year only

(*b*) One term of 3 consecutive years only

(*c*) One term of 4 consecutive years only

(*d*) Two terms of 5 consecutive years

9. In a government company, the auditor shall be appointed within

(*a*) 30 days from AGM

(*b*) 60 days from AGM

(*c*) 90 days from commencement of the financial year

(*d*) 180 days from commencement of the financial year

10. The first auditor of a government company shall be appointed by

- CAG within days from incorporation:
- on failure of CAG, by Board within next _____days: and
- on failure of Board by members within next _____days.

(*a*) 30;30;60

(*b*) 30;60;30

(*c*) 60;30;60

(*d*) 30;60;90

11. The first auditor of a company (other than government company) shall be appointed by Board within _____days of incorporation and on failure of Board, by members within next _____days.

(*a*) 15,30

(*b*) 30,45

(*c*) 15,60

(*d*) 30,90

12. In case of company other than government company, the casual vacancy in the office of auditor shall be filled by within days of casual vacancy.

(*a*) Board: 30

(*b*) Ordinary resolution: 60

(*c*) Special resolution: 30

(*d*) Board: 60

13. ABC Ltd appointed XPP & Co LLP as their statutory auditors for the year ended 31 March 2018 on 18 June 2018, as per Section 139(8) of the Companies Act 2013, to fill the casual vacancy caused by resignation of previous statutory auditors to hold office till the conclusion of next Annual General Meeting of ABC Ltd. ABC Ltd is listed with Bombay Stock Exchange and National Stock Exchange. ABC Ltd is covered under auditors rotation requirements and wants to re-appoint XPP & Co LLP at their next AGM. Please advise.

(*a*) XPP & Co LLP can be re-appointed for a term of five consecutive years at the AGM and after that can be considered for re-appointment for another five consecutive years.

(*b*) XPP & Co LLP can be re-appointed for a term of four consecutive years at the AGM and after that can be considered for re- appointment for another five consecutive years.

(*c*) XPP & Co LLP can be re-appointed for a term of five consecutive years at the AGM.

(*d*) XPP & Co LLP cannot be re-appointed at the AGM

14. ABC Limited is a small company as defined in the Companies Act, 2013. Mr. X was appointed as the statutory auditor of ABC Limited for the finance year 2019-20. What is the maximum tenure allowed to Mr. X to continue to hold the appointment of statutory auditor of ABC Limited as per the section 139 of the Companies Act, 2013?

(*a*) One term of 5 years
(*b*) Two terms of 5 years each
(*c*) Three terms of 5 years each
(*d*) Any term without limit

15. Mr. Gogo is a Statutory Auditor of OKS Limited, a listed company. Mr. Gogo died in a road accident. The vacancy in the officer of the auditor within days shall be filled in by the Board

(*a*) 45 days
(*b*) 60 days
(*c*) 90 days
(*d*) 30 days

16. The removal of an auditor requires previous approval of

(*a*) Central Government
(*b*) NCLT
(*c*) Registrar of companies
(*d*) High Court

17. Once the approval of Central Government is granted, an auditor can be removed by passing

(*a*) Ordinary resolution
(*b*) Special resolution
(*c*) Special resolution after receipt of special notice
(*d*) Ordinary resolution after receipt of special notice

18. The auditors of a company can be removed by

(*a*) Board of Directors of company
(*b*) Audit committee
(*c*) Company in general meeting by ordinary resolution & previous approval of Central Government
(*d*) Company in general meeting by special resolution & previous approval of Central Government

19. For appointing an auditor other than retiring auditor

(*a*) Special notice is required
(*b*) Ordinary notice is required
(*c*) Neither ordinary nor special notice is required
(*d*) Approval of Central Government is required

20. A special notice is required in which of the following cases

(*a*) Removal of auditor
(*b*) Appointment of auditor in place of retiring auditor which has completed its term u/s 139(2)
(*c*) Appointment of auditor in place of retiring auditor who is retiring for reasons other than 139(2)
(*d*) All of the above

21. If the right to make representation u/s140 is abused by retiring auditor, on order of _____ the representation need not be sent or read out

(*a*) NCLT
(*b*) Central Government
(*c*) High Court
(*d*) Registrar of companies

22. If an auditor is changed by the Tribunal u/s140 that auditor shall not be eligible to be appointed as auditor of any company for

(*a*) 2 years
(*b*) 5 years
(*c*) 10 years
(*d*) 15 years

23. A relative of the auditor may hold securities of the company of

(*a*) Face value ≤ INR 1 lakh
(*b*) Face value ≤ INR 5 lakh
(*c*) Issue price ≤ INR 1 lakh
(*d*) Issue price ≤ INR 5 lakh

24. A Chartered Accountant is not eligible for appointment as an auditor of a company when his relative holds securities in the Company of

(*a*) Market Value not exceeding ₹ 1 Lakh
(*b*) Book Value not exceeding ₹ 1 Lakh
(*c*) Face Value not exceeding ₹ 1 Lakh
(*d*) Face Value not exceeding ₹ 5 Lakhs

25. A person can be appointed as an auditor of a company if he is indebted to that company for a maximum up to

(*a*) NIL
(*b*) INR 50,000
(*c*) INR 5,00,000
(*d*) INR 10,00,000

26. The partner of the auditor can give guarantee to the company only up to

(*a*) INR 10,000
(*b*) INR 1 lakh
(*c*) INR 1 lakh
(*d*) INR 10 lakhs

27. As per Section 141, a partner of a firm can hold appointment as auditor of maximum companies at any given point of time

(*a*) 10
(*b*) 15
(*c*) 20
(*d*) 30

28. A person is an auditor of 2 OPCs, 1 small company and 4 private companies (all private companies having paid-up capital of INR 50 crore). Now the auditor can be appointed as auditor of further companies.

(*a*) 13
(*b*) 15
(*c*) 16
(*d*) 20

29. A person is an auditor of 3 dormant companies: 2 small companies and 3 Section 8 companies. He can further hold appointment as auditor in companies.

(*a*) 12
(*b*) 15
(*c*) 17
(*d*) 20

30. A person is an auditor of 2 small companies; 1OPC and 4 public companies having paid-up capital of INR 10 crore. He can further hold appointment as auditor in companies

(*a*) 13 (*b*) 15

(*c*) 16 (*d*) 20

31. A person who has been convicted by court for an offence involving fraud is disqualified for appointment as auditor for a period of

(*a*) 2 years (*b*) 5 years

(*c*) 10 years (*d*) 20 years

32. PQR&CO., is an audit firm having 3 partners P,Q and R, chartered accountants. Mr. P,Q and R are holding appointment as an auditor in 4,6 and 10 companies respectively. What are the maximum number of audits remaining in the name of PQR & Co.?

(*a*) Nil (*b*) 20

(*c*) 40 (*d*) 60

33. The audit report u/s143 is addressed to

(*a*) Members (*b*) Board of Directors

(*c*) Audit committee (*d*) Central Government

34. In case of a Government company, CAG has a right to conduct supplementary audit within from the date of receipt of audit report

(*a*) 30 days (*b*) 60 days

(*c*) 90 days (*d*) 6 months

35. It is duty of every auditor to report a fraud involving an amount of to the Central Government

(*a*) 1 lakh or more (*b*) 10 lakh or more

(*c*) 1 crore or more (*d*) 10 crore or more

36. For frauds involving an amount of less than INR 1 crore: the auditor needs to report the fraud to Board within

(*a*) 1 day (*b*) 2 days

(*c*) 3 days (*d*) 30 days

37. Which of the non-financial matter, Statutory auditor is required to report in his report -

(*a*) Whether employees appointed during the period covered by audit meet the requisite educational/professional qualification at the time of appointment.

(*b*) Whether every page of minute book of General meetings bears full signature of Chairman as per provisions of Companies Act, 2013.

(*c*) Whether the incorporation documents are managed properly.

(*d*) Whether any director is disqualified from being appointed as a director under section 164(*2*).

38. LOPO Private Ltd is engaged in the business of software and consultancy. The company has an annual turnover of INR 2,000 crores but its profit margins are not very good as compared to the industry standards. For the financial year ended 31 March 2019, the company proposed appointment of its statutory auditors at its Board meeting. however, the remuneration was not finalized. The statutory auditors completed the engagement formalities including the engagement letter between the company and the auditors and it was decided that the engagement letter be signed without fee i.e. with the clause that the fee to be mutually decided. Please provide your views on this.

(*a*) Such engagement letter is not valid.

(*b*) Engagement letter with such arrangement is valid.

(*c*) Engagement letter should specify the fee of last year, if applicable, if the fee for the current year is not yet finalized at the time of signing of the engagement letter.

(*d*) Engagement letter should specify 10% increase in the fee as compared to last year as per the norms of the ICAI, in case the fee is not finalized at the time of signing of the engagement letter.

39. Which of the following is a prohibited service to be rendered by the auditor to the company?

(*a*) Design and implementation of any financial information system

(*b*) Making report to the members of the company on the accounts examined by him

(*c*) Compliance with the auditing standards

(*d*) Reporting of fraud against the company by officers or employees to the Central Government

40. MNO Ltd is a medium-sized company engaged in the business of pharmaceuticals. For the year ended 31 March 2018, the company is looking for appointment of GST auditor. The company wants to appoint somebody for this work who is familiar with the business of the company i.e. who would have worked with the company in the past so that lesser efforts cee required to get the GST audit completed. The company has following options, please suggest which one would be better for the company.

(*a*) Statutory auditors can be appointed for this work.

(*b*) Internal auditors can be appointed for this work.

(*c*) Both statutory and internal auditors can be jointly appointed for this work.

(*d*) Internal auditors along with the tax consultants of the company can be appointed for this work.

41. GP & Co LLP is a firm of Chartered Accountants having 35 partners. The firm has 9 branches across India. The firm was appointed as statutory auditor of ABC Ltd for the year ended 31 March 2018. The firm designated Mr. NG Goel as the signing and engagement partner for the statutory audit of ABC Ltd. During the course of audit, NG Goel was fully involved, however, the finalization of financial statements took long and the time when they got finalized. NG Goel had to travel for some urgent work for a month outside India As regards the signing of the financial statements. please suggest which of the following options is correct?

(*a*) ABC Ltd should wait till the time NG Goel returns and if required, NG Goel can sign the financial statements back dated.

(*b*) ABC Ltd should wait till the time NG Goel returns and only after that financial statements will be signed.

(*c*) In the absence of NG Goel, any other partner of the firm, being a CA, can sign the financial statements of ABC Ltd.

(*d*) In the absence of NG Goel, any other partner of the firm, being a CA, can sign the financial statements of ABC Ltd, but the firm should intimate about the same to the ROC and Income Tax authority

42. If with the intention to knowingly deceive the shareholder, the auditor has given a false audit report, he may be subject to a fine which may exceed up to

(*a*) INR 5 lakh

(*b*) INR 25 lakh

(*c*) INR 5 lakh or 4 times the remuneration whichever is less

(*d*) INR 25 lakh or 8 times the remuneration whichever is less

43. Only companies engaged in production of specified goods having an overall turnover from all the products of at least INR _____ are required to maintain the cost records.

(*a*) 10 crores (*b*) 25 crores

(*c*) 35 crores (*d*) 50 crores

44. The requirement of cost audit is not applicable to a company whose revenue from exports in foreign exchange is more than of total revenue

(*a*) 50% (*b*) 51%

(*c*) 75% (*d*) 90%

45. The requirement of cost audit is not applicable to

(*a*) Companies operating in SEZ

(*b*) Companies whose revenue from exports in for exchange is more than 75% of total revenue

(*c*) Companies engaged in generation of electricity for captive consumption

(*d*) All of the above

46. Who can be appointed as a cost-auditor?

(*a*) Cost accountant in practice (*b*) Chartered Accountant in practice

(*c*) Company secretary in practice (*d*) Any of the above

47. The cost auditor is appointed by the

(*a*) Board of directors

(*b*) Members by passing Ordinary resolution

(*c*) Members by passing Special resolution

(*d*) Institute of Cost Accountants of India

48. The cost auditor shall be appointed

(*a*) at the AGM

(*b*) within 30 days of AGM

(*c*) within 90 days from commencement of the financial year

(*d*) within 180 days from commencement of the financial year

49. Cost auditor shall submit his report to the Board within

(*a*) 60 days from the closure of the financial year

(*b*) 90 days from the closure of the financial year

(*c*) 180 days from the closure of the financial year

(*d*) 270 days from the closure of the financial year

50. The company shall furnish cost-audit report to central Government within _____ days of receipt of the report

(*a*) 30

(*b*) 180

(*c*) 90

(*d*) No need to submit to CG

Answer Key

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

CHAPTER 11

Companies Incorporated Outside India

MULTIPLE CHOICE QUESTIONS

1. Android Ltd. is a company registered in Thailand. Although, it has no place of business established in India, yet it is doing online business through remote delivery of healthcare services in India. State the incorrect statement as to the nature of the Android Ltd. in the light of the Companies Act, 2013-

(*a*) It is not a foreign company as it has no place of business established in India

(*b*) It is a foreign company being involved in business activity through telemedicine

(*c*) It is a foreign company as its doing business through electronic mode

(*d*) It is a foreign company as it conducts business activity in India

2. Astro Ltd. is a company registered in Delhi, India. Although, it is registered in India but it has no business activities in India and all its business operations are scattered across Europe. Choose the correct statement in the light of the provisions of Companies Act, 2013.

(*a*) It is not a foreign company as it has no place of business established in India

(*b*) It is not a foreign company because it is incorporated in India even though it has no business activity in India

(*c*) It is a foreign company as it has business activities outside India

(*d*) It is a foreign company as it is incorporated in India

3. African Cycle Limited is a company registered in Africa. Although, it has no place of business established in India, yet it is planning to have an electronic presence in India. Considering the provisions of Companies Act, 2013; in which of the cases, Robert Junior Limited will be considered as a foreign company–

(*a*) The company is planning to undertake Business to Consumer transactions but the main server will be located in Africa

(*b*) The company is planning to raise deposits from Indian citizens

(*c*) The company is planning to provide web- based marketing services in India with the main server located in India

(*d*) All of the above

4. Modern Books Publishers plc., a company incorporated in United Kingdom (UK) has a wholly owned subsidiary by the name Beta Periodicals Limited whose Registered Office is situated at Mumbai and which is engaged in publishing scientific, technical and specialty magazines, periodicals and journals. Beta Periodicals Limited considers itself to be a foreign company since it is a wholly owned subsidiary of Modern Books Publishers plc. which is a foreign company. From the four options given below, you are required choose the one which appropriately indicates whether Beta Periodicals Limited can considered as a foreign company:

(*a*) Beta Periodicals Limited cannot be considered as a foreign company even if it is a wholly owned subsidiary of Modern Books Publishers plc. which is a foreign company.

(*b*) Beta Periodicals Limited shall be considered as a foreign company since it is a wholly owned subsidiary of Modern Books Publishers plc. which is a foreign company.

(*c*) Beta Periodicals Limited can be granted the status as a foreign company, if its holding company Modern Books Publishers plc. makes an application to the Regional Director having jurisdiction over New Delhi for considering its wholly owned subsidiary Beta Periodicals Limited a foreign company.

(*d*) Beta Periodicals Limited can be granted the status as a foreign company, if its holding company Modern Books Publishers plc. makes an application to the New Delhi Bench of National Company Law Tribunal for considering its wholly owned subsidiary Beta Periodicals Limited a foreign company.

5. Videshi Ltd., a foreign company established with a principal place of business at Kolkata, West Bengal. The company delivered various documents to Registrar of Companies. State the number of days and place where the said company shall deliver such documents

(*a*) Within 15 days to the Central Government

(*b*) Within 15 days to the Registrar having jurisdiction over New Delhi

(*c*) Within 30 days to the Registrar having jurisdiction over West Bengal

(*d*) Within 30 days to the Registrar having jurisdiction over New Delhi

6. Any document which any foreign company is required to deliver to the Registrar shall be delivered to

(*a*) The Registrar having jurisdiction over the principal place of business of foreign company

(*b*) Any Registrar having jurisdiction over any place of business of foreign company within 45 days

(*c*) All the Registrars having jurisdiction over any place of business of foreign company

(*d*) Registrar, New Delhi only

7. Vision Ltd., a foreign Company incorporated in Singapore, appointed Mr. X as a representative in India for the management of place of business in India. Due to un-satisfactory services of Mr. X, Vision Ltd. replaced him and appointed Mr. Y. Vision Ltd. is required to comply with which of the following requirement-

(*a*) Vision Ltd. shall file return to the Registrar of Company in India, within 30 days of the appointment of Mr. Y.

(*b*) Vision Ltd. being a foreign co. in Singapore does not require to give any such intimation of replacement/change made for management of place of business in India.

(*c*) Vision Ltd, shall intimate of such alteration at the place where its registered within 15 days from such alteration.

(*d*) Vision Ltd. shall file return to the Registrar, within 1 month of such alteration as to appointment of Mr. Y.

8. Fam Company LLC, a company incorporated outside India, proposes to establish a place of business in India. The list of the Directors includes Mr. Arjun - Managing Director, Mr. Ranveer - Director and Ms. Lavina Secretary of Fam Company LLC. Mr. Malik and Mr. Arbaaz, resident in India, are the persons who has been authorised by Fam Company LLC accept on behalf of the company service of process, notices or other documents required to be served to Fam Company LLC. In relation to the company's establishment, you ere asked by the Fam Company LLC with respect to whose declaration will be required to submit to the Registrar by the Company for not being convicted or debarred from formation of companies in or outside India.

(*a*) Mr. Arjun, Mr. Ranveer, Ms. Lavina Mr. Malik and Mr. Arbaaz.

(*b*) Mr. Arjun, Ms. Lavina, Mr. Malik and Mr. Arbaaz.

(*c*) Mr. Malik and Mr. Arbaaz.

(*d*) Mr. Arjun, Mr. Ranveer, Mr. Malik and Mr. Arbaaz

9. As per the provisions of Companies Act, 2013; every foreign company shall deliver a copy of its financial statements with Registrar of Companies within .

(*a*) 30 days from the closure of the Financial Year

(*b*) 45 days from the closure of the Financial Year

(*c*) 5 months from the closure of the Financial Year

(*d*) 6 months from the closure of the Financial Year

10. A foreign company incorporated outside India is involved in digital supply services through electronic mode, the server of which is located outside India. The company follows year ending December as its financial year. Every year the company is required to prepare a balance sheet and profit and loss account. You are required to state the timelines within which such documents shall be filed with the Registrar considering the provisions of Chapter XXII of the Companies Act, 2013.

(*a*) Within a period of 30 days of the close of the financial year of the foreign company

(*b*) Within a period of 3 months of the close of the financial year of the foreign company

(*c*) Within a period of 60 days of the close of the financial year of the foreign company

(*d*) Within a period of 6 months of the close of the financial year of the foreign company

11. X Ltd., a foreign company along with the financial statement of FY 2020-2021 of its Indian business operations have to file statement of related party transactions, repatriation of profits and statement of transfer of funds with the Registrar latest by:

(*a*) April 30, 2021
(*b*) June 30, 2021
(*c*) September 30, 2021
(*d*) December 31, 2021

12. As per the provisions of Companies Act, 2013; every foreign company shall deliver a copy of its financial statements with Registrar of Companies within 6 months from the closure of Financial year. However, if there is a special reason, the Registrar may grant extension upto:

(*a*) 1 month
(*b*) 2 months
(*c*) 3 months
(*d*) 6 months

13. Emaar Company LLC, a company incorporated outside India has a place of business in India. All the financial decision of Emaar Company LLC is taken by Abudala Company LLC, holding company of Emaar Company LLC. One of the key raw materials required by Emaar Company is procured through its subsidiary Company Fizi Company. Abudala and Fizi Company are required to follow a different year for the preparation of financial statements on a consolidated basis. You as a qualified Chartered Accountant and a liaison officer to Emaar Company LLC is required to bring to the notice of Emaar Company LLC the circumstances in which case the financial year of Emaar Company shall change to that of its Holding Company?

(*a*) On application made by Emaar Company to the Central Government for following a different financial year.
(*b*) On application made by Abdula Company to the Central Government for following a different financial year.
(*c*) On application made by Abdula or Fizi Company to the Central Government for following a different financial year.
(*d*) Either (*a*) or (*b*)

14. Mannat Company LLC, a company incorporated outside India, proposes to establish a place of business in India through electronic mode. Mannat Company LLC issued prospectus to the citizens of India for subscription of Mannat Company's securities. Mannat Company LLC has been into business for more than 2 years since the company received the commencement of business certificate. The prospectus was duly dated and signed but did not contain the particulars relating to the enactments under which Mannat Company was incorporated and does not provided with any details relating to any establishment in India. You as a pursuing Chartered Accountant are required to examine the validity of the prospectus issued by Mannat Company LLC?

(*a*) Yes, the prospectus issued is valid in law as it is duly dated and signed.
(*b*) No, the prospectus issued is invalid in law as it does not contain the particulars relating to the enactments under which the Mannat Company was incorporated.
(*c*) No, the prospectus issued is invalid in law as Mannat Company LLC does not have a place of business in India.
(*d*) No, the prospectus issued is invalid in law as it does not contain the particulars with respect to any establishment of a place of business in India.

15. Aster Limited, a foreign company with a place of business in India was established to conduct the business online as to data interchange and other digital supply transactions. The said company failed to deliver within the prescribed time period, some desired documents to the Registrar of Companies in compliance to the Companies Act, 2013. State the penalty cast on Aster Limited for the cause of its failure.

(*a*) Aster Ltd. punishable with fine upto ₹ 3,00,000 + additional fine upto ₹ 50,000 in case of continuing offence.

(*b*) Aster Ltd. punishable with fine extending upto ₹ 25,000 + additional fine upto ₹ 50,000 in case of continuing offence.

(*c*) Aster Ltd. punishable with fine extending upto ₹ 5,00,000 + additional fine upto ₹ 50,000 in case of continuing offence.

(*d*) Aster Ltd. punishable with fine levied ₹ 1,00,000 to ₹ 3,00,000 + additional fine upto ₹ 50,000 in case of continuing offence.

Answer Key

1. (*a*)	**2.** (*b*)	**3.** (*d*)	**4.** (*a*)	**5.** (*d*)	**6.** (*d*)	**7.** (*a*)	**8.** (*d*)	**9.** (*d*)	**10.** (*d*)
11. (*c*)	**12.** (*c*)	**13.** (*a*)	**14.** (*d*)	**15.** (*d*)					

CHAPTER 12

The Limited Liability Partnership Act, 2008

MULTIPLE CHOICE QUESTIONS

1. Which of the following is not included in definition of body corporate as per LLP Act?

(*a*) Co-operative Society registered under any law

(*b*) LLP incorporated outside India

(*c*) Company incorporated outside India

(*d*) Company incorporated in India

2. Small LLP means an LLP which satisfies the following criteria:

(*a*) the contribution of which, does not exceed INR 25 lakh or such higher amount, not exceeding INR 5 crore, as may be prescribed:

(*b*) the turnover of which, as per the Statement of Accounts and Solvency for the immediately preceding financial year, does not exceed INR 40 lakh or such higher amount, not exceeding INR 50 crore, as may be prescribed:

(*c*) Either (*a*) or (*b*)

(*d*) Both (*a*) and (*b*)

3. Which of the following statement in not true for an LLP?

(*a*) An LLP is a body corporate

(*b*) An LLP is an artificial legal person

(*c*) Any change in the partners of an LLP shall not affect the existence, rights or liabilities of the LLP.

(*d*) Indian Partnership Act, 1932 apply to LLP.

4. What is the maximum time an LLP can continue with less than 2 partners?

(*a*) 3 months

(*b*) 9 months

(*c*) 6 months

(*d*) 1 year

5. Which of the following statement is not true about designated partner of an LLP?

(*a*) Every LLP should have atleast 2 Designated partners

(*b*) Designated partners should be individual

(*c*) Atleast 1 Designated partner should have stayed in India for a period of not less than 182 days during the financial year.

(*d*) Atleast 1 Designated partner should have stayed in India for a period of not less than 120 days during the financial year.

6. What is the time limit to file consent to act as a Designated partner?

(*a*) 15 days from appointment
(*b*) 30 days from appointment
(*c*) 60 days from appointment
(*d*) 90 days from appointment

7. What is the time limit to fill vacancy in office of a Designated partner?

(*a*) 15 days
(*b*) 30 days
(*c*) 45 days
(*d*) 60 days

8. XYZ LLP has two designated partners, Mr. X and Mr. Y. Both Mr. X and Mr. Y have stayed in India for only 181 days during the year. What is the penalty applicable on the LLP?

(*a*) INR 20,000
(*b*) INR 10,000
(*c*) INR 50,000
(*d*) No penalty

9. XYZ LLP failed to file the particulars of appointment of Mr. Z as designated partner within 30 days of his appointment. What is the penalty applicable on the LLP?

(*a*) INR 20,000
(*b*) INR 10,000
(*c*) INR 5,000
(*d*) INR 50,000

10. Which of the following information is not required to be stated in the incorporation document of an LLP

(*a*) Name of the LLP
(*b*) Address of registered office of LLP
(*c*) Name and address of each partner
(*d*) Liability of the partners

11. Which form is required to be filed for incorporation of LLP?

(*a*) Form 1
(*b*) Form 2
(*c*) Form Fillip
(*d*) Form Run LLP

12. Mr. Munna is a Cost Accountant made a false statement while filing incorporation document for an LLP. What is the punishment provided under the LLP Act for making such false statement?

(*a*) imprisonment for a term which may extend to 2 years
(*b*) fine which shall not be less than INR 10,000 but which may extend to INR 5 lakhs
(*c*) both (*a*) and (*b*)
(*d*) Either (*a*) or (*b*)

13. Which is the form prescribed for reservation of name of an LLP?

(*a*) Form 1
(*b*) Form 16
(*c*) Form FiLLip
(*d*) Form Run LLP

14. Name of LLP shall be ended by

(*a*) Limited
(*b*) Limited liability partnership or LLP
(*c*) Private Limited
(*d*) Foundation

15. The approved name of LLP shall be valid for a period of from the date of approval

(*a*) One month
(*b*) Two months
(*c*) Three months
(*d*) Six Months

16. Who has the power to direct an LLP to change its name?

(*a*) Central government
(*b*) Registrar
(*c*) Designated Partners
(*d*) NCLT

17. What is the time limit to notify the change in name of LLP to Registrar

(*a*) 15 days
(*b*) 30 days
(*c*) 45 days
(*d*) 60 days

Case Study:

Mr. X is a partner in XYZ LLP. He has changed his address from Delhi to Pune. In this context, answer the following questions:

18. What is the time period prescribed to notify the LLP of such change in his address?

(*a*) 15 days
(*b*) 30 days
(*c*) 60 days
(*d*) 90 days

19. If Mr. X failed to give the notice of change in his address within the prescribed time limit. What is the penalty leviable for such default

(*a*) INR 5,000
(*b*) INR 10,000
(*c*) INR 20,000
(*d*) INR 50,000

20. What is the time limit prescribed for the LLP to notify the said change to Registrar?

(*a*) 15 days
(*b*) 30 days
(*c*) 60 days
(*d*) 90 days

21. Which of the following statement is true for an LLP?

(*a*) There is no principal agent relationship in an LLP
(*b*) Every partner is an agent of the LLP, but not of other partners
(*c*) Every partner is an agent of the LLP and its partners
(*d*) Every partner is an agent of other partners, but not of the LLP

22. ABC LLP has three partners A, B and C.C dies on 1June 2024 due to heart attack. However, B and A continue to run the LLP in the name of ABC till December 2024. In July 2024, the LLP takes a loan of INR 70 lacs from a bank. In this context. which of the following statement is true:

(*a*) Since C name still appears in LLP's name, C's legal representative is liable for the loan taken by the LLP

(*b*) Since C's name still appears in LLP's name, C's estate is liable for the loan taken by the LLP

(*c*) Both Cs legal representative and his estate is liable for the loan taken

(*d*) Neither Cs legal representative nor his estate is liable for any act of the LLP done after his death.

23. ABC LLP has defrauded its creditors. What is the consequence of indulging in such fraudulent activity?

(*a*) The person guilty shall be punishable with imprisonment for a term which may extend to 5 years and with fine which shall not be less than INR 50,000 but which may extend to INR 5 lakh,

(*b*) The person guilty shall be liable for any criminal proceedings which may arise under any law for the time being in force

(*c*) The person guilty shall be liable to pay compensation to any person who has suffered any loss or damage by reason of such conduct

(*d*) All of the above

24. Who has the power to reduce/ waive the penalty leviable on a partner under the LLP Act?

(*a*) Registrar (*b*) Central Government

(*c*) Tribunal (*d*) MCA

25. Mr. Rahul wants to become partner in an LLP. What are the forms in which he can contribute his capital in the LLP?

(*a*) Tangible, movable or immovable or intangible property or other benefit to the LLP.

(*b*) Money, promissory notes, other agreements to contribute cash or property, and

(*c*) Contracts for services performed or to be performed

(*d*) Any of the above

26. What is the basis for maintenance of books of accounts of an LLP?

(*a*) Cash Basis (*b*) Accrual Basis

(*c*) Mercantile Basis (*d*) Cash Basis or Accrual Basis

27. What is the time limit prescribed for preparation of Statement of Accounts and Solvency?

(*a*) 30 days from end of financial year (*b*) 60 days from end of financial year

(*c*) 90 days from end of financial year (*d*) Six months from end of financial year

28. What are the consequences of failure to prepare Statement of Accounts and Solvency?

(*a*) Penalty of INR 100 for each day during which such failure continues, subject to a maximum of INR 1 lakh for the LLP and INR 50,000 for every designated partner

(*b*) Fine of INR 25000 on LLP and INR 10,000 on every designated partner

(*c*) Fine of INR 5 lakhs on LLP and INR 1 lakh on every designated partner

(*d*) Penalty of INR 100 for each day during which such failure continues

29. What is the time limit prescribed for filing of Annual return of an LLP?

(*a*) 15 days from end of financial year
(*b*) 60 days from end of financial year
(*c*) 90 days from end of financial year
(*d*) 180 days from end of financial year

30. Which of the following documents, LLP filed with the Registrar, are available for inspection by an outsider?

(*a*) Incorporation documents
(*b*) Annual Return
(*c*) Statement of Account and Insolvency
(*d*) All of the Above

31. Who has the power to summon a former partner of an LLP to obtain information necessary for the purpose of carrying out the provisions of the Act?

(*a*) Partner
(*b*) Registrar
(*c*) Central Government
(*d*) Tribunal

32. Who has the power to compound offences punishable under the LLP Act?

(*a*) Partner
(*b*) Registrar
(*c*) Regional Director
(*d*) Tribunal

33. What is the minimum gap required between two compounding of offences?

(*a*) 1 year
(*b*) 2 years
(*c*) 3 years
(*d*) No such time is prescribed under LLP Act

34. Which of the following offence under the LLP Act is compoundable?

(*a*) Punishable with fine only
(*b*) Punishable with fine or imprisonment
(*c*) Punishable with imprisonment only
(*d*) Punishable with fine and imprisonment

35. Which of the following statement is not correct in case of on LLP?

(*a*) The rights of a partner to a share of the profits and losses of the LLP are transferable either wholly or in part.
(*b*) The rights of a partner to receive distributions in accordance with the LLP agreement are transferable either wholly or in part.
(*c*) The transfer of any right by any partner results in the disassociation of the partner from the LLP
(*d*) The transfer of right does not, by itself, entitle the transferee or assignee to participate in the management or conduct of the activities of the LP. or access information concerning the transactions of the LLP.

36. Which of the following cannot be converted into LLP under schedule given in LLP Act, 2008?

(*a*) Partnership firm
(*b*) Private company
(*c*) Listed company
(*d*) Unlisted company

37. Chetan Agarwal & Associates, a partnership firm incorporated in the year 1996, wants to convert itself into LLP form of organisation. The rules regarding the conversion of a firm into LLP is governed by of LLP Act, 2008.

(*a*) Schedule I
(*b*) Schedule II
(*c*) Schedule III
(*d*) Schedule IV

38. Russian Cycle Private Limited, a private company incorporated in the year 2002, wants to convert itself into LLP form of organisation. The rules regarding the conversion of a private company into LLP is governed by of LLP Act, 2008

(*a*) Schedule I
(*b*) Schedule II
(*c*) Schedule III
(*d*) Schedule IV

39. Gurpreet SamoseWala Limited, a public company incorporated in the year 2008, wants to convert itself into LLP form of organisation. The rules regarding the conversion of a public limited company into LLP is governed by of LLP Act, 2008.

(*a*) Schedule I
(*b*) Schedule II
(*c*) Schedule III
(*d*) Schedule IV

40. A scheme of arrangement is proposed between ABC LLP and its partners. In the light of the provisions of LLP Act, 2008, which is the relevant authority for sanctioning this scheme of arrangement.

(*a*) Central Government
(*b*) High Court
(*c*) NCLT
(*d*) Registrar

41. The scheme of compromise or arrangement should be approved by the partners or creditors. What is the minimum requirement for the same:

(*a*) It shall be approved by more than 50% majority in number of partners or creditors who are present and voting at the meeting.
(*b*) It shall be approved by more than 75% majority in value of partners or creditors who are present and voting at the meeting.
(*c*) It shall be approved by more than 75% majority in number of partners or creditors who are present and voting at the meeting.
(*d*) Both (*a*) and (*b*) together

42. A meeting of the creditors of ABC LLP was convened under the orders of the NCLT to consider a scheme of compromise and arrangement. Notice of the meeting was sent in the prescribed manner to all the 100 creditors with the total outstanding due of ₹50,00,000. The meeting was attended by 60 creditors with outstanding due of ₹ 40,00,000. As per the provisions of LLP, Act: approval of how many creditors is required for sanctioning the scheme of compromise and arrangement. Assume that all creditors present at the meeting participated in the voting.

(*a*) Approval of creditors with an outstanding due of least ₹37,50,000 is required
(*b*) Approval of 51 creditors with an outstanding due of least ₹37,50,000 is required
(*c*) Approval of creditors with an outstanding due of least ₹30,00,000 is required
(*d*) Approval of 31 creditors with an outstanding due of least ₹ 30,00,000 is required

43. An amalgamation has been proposed between Android LLP and Linux LLP. A meeting of members the partners of Linux LLP was convened under the order of the Tribunal for the purpose of considering the scheme of amalgamation. The LLP has a total capital contribution of ₹3.50 crore. The meeting was attended by 5 partners with a capital contribution of ₹1.20 crore. 3 partners with capital contribution of ₹90 lakhs voted for the scheme, 1 partner with capital contribution of ₹ 40 lakhs voted against the scheme. 1 partner with capital contribution of ₹20 lakhs walked out of the meeting in protest from voting. Choose the correct statement regarding the validity of the approval of the Scheme based on the provisions of the LLP Act, 2008.

(*a*) The scheme has not been validly approved because the requisite majority in number has not voted in favour of the scheme

(*b*) The scheme has not been validly approved because the partner who voted in favour of the scheme do not have capital contribution of $3/4^{th}$ in value

(*c*) The scheme has not been validly approved because 1 partner walked out in protest

(*d*) The scheme has been validly approved.

44. An order of the Tribunal approving the compromise or arrangement of an LLP shall be filed with the Registrar within

(*a*) 15 days (*b*) 30 days

(*c*) 45 days (*d*) 60 days

45. ABC LLP is exploring the opportunity of merger. It has got 2 options of either merging with XYZ LLP or PQR Limited, Choose the correct statement.

(*a*) ABC LLP can merge with either XYZ LLP or PQR Limited

(*b*) ABC LLP can merge with XYZ LLP but not with PQR Limited

(*c*) ABC LLP cannot merge with XYZ LLP but can merge with PQR Limited

(*d*) ABC LLP can neither merge with XYZ LLP nor with PQR Limited

46. The winding up of an LLP can be ordered by

(*a*) Central Government (*b*) NCLT

(*c*) LLP Board (*d*) Special Court

47. An LLP may be wound up by the Tribunal under the provisions of LLP Act, 2008; if the LLP has defaulted in filing with the Registrar its Statement of Accounts & solvency or annual returns for immediately preceding consecutive financial years.

(*a*) 2 years (*b*) 3 years

(*c*) 5 years (*d*) 7 years

48. Which of the following is not a ground for winding up by the Tribunal under the provisions of LLP Act. 2008?

(*a*) The LLP decides that LLP be wound up by the Tribunal

(*b*) The LLP has acted against the sovereignty and integrity of India

(*c*) The LLP is unable to pay its debts

(*d*) The LLP has defaulted in filing its Statement of Account & solvency for the immediately preceding 5 consecutive financial years

49. Perfect LLP is an LLP engaged in manufacturing of ultra-powered guns. The LLP has tie-up arrangement of supply of 100% of its production to Government. The production capacity and the actual number of guns manufactured is required to be shown to the Government. During the course of the audit, it was revealed that the LLP was actually manufacturing more guns whereas less quantity was being declared. The undeclared manufactured guns were being sold to a group of persons having connections with terrorist groups. On what ground the Central Government can make an application to the NCLT.

(*a*) The LLP has mis-reported the count of the manufacture guns

(*b*) The manufacturing of the guns is against the public policy and only the Government named LLP can manufactured the guns

(*c*) The LLP has acted against the interest of the sovereignty and integrity of India

(*d*) The LLP has supplied lesser number of guns to the Central Government

50. In case an LLP or any partner or designated partner of such LLP commits any offence, the LLP per any partner or designated partner shall, for the second or subsequent offence, be punishable with

(*a*) Twice the imprisonment and twice the amount of fine as provided for such offence

(*b*) Same term of imprisonment but twice the amount of fine as provided for such offence

(*c*) Twice the imprisonment but the same amount of fine as provided for such offence

(*d*) Same term of imprisonment and same amount of fine as provided for such offence

Answer Key

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

13 The General Clauses Act, 1897

CHAPTER

MULTIPLE CHOICE QUESTIONS

1. As per General Clauses Act, 1897, the term 'year'

(*a*) Financial year
(*b*) Calendar year as per Hindu Calendar
(*c*) Calendar year as per British Calendar
(*d*) Any period of 12 months

2. The General Clauses Act, 1897 is one of the oldest Acts, came into force on –

(*a*) 1st April, 1897
(*b*) 11th March, 1897
(*c*) 11th March, 1887
(*d*) 1st April, 1868

3. Which of the following is not an object of General Clauses Act, 1897?

(*a*) To shorten the language of Central Acts.
(*b*) To provide for uniformity of expression in Central Acts.
(*c*) To avoid superfluity and repetition of language.
(*d*) To consolidate and amend laws for interpretation of State Acts.

4. The General Clauses Act, 1897 apply to

(*a*) Central Acts
(*b*) State Acts
(*c*) Rules and regulations made under Central Acts
(*d*) Both (*a*) and (*c*)

5. _____is the first element of a document as dealt under the General Clauses Act, 1897. Its usage with the word 'any' shows that the definition of document is comprehensive.

(*a*) Matter
(*b*) Record
(*c*) Substance
(*d*) Means

6. Which of the following is not an immovable property?

(*a*) Land
(*b*) Building
(*c*) Timber
(*d*) Machinery permanently attached to the land

7. Mr. A died at the age of 72 leaving behind some movable and immovable properties to be distributed between his two sons CA D, as per his registered will. His Will clearly mentioned that all the immovable property should go to C and all the movable property should go to D. Both the brothers divided the property as per will except below mentioned properties, because they could not establish which property should go to whom. Kindly help them by ticking the property/is which should go to D (as per the provisions of the general Clause Act, 1897)

(*a*) Standing crop in the fields
(*b*) Cut crop, ready to sell
(*c*) Tube well in the agriculture land
(*d*) Sandal Wood Tree

8. What among the following could be considered in the term 'Immovable Property' as defined under. section 3(26) of the General Clauses Act, 1897?

(*i*) The soil for making bricks
(*ii*) Right to catch fish
(*iii*) Right to drain water
(*iv*) Doors and Windows of the house

(*a*) Only (*i*) and (*iv*)
(*b*) Only (*i*), (*ii*) and (*iv*)
(*c*) Only (*i*) and (*ii*)
(*d*) Only (*ii*), (*iii*) and (*iv*)

9. Under the provisions of the General Clauses Act. 1897, the term "Person" shall not include.

(*a*) Any company
(*b*) Any association
(*c*) Anybody of individuals, whether incorporated or not
(*d*) Hindu Undivided Family

10. The General Clauses Act, 1897 intends to–

(*a*) Provide general definitions
(*b*) Applicable to all Central acts and regulations
(*c*) Applicable where there is no definition, Unless there is anything repugnant in the subject or context
(*d*) All of the above

11. The Government shall include which of the following as per the General Clauses Act, 1897-

(*a*) State Government only
(*b*) Central Government only
(*c*) Central Government and State Government
(*d*) Union Territory Only

12. Where an act of parliament does not expressly specify any particular day as to the day of coming into operation of such Act, then it shall come into operation on the day on which

(*a*) It receives the assent of the President
(*b*) It receives the assent of the Governor General
(*c*) It is notified in the official gazette
(*d*) None of these

13. Companies Act, 2013 came into force from which

(*a*) 15th August, 2013
(*b*) 30th August, 2013
(*c*) 18th August, 2013
(*d*) 1st April, 2014

14. Regulations, 2015 was issued by SEBI vide notification dated 14th August, 2015 with effect from 1st January, 2016. What is the date of coming into force of these regulations

(*a*) 1st January, 2017
(*b*) 14th August, 2015
(*c*) 31st December, 2015
(*d*) 1st January, 2016

15. The act by which the operation of a previous Act comes to an end, is called is

(*a*) The Repealing Act
(*b*) The Consolidating Act
(*c*) The Amending Act
(*d*) Analogous Act

16. As per Section 9 of General Clauses Act, 1897, use of word 'from' implies that first day in a series of days is __and use of word 'to' implies that last day in a series of days is _____

(*a*) excluded, included
(*b*) included, excluded
(*c*) excluded, excluded
(*d*) included, included

17. Which among the following is correct as per the provisions of the General Clauses Act, 1897. regarding commencement and termination of time?

(*a*) In any Central Act or Regulation made after the (*a*) commencement of this Act, it shall be sufficient. to exclude the first in a series of days or any other period of time, to use the word "from", as well as to exclude the last in a series of days or any other period of time, to use the word "to"

(*b*) In any Central Act or Regulation made after the commencement of this Act, it shall be sufficient. to exclude the first in a series of days or any other period of time, to use the word "from", and to include the last in a series of days or any other period of time, to use the word "to"

(*c*) In any Central Act or Regulation made after the commencement of this Act, it shall be sufficient, to include the first in a series of days or any other period of time, to use the word "from", as well as to include the last in a series of days or any other period of time, to use the word "to"

(*d*) In any Central Act or Regulation made after the commencement of this Act, it shall be sufficient, to include the first in a series of days or any other period of time, to use the word "from", and to exclude the last in a series of days or any other period of time, to use the word "to"

18. If on the last date a Court is closed, an act or proceeding shall be considered as done if it is done on

(*a*) the preceding day
(*b*) the next day afterwards on which the Court is open
(*c*) on the same day irrespective that the Court is closed
(*d*) next week, same day

19. The power to issue a notification includes a power to

(*a*) Rescind any notification
(*b*) Amend any notification
(*c*) Add any notification
(*d*) All of the above

20. If any rules are made between the date of passing and commencement of enactment, the rules shall come into force on

(*a*) date on which rules are issued
(*b*) date of passing of the enactment
(*c*) date of commencement of the enactment
(*d*) 1 month after the date of commencement of the enactment

21. Where an act or omission constitutes an offence under two or more enactments, then the offender shall be liable to be prosecuted and punished under
(*a*) Under either or any of those enactments
(*b*) Twice for the same offence
(*c*) Either (*a*) or (*b*) as per the discretion of the court
(*d*) none of these

22. An oct or omission constitutes on offence under two enactments. Referring to the provisions of the General Clauses Act, 1897, state which among the following is correct in such a situation?
(*a*) The offender shall be liable to be prosecuted and punished under that enactment only, which was enacted last and not under the other enactment.
(*b*) The offender shall be liable to be prosecuted and punished under that enactment only, which was enacted first and not under the other enactment.
(*c*) The offender shall be liable to be prosecuted and punished under both the enactments
(*d*) The offender shall be liable to be prosecuted and punished under either or any of those enactments. but shall not be punished twice for the same offence.

23. Where a notice is sent to the landlord by registered post and the same is returned by the tenant with on endorsement of refusal, it will be presumed that
(*a*) notice is not served
(*b*) notice is served
(*c*) notice will be deemed to be served when once again the notice is served on tenant
(*d*) notice will be deemed to be served when tenant will expressly give an endorsement of acceptance.

24. In all the Central Acts, words importing the masculine gender shall be taken
(*a*) To exclude girl
(*b*) To exclude boy
(*c*) To include female
(*d*) To exclude female

Answer Key

1. (*c*)	**2.** (*b*)	**3.** (*d*)	**4.** (*d*)	**5.** (*a*)	**6.** (*c*)	**7.** (*b*)	**8.** (*b*)	**9.** (*d*)	**10.** (*d*)
11. (*c*)	**12.** (*a*)	**13.** (*b*)	**14.** (*d*)	**15.** (*a*)	**16.** (*a*)	**17.** (*b*)	**18.** (*b*)	**19.** (*d*)	**20.** (*c*)
21. (*a*)	**22.** (*d*)	**23.** (*b*)	**24.** (*c*)						

14 Interpretation of Statutes

CHAPTER

MULTIPLE CHOICE QUESTIONS

1. Pick odd one out
(*a*) Proviso
(*b*) Usage
(*c*) Preamble
(*d*) Illustrations

2. The preamble is most important in any legislation, if
(*a*) Provides definition in the Act
(*b*) Expresses scope, object and purpose of the Act
(*c*) Provides summary of the entire Act
(*d*) None of the above

3. As per Rule of an Educational Institute, every student may come on weekends for extra classes but every student shall appear on a weekly test conducted in the institute, which means–
(*a*) Attending weekend classes is optional but appearing in weekly test is compulsory
(*b*) Attending weekend classes is compulsory but appearing in weekly test is optional
(*c*) Attending weekend classes and appearing in weekly test, both are compulsory for students
(*d*) Attending weekend classes and appearing in weekly test, both are optional for students

4. When a definition uses the words 'means and includes' it means that the definition is
(*a*) inclusive
(*b*) exhaustive
(*c*) inclusive as well as exhaustive
(*d*) at times inclusive and at times exhaustive

5. When word 'include' is used to define any term, the definition is called
(*a*) Prima facie restrictive and exhaustive
(*b*) Prima facie extensive
(*c*) Both exhaustive and extensive
(*d*) Neither exhaustive nor extensive

6. The word 'shall' is used to raise a presumption of
(*a*) Something which is not mandatory
(*b*) Something which is mandatory
(*c*) Something which is not done in future
(*d*) Something which is done in future

7. Formal legal document which creates or confirms a right or record a fact is a-
(*a*) Document
(*b*) Deed
(*c*) Statute
(*d*) Instrument

8. Which of the following is not one of the four elements of a 'document'

(*a*) Research (*b*) Matter

(*c*) Substance (*d*) Means

9. When there is an actual rule of law which binds the judge to place a certain interpretation of the statute, it is called

(*a*) Doctrinal interpretation (*b*) Legal interpretation

(*c*) Facultative interpretation (*d*) Logical interpretation

10. When the Court applies only the ordinary 'rules of speech' for finding out the meaning of the words used in the statute, it is called

(*a*) Authentic interpretation (*b*) Grammatical interpretation

(*c*) Usual interpretation (*d*) Logical interpretation

11. When the law is clear and unambiguous the court shall construe the meaning of a provision based on strict

(*a*) grammatical meaning (*b*) logical meaning

(*c*) alternative interpretation (*d*) hypothetical meaning

12. Which among the following is the cardinal rule of construction of statutes–

(*a*) Harmonious Rule of construction (*b*) Beneficial Rule of construction

(*c*) Literal Rule of construction (*d*) Reasonable Rule of construction

13. _____is the cardinal rule of construction that words, sentences and phrases of a statute should be read in their ordinary, natural and grammatical meaning so that they may have effect in their widest amplitude

(*a*) Rule of Literal Construction (*b*) Rule of Harmonious Construction

(*c*) Rule of Beneficial Construction (*d*) Rule of Exceptional Construction

14. _____interpretation concerns itself with "what the law says" and interpretation, seeks to ascertain "what the law means".

(*a*) Grammatical, Logical (*b*) Legal, usual

(*c*) Usual, legal (*d*) Logical, grammatical

15. The words of a statute must be construed 50 as to lead to a sensible meaning. This is laid down by Rule of

(*a*) Reasonable construction (*b*) Harmonious construction

(*c*) Exceptional construction (*d*) Beneficial construction

16. Rule of Reasonable Construction is based on the maxim–

(*a*) Absolut asthenia expositor non indigent (*b*) Ut res magis valeat quam pareat

(*c*) Quo facit per alium facit per se (*d*) Contemporanea expositio

17. Choose the correct meaning of the term "ut res magis valeat quam pareat" from among the following:

(*a*) Words of statute must be construed so as to lead to a sensible meaning.

(*b*) Statutes should be construed grammatically.

(*c*) Notwithstanding anything contained.

(*d*) When two or more words that are susceptible of analogous meaning, are coupled together they are understood to be used in their cognate sense

18. The Rule in Heydan's case is also known as

(*a*) Purposive construction
(*b*) Mischief Rule
(*c*) Golden Rule
(*d*) None of the Above

19. Which rule of construction is applicable where there is a real and not merely apparent conflict between the provisions of an Act, and one of them has not been made subject to the other–

(*a*) Rule of Beneficial Construction
(*b*) Rule of Literal Construction
(*c*) Rule of Harmonious Construction
(*d*) Rule of Exceptional Construction

20. When there is a conflict between two or more statues or two or more parts of a statute then which rule is applicable:

(*a*) Welfare construction
(*b*) Strict construction
(*c*) Harmonious construction
(*d*) Mischief Rule

21. If it is impossible to avoid inconsistency between two previsions of an Act, then

(*a*) Provision enacted earlier in point of time must prevail
(*b*) Provision enacted later in point of time must prevail
(*c*) Both provisions will become repugnant
(*d*) Provisions enacted later in Act will prevail even though it enacted earlier in point of time

22. General words used in a statute will take their colour from the specific words. It is laid down by rule of

(*a*) Harmonious construction
(*b*) Ejusiem Generis
(*c*) Exceptional construction
(*d*) Reasonable construction

23. If the _____used in a statute make it clear that a _____ sense is intended, the rule of Ejusden Generis shall not apply.

(*a*) Specific words, narrow
(*b*) Specific words, wider
(*c*) General words, narrow
(*d*) General words, wider

24. Associated words should be understood in common sense manner. This is laid down

(*a*) Rule of Ejusdem Generis
(*b*) Rule of Exceptional Construction
(*c*) Noscitur a Sociis
(*d*) Rule of Harmonious Construction

25. _____ means that when two or more words that are susceptible of analogous meaning, are coupled together they are understood to be used in their cognate sense.

(*a*) Noscitur a Sociis
(*b*) Contemporanea Expositio
(*c*) prima facie
(*d*) Absoluta sententia expositore non indiget

26. In various rules of interpretation, what is the meaning of "Ejusden Generis"

(*a*) Of the same kind or species
(*b*) To do purposive construction
(*c*) Known by its associates
(*d*) Of the different kind or species

27. The word 'or' is normally disjunctive and 'and' is normally conjunctive. However, at times they are read as vice versa to give effect the manifest intention of the legislature as disclosed from the context. This is as per

(*a*) Noscitur A Sociis
(*b*) Rule of Exceptional Construction
(*c*) Rule of Literal Construction
(*d*) Ejusdem Generis

28. A clause that begins with the words Notwithstanding anything contained is called:

(*a*) An obstacle clause
(*b*) A non-obstante clause
(*c*) An objectionable clause
(*d*) A superior clause

29. Which of the following will override if there is conflict in interpretation of any point in Preamble and plain provision given in any statutory Act as per the General Clauses Act, 1897?

(*a*) Preamble will override the plain provision of the Act
(*b*) The plain provision of the Act will override the Preamble
(*c*) The court will decide which of the above two will override
(*d*) Provide summary of the entire Act

30. _____ expresses the scope, object and purpose of the Act

(*a*) Preamble
(*b*) Marginal Notes
(*c*) Proviso
(*d*) Usage

31. An internal aid that may be added to include something within the section or to exclude something from it, is

(*a*) Proviso
(*b*) Explanation
(*c*) Schedule
(*d*) Illustration

32. _____ expresses the scope and object of the Act more comprehensively than the _____.

(*a*) Preamble, Short title
(*b*) Short title, Long title
(*c*) Long title, Preamble
(*d*) Preamble, Long title

33. Which among the following cannot be considered as an internal aid for interpretation of a statue?

(*a*) Illustrations
(*b*) Previous Law
(*c*) Explanations
(*d*) Schedules

34. Which of the following is not an internal aid to interpretation?

(*a*) Illustration
(*b*) Dictionary
(*c*) Explanation
(*d*) Title

Answer Key

1. (*b*)	**2.** (*b*)	**3.** (*a*)	**4.** (*b*)	**5.** (*b*)	**6.** (*b*)	**7.** (*d*)	**8.** (*a*)	**9.** (*b*)	**10.** (*b*)
11. (*a*)	**12.** (*c*)	**13.** (*a*)	**14.** (*a*)	**15.** (*a*)	**16.** (*b*)	**17.** (*a*)	**18.** (*b*)	**19.** (*c*)	**20.** (*c*)
21. (*b*)	**22.** (*b*)	**23.** (*b*)	**24.** (*c*)	**25.** (*a*)	**26.** (*a*)	**27.** (*b*)	**28.** (*b*)	**29.** (*b*)	**30.** (*a*)
31. (*b*)	**32.** (*d*)	**33.** (*b*)	**34.** (*b*)						

CHAPTER 15

The Foreign Exchange Management Act, 1999

MULTIPLE CHOICE QUESTIONS

1. Peter a citizen and resident of India, in the year 2011. got a job in a MNC in Germany. He planned to shift. Due to travelling and shifting, studies of his daughter Lisa was affected a lot, so he decided to admit her into Mayo College at Ajmer for her further studies. On 23rd March 2017, Peter, along with his wife and daughter reached India from Germany. On 22nd April 2017, Lisa got admission in the college and since then she is living in India only. Peter and his wife returned Germany on 1st May 2017. Peter did not visit India during the financial year 2017-18, however his wife was in India from 2nd December 2017 to 2nd January 2018. During the financial year 2018-19. Peter was in India for 185 days due to his deployment and Lisa's ill health. From the following who will be treated as person resident in India for the financial year ended on 2018-19

(*a*) Lisa
(*b*) Peter
(*c*) Peter's wife
(*d*) Lisa and Peter's wife

2. Mr. Ram had resided in India during the Financial Year 2017-2018 for less than 183 days. He again came to Indic on 1st May, 2018 for higher studies and business and stayed up to 15th July, 2019. State the correct answer as to the residential status of Mr. Ram in the light of the given fact as per the Foreign Exchange Management Act, 1999

1. Mr. Ram can be considered as 'Person resident in India' during the financial year 2018-2019
2. Mr. Ram cannot be considered as 'Person resident in India' during the financial year 2018-2019
3. Mr. Ram can be considered as 'Person resident in India' during the financial year 2019- 2020

(*a*) Both the statement (1) & (3) are correct
(*b*) Both the statement (2) & (3) are correct
(*c*) Only statement (1) is correct
(*d*) Only statement (2) is correct

3. Dhruv, is a pilot in Bangkok airways. He flies for 15 days in a month and thereafter takes a break for 15 days. During the break, he is accommodated in 'base', which is normally the city where the Airline is headquartered. However, for security considerations, he was based at Delhi. During the financial year, he was accommodated at Delhi for 182 days. Determine the legal position as regards the residential status of Dhruv under the given situation:

(*a*) Dhruv cannot be considered to be a Person Resident in India.
(*b*) Dhruv can be considered to be a Person Resident in India due to her stay for 182 days in India

(*c*) Dhruv cannot be considered to be a Person Resident in India due to her stay for less than 183 days in India.

(*d*) Dhruv can be considered to be a Person Resident in India due to her stay in Delhi for security consideration.

4. Mr. Umesh arrived in India in the financial year 2019-2020 from USA on 2 nd October 2019 after 5 years for the purpose of conducting business in India. Mr. Umesh started proprietary business of trading insulated handles and established a branch of his business in Minnesota, USA. In this regard, choose the appropriate option with respect to residential status for 2020-21 as per FEMA, 1999

(*a*) Mr. Umesh and the Branch in USA are persons resident outside India

(*b*) Mr. Umesh is a resident in India and the Branch is a person resident outside India

(*c*) Mr. Umesh and the Branch are both persons resident in India

(*d*) Mr. Umesh is a person resident outside India and the Branch is a person resident in India

5. After five years of stay in USA, Mr. Umesh came to India at his paternal place in New Delhi on October 25, 2021, for the purpose of conducting business with his two younger brothers Rajesh and Somesh and contributed a sum of ₹ 10,00,000 as his capital. Simultaneously, Mr. Umesh also started a proprietary business of selling artistic brass ware, jewellery, etc. procured directly from the manufacturers based at Moradabad. Within a period of two months after his arrival from USA, Mr. Umesh established a branch of his proprietary business at Minnesota, USA. You are required choose the appropriate option with respect to residential status of Mr. Umesh and his branch for the financial year 2022-23 after considering the applicable provisions of the Foreign Exchange Management Act, 1999:

(*a*) For the financial year 2022-23, Mr. Umesh and his branch established at Minnesota, USA, are both persons resident outside India.

(*b*) For the financial year 2022-23, Mr. Umesh is a resident in India but his branch established at Minnesota, USA, is a person resident outside India.

(*c*) For the financial year 2022-23, Mr. Umesh and his branch established at Minnesota, USA, are both persons resident in India.

(*d*) For the financial year 2022-23, Mr. Umesh is a person resident outside India but his branch established at Minnesota, USA, is a person resident in India.

6. Priti, on 1st September, 2021 went to UK for doing one year MBA course. Her MBA course completed on 31st August, 2022 and she returned India on the next day. What shall be her residential status for the FY 2022-23 and 2023- 24:

(*a*) Resident in India for FY 2022-23 and FY 2023-24

(*b*) Resident in India for FY 2022-23 and Resident outside India for FY 2023-24

(*c*) Resident outside India for FY 2022-23 and FY 2023-24

(*d*) Resident outside India for FY 2022-23 and Resident in India for FY 2023-24

7. Mr. X, a person comes to India on 1st June 2019 for visiting his parents. However, his parents fall sick and he stays till 31st March 2020. Thereafter he continues to stay in India. He decided to live in India for next 6 months by the time his parents recover. In the light of the given case, determine the correct residential status of Mr. X from the given statements.

(*a*) Mr. X is PRII as he did reside in India in the FY 2019-2020.

(*b*) Mr. X is PRII as he resided in India for more than 182 days in the FY 2019-20.

(*c*) Mr. X is PROI in the FY 2019-20, but will be treated as PRII from 1 st April, 2020, as he resides in India for more than 182 days in the previous FY.

(*d*) His stay in India is neither for employment, nor for business, nor for circumstances which show that his stay in India for an uncertain period. In FY 2019-20, he is a PROI as he did not reside in India for more than 182 in FY 2018-19.

8. Mr. V, brother of Mr. R, is a resident of Singapore and he owns an immovable property in Chennai which he inherited from his father, who was a resident of India, Can Mr. V continue to hold the property?

(*a*) No, he cannot hold transfer or invest In India, since he is resident outside India.

(*b*) Yes, he can continue to hold in India, since he is person of India Origin and the property is located in India

(*c*) Yes, he can continue to hold the property, since this was inherited from a person who was resident in India.

(*d*) Yes, he can continue to hold the property, since his brother (Mr. R) uses the property whenever he travels to Chennai.

9. Which amongst the following transactions, is not the current account transaction:

(*a*) payments due in connection with short-term banking and credit facilities in the ordinary course of business.

(*b*) payments due on loans.

(*c*) remittances for living expenses of parents residing abroad

(*d*) expenses in connection with foreign travel of spouse and children

10. In September 2016, Mr. P, went to USA, London and Germany on a monthlong business trip. For this trip he got exchanged US $ 50000 from an authorized dealer. In December 2016 he remitted US $ 50000 to his son in Canada, who was studying there. In January 2017 he sent his mother and wife to America for his mother's treatment and for the purpose he remitted US $ 75000 to his younger brother, who was living there. In March 2017 his daughter got engaged and she opted for a destination marriage to be held in May 2017, in Switzerland. While on trip to Dubai in the March end, 2017, he spent US $ 35000 for his daughter's shopping in Dubai. Later, the event manager gave an estimate of US $ 250000 for the wedding. As per the provisions of FEMA, for how much remittance does he need to take prior approval of the Reserve bank of India.

(*a*) He does not need any prior approval at all

(*b*) For US $ 210000

(*c*) For US $ 250000

(*d*) For US $ 15000

11. Nandeesh, a resident Indian, remitted USD 1,00,000 on 7 th June, 2021, to his son Ishaan who is settled in California, USA, since he urgently required funds. On 9 th July, 2021, Nandeesh again remitted USD 71,000 to meet expenses to be incurred in respect of his ailing wife, Medhavi who had recently gone to USA to meet his son Ishaan but had developed serious coronary disease. For specialised treatment of Medhavi at a specialised hospital, a sum of USD 79,000 was remitted for

the second time on 30th July, 2021 by Nandeesh. Within next 10 days, Medhavi recovered and was allowed to return to her son's residence from the hospital. Choose the correct option from those stated below as to when Nandeesh can send further foreign exchange to his son Ishaan for the purpose of purchasing a house without obtaining the prior approval of Reserve Bank of India:

(*a*) Without obtaining the approval of Reserve Bank of India, Nandeesh can send further foreign exchange to his son Ishaan only in the month of April, 2022 or thereafter.

(*b*) Without obtaining the approval of Reserve Bank of India, Nandeesh can send further foreign exchange to his son Ishaan only in the month of January, 2022 or thereafter.

(*c*) Without obtaining the approval of Reserve Bank of India, Nandeesh can send further foreign exchange to his son Ishaan only in the month of July, 2022 or thereafter

(*d*) Without obtaining the approval of Reserve Bank of India, Nandeesh can send further foreign exchange to his son Ishaan only in the month of November, 2021 or thereafter

12. Mr. Z was appointed as representative of ABC Company for a corporate programme organized in USA. During the said period in USA, he was diagnosed with the severe kidney disease, so decided to have a kidney transplant done in USA. State the maximum amount that can be drawn by Mr. Z as foreign exchange for the medical treatment abroad.

(*a*) USD 1,25,000

(*b*) USD 2,25,000

(*c*) USD 2,50,000

(*d*) As estimated by a medical institute offering treatment

13. In September, 2020, Mr. Purshottam Saha visited Atlanta as well as Athens and thereafter, London and Berlin on a month-long business trip, for which he withdrew foreign exchange to the extent of US $ 50,000 from his banker. State Bank of India. New Delhi branch. In December, 2020 he further, withdrew US $ 50,000 from SBI and remitted the same to his son Raviyansh Saho who was studying in Toronto, Canada. In the first week of January. 2021, he sent his ailing mother Mrs. Savita Saha for a specialised treatment along with his wife Mrs. Rashmi Saha to Seattle where his younger brother Pranav Saha, holder of Green Card, is residing. For the purpose of his mother's treatment and to help Pranav Saha to meet increased expenses, he requested his banker SBI to remit US $ 75,000 to Pranav Saha's account maintained with Citibank, Seattle. In February. 2021, Mr. Purshottam Saha's daughter Devanshi Saha got engaged and she opted for a 'destination marriage' to be held in August, 2021 in Zurich, Switzerland.

While on a trip to Dubai in the last week of March, 2021, he again withdrew US $ 35,000 to be used by him and Devanshi Saha for meeting various trip expenses including shopping in Dubai. Later, the event manager gave an estimate of US $ 2,50,000 for the wedding of Devanshi Saha at Zurich, Switzerland. Which option do you think is the correct one in the light of applicable provisions of Foreign Exchange Management Act. 1999 including obtaining of prior approval, if any. from Reserve Bank of India since Mr. Purshottam Saha withdrew foreign exchange on various occasions from his banker, State Bank of India.

(*a*) In respect of withdrawal of foreign exchange on various occasions from his banker State Bank of India and remitting the same outside India during the financial year 2020-21, Mr. Purshottam Saha is not required to obtain any prior approval.

(*b*) In respect of withdrawal of US $ 35,000 in the last week of March, 2021, for a trip to Dubai, Mr. Purshottam Saha must have obtained prior approval of Reserve Bank of India since the maximum amount of foreign exchange that can be withdrawn in a financial year is US $ 1,75,000.

(*c*) After withdrawing US $ 1,00,000, Mr. Purshottam Saha must have obtained prior approval of Reserve Bank of India for the remaining remittances made during the financial year 2020-21, otherwise SBI would not have permitted further withdrawals.

(*d*) After withdrawing US $ 50,000, Mr. Purshottam Saha must have obtained prior approval of Reserve Bank of India for the remaining remittances made during the financial year 2020-21, otherwise SBI would not have permitted further withdrawals.

14. Milap Limited, a company incorporated in India, has obtained consultancy services from an entity based in France for setting up the software programme in their company. The consideration for such services is required to be paid in foreign currency. The compliance officer of Milap Limited requires your advice regarding threshold limit of remittance that can be made without prior approval of RBI. You as a qualified Chartered Accountant are required to advise the compliance officer considering the provisions of the Foreign Exchange Management Act, 1999 and regulations thereunder:

(*a*) USD 50,000,000 (*b*) USD 10,000,000

(*c*) USD 5,000,000 (*d*) USD 1,000,000

15. M/s Kedhar Sports Academy, a private coaching club provides coaching for cricket, football and other similar sports. It coaches sports aspirants all over India. It also conducts various sports events and campaigns, across the country. In 2019, to mark the 25th year of operation, a cricket tournament was organized in Lancashire, England. The prize money for the winning team is USD 40,000 . For the runners up, it is USD 11,000. Now, M/s Kedhar Sports Academy wants to know what steps it should take for the remittance of the prize money of USD 51,000 to England from India. Decide, which of the following is correct in view of relevant provisions of FEMA, 1999:

(*a*) Prior permission is required to be taken from the Ministry of Human Resource Development (Department of Youth Affairs and Sports).

(*b*) Prior permission is required to be taken from the Reserve Bank of India.

(*c*) No permission is required - M/s Kedhar Sports Academy can proceed to make the remittance.

(*d*) Prior permission is required to be taken from the Ministry of Finance (Department of Economic Affairs)

16. Akash Ceramics Limited, an Indian company, holds a commercial plot in Chennai which it intends to sell. M/s. Super Seller, a real estate broker with its Head Office in the USA, has been appointed by Akash Ceramics Limited to find some suitable buyers for the said commercial plot in Chennai which is situated at a prime location. M/s. Super Seller identifies Glory Estate Inc., based out of USA, as the potential buyer. It is to be noted that Glory Estate Inc. is controlled from India and hence, is a 'Person Resident in India' under the applicable provisions of Foreign Exchange Management Act, 1999. A deal is finalised and Glory Estate Inc. agrees to purchase the commercial plot for USD 600,000 (assuming 1 USD = ₹ 70).

According to the agreement, Akash Ceramics Limited is required to pay commission @ 7% of the sale proceeds to M/s. Super Seller for arranging the sale of commercial plot to Glory Estate Inc. and commission is to remitted in USD to the Head Office of M/s. Super Seller located in

USA. Considering the relevant provisions of Foreign Exchange Management Act, 1999, which statement out of the four given below is correct (ignoring TDS implications arising under the Income-tax Act, 1961):

(*a*) There is no requirement of obtaining prior permission of Reserve Bank of India (RBI) for remittance of commission up to USD 25,000 by Akash Ceramics Limited to M/s. Super Seller but for the balance commission of USD 17,000, prior permission of RBI is required to be obtained.

(*b*) There is no requirement of obtaining prior permission of Reserve Bank of India (RBI) for remittance of commission up to USD 30,000 by Akash Ceramics Limited to M/s. Super Seller but for the balance commission of USD 12,000, prior permission of RBI is required to be obtained.

(*c*) There is no requirement of obtaining prior permission of Reserve Bank of India (RBI) for remittance of entire commission of USD 42,000 by Akash Ceramics Limited to M/s. Super Seller.

(*d*) It is mandatory to obtain prior permission of Reserve Bank of India (RBI) for remittance of entire commission of USD 42,000 by Akash Ceramics Limited to M/s. Super Seller.

17. A Limited, an Indian company holds a commercial plot in Chennai, India. It intends to sell the same. M/s Super Seller is a real estate broker with Head Office in the USA. M/s Super Seller is appointed to find buyers for the land. A company, Glory Inc., based out of USA is identified as a buyer. Glory Inc., is controlled from India and is hence a Person Resident in India under FEMA provisions. Glory Inc., agrees to buy the land for USD 6,00,000 (assume 1 USD = ₹ 70). M/s Super Seller is to be paid commission at the rate of 7% of the sale proceeds. The commission is to paid to the H.O of M/s Super Seller in USA. Decide, in light of the relevant provisions of FEMA, 1999, which of the following is correct (Ignoring TDS implications arising under The Income Tax Act, 1961):

(*a*) Prior permission is not required for remittance of commission up to USD 25,000. For balance commission of USD 17,000, permission of RBI is to be sought by A Limited.

(*b*) Prior permission is not required for remittance of commission up to USD 30,000. For balance commission of USD 12,000, permission of RBI is to be sought by A Limited.

(*c*) Prior permission is not at all required for remittance of the entire commission.

(*d*) Prior permission is required to be taken from the Reserve Bank of India for the entire amount of commission.

Answer Key

1. (*a*)	**2.** (*a*)	**3.** (*a*)	**4.** (*c*)	**5.** (*c*)	**6.** (*a*)	**7.** (*d*)	**8.** (*c*)	**9.** (*b*)	**10.** (*a*)
11. (*a*)	**12.** (*d*)	**13.** (*a*)	**14.** (*d*)	**15.** (*c*)	**16.** (*d*)	**17.** (*d*)			

INCOME TAX

01 CHAPTER

Basic Concepts

MULTIPLE CHOICE QUESTIONS

1. The Assessing Officer followed a view stated by the CBDT and added ₹1 lakh to the income of the assessee. Assessee claimed that the view was contrary to the provisions of the Act and appealed against the order in the Court. The Court upheld the view of the assessee and deleted the addition. Whose word will be final?

(*a*) Assessee
(*b*) Assessing Officer
(*c*) CBDT
(*d*) Court

2. Section 2(24)(ix) of the Act provides that winnings from lotteries will be included within the scope of 'income'. Explanation to section 2(24)(ix) states that 'lottery' includes winnings from prizes awarded to any person by draw of lots or by chance or in any other manner. What is the purpose of the Explanation?

(*a*) Explain or clarify the provision
(*b*) Provide exception or exclusion
(*c*) Define meaning of a term
(*d*) Prescribe a procedure

3. A person has derived income of ₹10 lakh from retail business, ₹20 lakh from agriculture and ₹1 lakh from interest on deposits. His gross receipts are ₹15 lakh from retail business and ₹35 lakh from agriculture. Parliament can levy income tax on:

(*a*) ₹31 lakh
(*b*) ₹15 lakh
(*c*) ₹11 lakh
(*d*) ₹10 lakh

ASSESSMENT YEAR AND PREVIOUS YEAR

4. Mr. Y has filed his return of income for the assessment year 2025-26. Income for which year has been disclosed in the return of income?

(*a*) Financial year 2024-25
(*b*) Financial year 2025-26
(*c*) Calendar year 2024
(*d*) Calendar year 2025

5. Section 80GG of the Act allows deduction in respect of rent paid by the assessee in respect of accommodation occupied by him for his residence. The proviso to this section provides that the deduction will not be available where the accommodation is owned by the assessee or a family member in certain cases. What is the purpose of the proviso?

(*a*) Explain or clarify the provision
(*b*) Provide exception or exclusion
(*c*) Define meaning of a term
(*d*) Prescribe a procedure

6. On the basis of information received, the AO wants to cases. Which of the following actions is valid?
   (*a*) Mr. Run may leave for Finland after 3 months for a 6 month assignment after which he will return.
   (*b*) Three firms have joined together to conduct a mega entertainment event to be held after 2 months, post which the association will dissolve.
   (*c*) Mr. Sincere, estimating a huge tax demand, is going to sell one of his many properties, in the ordinary course of business.
   (*d*) Mr. Busy has discontinued his Business A but continues with Business B

7. Mr. Z decided to start his manufacturing business. He acquired plant and machinery on 5.3.2024 which were installed on 10.3.2024. The business was set up on 15.4.2023 and was finally commenced on 15.5.2024. What would be the first previous year for this business?
   (*a*) 15.4.2024 to 31.3.2025
   (*b*) 15.5.2024 to 31.3.2025
   (*c*) 10.3.2024 to 31.3.2025
   (*d*) 1.4.2024 to 31.3.2025

8. Mr. X, employed with Z Ltd., resigned on 31.12.2024. He earned salary for the period of service. He has no other source of income. Assessment Year for the income earned during this period will commence on:
   (*a*) 1.1.2025
   (*b*) 1.4.2025
   (*c*) 1.4.2024
   (*d*) At the discretion of Mr. X

9. When can accelerated assessment be made u/s 176?
   (*a*) Where any person commences a business during AY
   (*b*) Where any business or profession is discontinued during AY
   (*c*) Where any profession is suspended during AY
   (*d*) Where any business is temporarily halted during AY the usual AY in case of:

10. Mr. V invested ₹50 lakh in shares of UB Pvt. Ltd. This amount was not recorded in the books of account. He could provide satisfactory explanation to the Assessing Officer in respect of ₹20 lakh. How much amount can be taxed as income of Mr. V?
   (*a*) ₹50 lakh
   (*b*) ₹30 lakh
   (*c*) ₹20 lakh
   (*d*) Nil

11. U/s 174A, income of which entity can be taxed in the current year itself and for the period up to which date?
   (*a*) Company; up to the 31 March of the FY
   (*b*) Company; up to the date of dissolution
   (*c*) AOP/BOI/AJP; up to the date of dissolution
   (*d*) AOP/BOI; up to the date of event for which it is formed

12. Mr. Busy is running grocery business since 2009. What would be the PY for AY 2025-26?
   (*a*) 2025-26
   (*b*) Calendar year 2025
   (*c*) 2024-25
   (*d*) Accounting year from July 2024 to June 2025

13. AO has discretion to either charge income in the PY itself or in

(*a*) Person leaving India with no intention to return

(*b*) BOI formed for an event and likely to be dissolved shortly thereafter

(*c*) Person likely to transfer property to avoid tax

(*d*) Business or profession which is discontinued

14. Mr. US, a citizen of US, is residing in India since the last 10 years. During the assessment proceedings for the PY 2024- 25, the AO comes to know on 1 January 2026 that Mr. US would permanently leave India on 15 May 2026. Which of the following assessments can the AO make?

(*a*) Regular assessment for PY 2024-25 in AY 2025-26

(*b*) Regular assessment for PY 2024-25 and accelerated assessments for the periods 1 April 2025 to 31 March 2025 in AY 2024-25

(*c*) Regular assessment for PY 2024-25 and accelerated assessments for the periods 1 April 2025 to 31 March 2026 and 1 April 2026 to 15 May 2026 in AY 2026-27

(*d*) Regular assessment for PY 2024-25 and accelerated assessments for the periods 1 April 2025 to 31 March 2026 to 15 May 2026 in AY 2025-26

15. During a search, Mr. C, carrying on a business, was found to be the owner of jewellery whose market value was ₹75 lakh. He had not recorded the jewellery in the books of account. During the assessment, he offered detailed explanation about its nature and source of acquisition with which the Assessing Officer was satisfied. How much amount can be taxed as income of Mr. C?

(*a*) ₹75 lakh

(*b*) ₹150 lakh

(*c*) Nil

(*d*) At the discretion of AO

16. U/s 175, income of which person can be taxed in the current

(*a*) Company; up to the date of payment of tax

(*b*) AOP/BOI/AJP; up to the date of filing of return

(*c*) Any person; up to the date of commencement of proceeding by AO

(*d*) Any person; up to 31 March of the FY

17. During the FY 2024-25, Mr. K incurred ₹1 crore as expenditure on marriage ceremony of his son. Upon inquiry regarding the source of such expenditure, Mr. K could provide satisfactory explanation in respect of ₹60 lakh. How much amount can be taxed as income of Mr. K?

(*a*) ₹1 crore

(*b*) ₹60 lakh

(*c*) ₹40 lakh

(*d*) Nil

PERSON AND ASSESSEE

18. Which of the following persons is not an assessee?

(*a*) Mr. Z, in whose income, the income of P, his minor daughter, has been clubbed under the provisions of the Act

(*b*) Mr. K, the agent of Mr. X (a non-resident), who is assessed as a representative assessee of Mr. X and is, thus, deemed to be an assessee under the Act

(*c*) Mr. Y, who has not deducted tax at source as required under the Act and is, thus, deemed to be an assessee in default

(*d*) Master V, a student aged 10 years, who does not have any source of income and is not required to comply with any obligation under the Act

19. Which of the following assessments is valid?

(*a*) Assessment of JK Pvt. Ltd. can be made on Mr. C, its majority shareholder

(*b*) Assessment of Ramesh HUF can be made on Ramesh, Suresh and Kanti who are its members, by apportioning its income amongst the members

(*c*) Assessment of BM LLP can be made on A, B, C, D and E, who are its members, by apportioning its income amongst the members

(*d*) Assessment of Rajat, 10 years, can be made on Mr. Bhagat, his guardian

20. Which of the following persons is not an assessee?

(*a*) Mr. Exempt is not required to pay tax. However, he fails to deduct tax on salary paid to his employee

(*b*) Flop Ltd. has incurred huge losses. It files return of income to claim carry forward of the losses

(*c*) Mr. Senior is not liable to tax but files return of income to claim refund of TDS

(*d*) Income of Mr. Poor is below the tax threshold and he does not file his return of income

INCOME

21. Rahul computed income of ₹50,000 under each of the five heads of income, after allowing exemption of ₹10,000 under the provisions of each head. From the gross total income so arrived of ₹2,50,000, he allowed deduction of ₹50,000 and arrived at the total income of ₹2,00,000. On what amount will he need to compute income-tax?

(*a*) On ₹2,00,000 (*b*) On ₹2,50,000

(*c*) On ₹50,000 for each head of income (*d*) On ₹3,00,000

22. Which of the following cannot be characterized as income on grounds of mutuality?

(*a*) Surplus funds of ₹3 lakh of XYZ club which is taking moly fee of ₹1,000 from its members and incurring expenses on running the club

(*b*) Monthly maintenance charges taken by Resident Welfare Association of a Housing Society from its resident members for providing common facilities and services to the members

(*c*) Goods transferred by V-Mart Ltd. from Head Office (Delhi) to Branch Office (Kanpur) after adding margin

(*d*) All the above

23. For computing the total income of PY 2024-25, Rahul had to classify his incomes into various heads of income, club income of his minor child with his own income, provide permissible deductions from his gross his total income and determine his residential status. Which of the following steps would he apply as the last step?

(*a*) Classification into heads of income (*b*) Determining the residential status

(*c*) Deductions from Gross Total Income (*d*) Clubbing of income

24. Which of the following is income?

(*a*) Mr. C incurred taxi expenses for official travel which were reimbursed to him by his employer

(*b*) Mrs. Keshav received ₹1,000 p.m. from Mr. Keshav as pin money for meeting household expenses

(*c*) Rotary Club received ₹500 p.m. as membership fee from its members which it used to provide various services to the members

(*d*) Mr. Rony received ₹10,000 as fee for providing consultancy services, which was accounted as loan in the books of account

25. Rohit earned ₹20,000 as interest on his savings bank account with State Bank of India. Under which head of income would this income fall?

(*a*) Income from house property (*b*) Capital gains

(*c*) Profits and gains of business or profession (*d*) Income from other sources

26. Roma, aged 35 years, has a total income of ₹6.5 crore which includes dividend income and income u/s 111A and 112A of ₹1 crore. She wants to know the rate of surcharge that will be levied for AY 2025-26 under optional tax regime. Please advise her. Note : Capital gains has been earned after 23rd July 2024

(*a*) 15% on tax on total income

(*b*) 37% on tax on total income

(*c*) 15% on tax on dividend/111A/112A income; 37% on tax on the other income

(*d*) Nil on tax on dividend/111A/112A income; 37% on tax on other income

27. Mrs. Sharma is a resident in India of age 80 years. She wants to know the maximum total income she can have to keep her tax liability Nil under the optional tax regime.

(*a*) ₹3,00,000 (*b*) ₹5,00,000

(*c*) ₹2,50,000 (*d*) Nil

28. Compute the tax liability under optional tax regime of Mr. Y, a resident of age 65 years, having a total income of ₹2,08,00,000 for PY 2024-25 comprising incomes from salary and house property.

(*a*) ₹78,65,000 (*b*) ₹72,35,800

(*c*) ₹69,21,200 (*d*) ₹77,80,760

29. Ruma, an individual of age 40 years having total income of ₹3 lakh, wants to know the highest tax rate slab applicable to her total income for AY 2025-26 under the default tax regime. Please advise her.

(*a*) Nil (*b*) 5%

(*c*) 20% (*d*) 30%

30. Mr. Swindle is found to be the owner of two gold chains of 30 gms each (market value of both ₹2,90,000) during the financial year 2024-25. However, he could not offer satisfactory explanation in respect of ₹50,000 spent on acquiring these chains. What is the amount of tax he would be liable to pay as per section 115BBE? Note :- He sold both of them after 23rd July 2024

(*a*) ₹1,87,200 (*b*) ₹2,26,200

(*c*) ₹1,49,760 (*d*) ₹1,80,960

31. Mr. Jain is an elderly individual resident in India. He wants to know whether, based on his date of birth, he would be eligible to avail the basic exemption limit of ₹3,00,000 or above for PY 2024-25 under the optional tax regime. Please advise him on the date of birth.

(*a*) 1.4.1965 or before
(*b*) 2.4.1965 or before
(*c*) 31.3.1965 or before
(*d*) 1.4.1945 or before

32. Romit is a resident in India of age 60 years. He wants to know the maximum total income he can have to keep his tax liability Nil under the optional tax regime. Advise Romit.

(*a*) ₹3,00,000
(*b*) ₹5,00,000
(*c*) ₹2,50,000
(*d*) Nil

33. Mr. John is a non-resident individual of age 70 years as on 31.3.2025. He wants to know the maximum total income he can have in India to keep his tax liability Nil under the optional tax regime.

(*a*) ₹2,50,000
(*b*) ₹3,00,000
(*c*) ₹5,00,000
(*d*) No basic exemption

34. Rishi, aged 50 years, has a total income of 5 crore, comprising business income, for the PY 2024-25. Compute his tax liability under the default tax regime.

(*a*) ₹2,11,04,850
(*b*) ₹1,92,56,250
(*c*) ₹2,09,44,560
(*d*) ₹1,90,97,000

35. Mr. Q, a resident of age 55 years, has total income for AY 2025-26 comprising short term capital gain u/s 111A of ₹6 crore and income from house property of ₹10 lakh. Compute his tax liability under the optional tax regime. Note :- STCG u/s 111A has occured after 23rd July 2024

(*a*) ₹1,44,86,550
(*b*) ₹91,12,500
(*c*) ₹1,24,84,125
(*d*) ₹1,13,90,625

36. Kapil, resident of age 55 years, has a total income of ₹55 lakh for PY 2024-25. Compute the amount of HEC that he will need to pay under the optional tax regime?

(*a*) ₹58,500
(*b*) ₹64,350
(*c*) ₹5,850
(*d*) ₹2,20,000

37. Total income of an artificial juridical person is ₹4,10,000 for PY 2024-25. Income-tax, rebate u/s 87A and surcharge for AY 2025-26 under the default tax regime would be:

(*a*) ₹5,500; nil; nil
(*b*) ₹16,000; ₹8,000; nil
(*c*) Nil; nil; nil
(*d*) ₹8,000; ₹8,000; nil

38. Compute the tax liability under default tax regime of Mrs. Z, a resident of age 55 years, having a total income of ₹102 lakh for PY 2024-25 comprising profits and gains of business or profession.

(*a*) ₹34,25,500
(*b*) ₹32,85,360
(*c*) ₹34,45,650
(*d*) ₹34,65,500

39. Compute the amount of marginal relief from surcharge available under the optional tax regime to Mr. Q, a resident of age 85 years, having a total income of ₹5,30,00,000 for PY 2024-25 comprising incomes from house property and short term capital gain from sale of plots of land. Note :- Plot has been sold after 23rd July 2024

(*a*) ₹9,000 (*b*) ₹10,000
(*c*) ₹8,000 (*d*) Nil

40. Rashmi, aged 40 years, has total income of ₹50 lakh for PY 2024-25. Her tax liability under optional tax regime will be:
(*a*) ₹13,12,500 (*b*) ₹14,43,750
(*c*) ₹15,01,500 (*d*) ₹13,65,000

41. Compute the amount of marginal relief from surcharge under the default tax regime available to Mr. T, a resident of age 45 years, having a total income of ₹52,50,000 for PY 2024-25 comprising incomes from salary and house property.
(*a*) ₹7,500 (*b*) ₹8,000
(*c*) Nil (*d*) ₹24,850

42. Delhi Municipal Corporation, BNP & Co. partnership firm and Vadodara co-operative society are your clients. They want to ascertain the rate at which surcharge will be levied on tax computed on their total income of ₹11 crore.
(*a*) 10% (*b*) 12%
(*c*) 7% (*d*) 15%

43. Mr. Jagan is a resident individual of age 80 years having total income of ₹10 lakh for the PY 2024-25. He wants to know the maximum rate of tax at which he will be chargeable under the default tax regime. Please advise.
(*a*) Nil (*b*) 5%
(*c*) 10% (*d*) 30%

44. Mr. Y, a resident of age 75 years, won a lottery prize of ₹60 lakh on 15.9.2024. Fie has no other source of income. Compute his tax liability for AY 2025-26. Mr. Y has decided to move out of the default tax regime.
(*a*) ₹19,80,000 (*b*) ₹18,41,840
(*c*) ₹20,59,200 (*d*) ₹18,72,000

45. Rocky is a non-resident individual of age 60 years having total income of ₹3 lakh for the PY 2024-25. What will be the highest tax rate slab applicable to his income under the optional tax regime?
(*a*) Nil (*b*) 5%
(*c*) 20% (*d*) 30%

Answer Key

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

02 CHAPTER

Residence and Scope of Total Income

MULTIPLE CHOICE QUESTIONS

1. If Anirudh has stayed in India in the P.Y. 2024-25 for 181 days, and he is non-resident in 9 out of 10 years immediately preceding the current previous year and he has stayed in India for 365 days in all in the 4 years immediately preceding the current previous year and 420 days in all in the 7 years immediately preceding the current previous year, his residential status for the A.Y. 2025-26 would be:

(*a*) Resident and ordinarily resident
(*b*) Resident but not ordinarily resident
(*c*) Non-resident
(*d*) Cannot be ascertained with the given information

2. Raman was employed in Hindustan Lever Ltd. He received a salary of ₹40,000 p.m. from 1.4.2024 to 27.9.2024. He resigned and left for Dubai for the first time on 1.10.2024 and got salary of rupee equivalent of ₹80,000 p.m. from 1.10.2024 to 31.3.2025. His salary for October to December 2024 was credited in his Dubai bank account and the salary for January to March 2025 was credited in his Bombay account directly. He is liable to tax in respect of:

(*a*) Income received in India from Hindustan Lever Ltd;
(*b*) Income received in India and in Dubai;
(*c*) Income received in India from Hindustan Lever Ltd. and income directly credited in India;
(*d*) Income received in Dubai

3. A company would be a resident in India for the P.Y. 2024-25, if

(*a*) it is an Indian company
(*b*) during the year, majority of its directors are resident in India
(*c*) during the year, its Place of Effective Management is in India
(*d*) both (*a*) and (*c*)

4. Income accruing in London and received there is taxable in India in the case of:

(*a*) resident and ordinarily resident only
(*b*) both resident and ordinarily resident and resident but not ordinarily resident
(*c*) both resident and non-resident
(*d*) non-resident

5. Incomes which accrue or arise outside India but received directly in India are taxable in case of:
(*a*) resident and ordinarily resident only
(*b*) both resident and ordinarily resident and resident but not ordinarily resident
(*c*) non-resident
(*d*) All the above

6. Income earned from a contract negotiated by an agent in India in the name of a non-resident and approved by such non-resident shall:
(*a*) be taxable in India as such income is deemed to accrue or arise in India
(*b*) not be taxable in India as there is no business connection in India
(*c*) be taxable in India only if it is received in India
(*d*) not taxable in India as such income accrues or arises outside India

7. Fees for technical services paid by the Central Government will be taxable in case of:
(*a*) resident and ordinarily resident only
(*b*) both resident and ordinarily resident and resident but not ordinarily resident
(*c*) non-resident
(*d*) All the above

8. Short term capital gains on sale of shares of an Indian company received in Australia is taxable in case of:
(*a*) resident and ordinarily resident only
(*b*) both resident and ordinarily resident and resident but not ordinarily resident
(*c*) non-resident only
(*d*) All the above

9. Income from a business in Canada, controlled from Canada is taxable in case of:
(*a*) resident and ordinarily resident only
(*b*) both resident and ordinarily resident and resident but not ordinarily resident
(*c*) non-resident
(*d*) All the above

10. Income from Australian company received in Australia in the year 2023, brought to India during the previous year 2024-25 is taxable in case of:
(*a*) resident and ordinarily resident only
(*b*) resident but not ordinarily resident
(*c*) non-resident
(*d*) None of the above

11. If Mr. Akash has stayed in India in the P.Y. 2024-25 for 100 days, and he is non-resident in 9 out of 10 years immediately preceding the current previous year and he has stayed in India for 365 days in all in the 4 years immediately preceding the current previous year and 730 days in all in the 7 years immediately preceding the current previous year, his residential status for the A.Y. 2025-26 would be:
(*a*) Resident and ordinarily resident
(*b*) Resident but not ordinarily resident

(*c*) Non-resident
(*d*) Cannot be ascertained with the given information.

12. If Mr. A has stayed in India in the P.Y. 2024-25 for 100 days, and he is non-resident in 8 out of 10 years immediately preceding the current previous year and he has stayed in India for 365 days in all in the 4 years immediately preceding the current previous year and 710 days in all in the 7 years immediately preceding the current previous year, his residential status for the A.Y. 2025-26 would be:

(*a*) Resident and ordinarily resident
(*b*) Resident but not ordinarily resident
(*c*) Non-resident
(*d*) Cannot be ascertained with the given information

13. Mr. A, a Canadian citizen, comes to India for the first time during the P.Y. 2020-21. He was in India during 2020-21 – 55 days, 2021-22 – 60 days, 2022-23 – 90 days, 2023-24 – 150 days, 2024-25 – 70 days. Residential status for the previous year 2024-25 shall be:

(*a*) Resident and ordinarily resident
(*b*) Resident but not ordinarily resident
(*c*) Non-resident
(*d*) Cannot be ascertained with the given information

14. Karta of one HUF comes to India every year for minimum 10 days and maximum 104 days, residential status of HUF shall be

(*a*) Resident and ordinarily resident
(*b*) Resident but not ordinarily resident
(*c*) Non-resident
(*d*) Cannot be ascertained with the given information

15. ABC Ltd. an Indian company has most of its business outside India and also control and management outside India. Residential status of company shall be

(*a*) Resident
(*b*) Resident but not ordinarily resident
(*c*) Non-resident
(*d*) None of the above

16. A Korean company received ₹20 lakhs from a non-resident for use of patent for a business in India is _____.

(*a*) taxable in India
(*b*) not taxable in India
(*c*) None of the above
(*d*) Partially Taxable

17. A non-resident received ₹15 lakhs from a Foreign Company outside India, it is _____.

(*a*) taxable in India
(*b*) not taxable in India
(*c*) partly taxable in India
(*d*) None of the above

18. John is a foreign citizen born in USA. His father was born in Delhi in 1960 and his grand-father was born in Lahore in 1935 but his mother was born in UK in 1963. John came to India for the first time on 1st June, 2024 and stayed in India for 183 days and then left for USA. His residential status for the A.Y. 2025-26 shall be:

(*a*) Resident and ordinarily resident
(*b*) Resident but not ordinarily resident
(*c*) Non-resident
(*d*) Foreign National

19. The following income of Ms. Nargis who is a non-resident shall be included in her total income:

(*i*) Salary for 2 months received in Delhi ₹40,000.
(*ii*) Interest on Savings Bank Account in Mumbai ₹2,100.
(*iii*) Agricultural income in Bangladesh and Invested in shares in Bangladesh.
(*iv*) Amount brought into India out of past non-taxed profits earned in USA.

(*a*) (*i*), (*iii*) and (*iv*)
(*b*) (*i*) and (*ii*)
(*c*) (*i*), (*ii*) and (*iv*)
(*d*) All the four above

20. The income earned during the previous year is subject to tax under the Act on the basis of residential status of an assessee. However, the residential status of an assessee _____ every year.

(*a*) will not change
(*b*) will certainly change
(*c*) may change
(*d*) None of the above

21. Mr. Rajiv, born and brought up in India left for employment in Belgium on 15-10-2024. He has never gone out of India, previously. What is his residential status for the assessment year 2025-26?

(*a*) Non-resident
(*b*) Not ordinarily resident
(*c*) Resident and ordinarily resident in India
(*d*) Indian citizen

22. Mr. Ramji (age 55) is Karta of HUF doing textile business at Nagur. Mr. Ramji is residing in Dubai for the past 10 years and visited India for 20 days every year for filing the income tax return of HUF. His two major sons take care of the day to day affairs of the business in India. The residential status of HUF for the assessment year 2025-26 is:

(*a*) Non-resident
(*b*) Resident and ordinarily resident in India
(*c*) Not ordinarily resident
(*d*) None of the above

23. Past untaxed profit of the previous year 2019-20 brought to India in 2024-25 is chargeable to tax in the assessment year 2025-26 in the hands of

(*a*) All the assessees
(*b*) Resident and ordinarily resident in India
(*c*) Non-resident in India
(*d*) None of the above.

24. Total income of a person is determined on the basis of his

(*a*) Residential status in India
(*b*) Citizenship in India
(*c*) Both (*a*) and (*b*) above
(*d*) None of the above.

25. Alpha Ltd. is an Indian company. It carries its business in Delhi and London. Total control and management of the company is situated in London. More than 85% of its business income is from the business in England. If so, its residential status will be:

(*a*) Resident
(*b*) Non-resident
(*c*) Not ordinarily resident
(*d*) Foreign company

26. Mr. Garry, a US citizen, came to India for an assignment from 11.01.2021 to 09.10.2021 and went back to his home country on completion of the same. He thereafter, visited India on 05.07.2023 again for an assignment, which ended on 26.05.2024. What is the latest date by which Mr. Garry should depart from India after completing the assignment so as to qualify as non-resident for P.Y. 2024-25? (Assume that he shall not be visiting India again during the year)

(*a*) 29-05-2024
(*b*) 30-05-2024
(*c*) 31-05-2024
(*d*) 28-09-2024

27. Mr. Garry is an Indian citizen and a member of the crew of an America bound Indian ship engaged in carriage of freight in international traffic departing from Kochi on 25th April, 2024. From the following details for the P.Y. 2024-25, determine the residential status of Mr. Garry for A.Y. 2025-26, assuming that his stay in India in the last 4 previous years preceding P.Y. 2024-25 is 365 days and last seven previous years preceding P.Y. 2024-25 is 730 days:

Date entered in the Continuous Discharge Certificate in respect of joining the ship	25th April, 2024
Date entered in the Continuous Discharge Certificate in respect of signing off the ship	24th October, 2024

Mr. Garry has been filing his income tax return in India as a Resident for previous 2 years. What is his residential status for A.Y. 2025-26?

(*a*) Resident and ordinarily resident
(*b*) Resident but not-ordinarily resident
(*c*) Non-resident
(*d*) Non-resident till 24.10.2024 and resident till 31.03.2025

28. On 31.08.2024, Mr. Kashyap moved to Japan for employment. His family accompanied him, owing to long term nature of employment. Mrs. Kashyap is also planning to start a fashion boutique in Japan soon, once she gets settled. Both Mr. & Mrs Kashyap are Indian citizens and have been working in India for more than a decade now. Comment on their residential status for A.Y. 2025-26, assuming they did not visit India after August 2024.

(*a*) Mr. & Mrs Kashyap will qualify to be non-resident
(*b*) Mr. Kashyap will qualify to be non-resident and Mrs Kashyap will be resident but not ordinarily resident
(*c*) Mr. Kashyap will qualify to be non-resident and Mrs Kashyap will be resident and ordinarily resident
(*d*) Mr. & Mrs Kashyap will qualify to be resident but not ordinarily resident

29. In which of the following case, royalty paid outside India will be taxable in India?

(*i*) Income by way of royalty payable by a person who is a resident where the royalty is payable in respect of any right, property or information used or services utilized for the purposes of a business carried on by such person outside India

(*ii*) Income by way of royalty payable by a person who is a non-resident, where the royalty is payable in respect of any right, property or information used or services utilized for the purposes of a business carried on by such person in India

(*iii*) Income by way of royalty payable by the government.

Select the correct answer from the options given below:

(*a*) (*i*) & (*iii*)
(*b*) (*ii*) & (*iii*)
(*c*) (*ii*) only
(*d*) (*i*), (*ii*) and (*iii*)

30. Mr. J is person of Indian origin visited India for 30 days during current financial year. His total income excluding income from foreign sources is ₹15,60,000. He is not paying tax in any country due to his domicile. Determine his residential status for current year.

(*a*) Non-Resident
(*b*) Resident & Ordinarily Resident
(*c*) Resident But Not Ordinarily Resident
(*d*) Either (*b*) or (*c*)

31. Mr. Nipun, a Non-Resident sold his house property situated in Bhopal to Mr. Yash Porwal, a Non-Resident. Capital gain from this transaction is ₹4,50,000. Mr. Nipul also provided technical services to Mahek Singhvi (Resident) Ltd which will be utilized for the purpose of his business in Malaysia. For these services, Nipun charged ₹10,00,000. Income of Nipun for FY 2024-25 is:

(*a*) ₹14,50,000
(*b*) ₹4,50,000
(*c*) ₹10,00,000
(*d*) ₹12,00,000

32. Mr. Square, an Indian citizen, currently resides in Dubai. He came to India on a visit and his total stay in India during the F.Y. 2024-25 was 135 days. He is not liable to pay any tax in Dubai. Following is his details of stay in India in the preceding previous years:

Financial Year	Days of Stay in India
2023-24	100
2022-23	125
2021-22	106
2020-21	83
2019-20	78
2018-19	37
2017-18	40

What shall be his residential status for the P.Y. 2024-25 if his total income (other than income from foreign sources) is ₹10 lakhs?

(*a*) Resident but not ordinary resident
(*b*) Resident and ordinary resident
(*c*) Non-resident
(*d*) Deemed resident but not ordinarily resident

33. Aashish earns the following income during the P.Y. 2024-25:

- Interest on U.K. Development Bonds (1/4th being received in India): ₹4,00,000
- Capital gain on sale of a building located in India but received in Holland: ₹6,00,000

If Aashish is a resident but not ordinarily resident in India, then what will be amount of income chargeable to tax in India for A.Y. 2025-26?

(*a*) ₹7,00,000 (*b*) ₹10,00,000
(*c*) ₹6,00,000 (*d*) ₹1,00,000

34. Mr. Rajesh, aged 53 years, and his wife, Mrs. Sowmya, aged 50 years, are citizens of Country X. They are living in Country X since birth. They are not liable to tax in Country X. Both of them have keen interest in Indian Culture. Mr. Rajesh's parents and grandparents were born in Country X. Mrs. Sowmya visits India along with Mr. Rajesh for four months every year to be with her parents, who were born in Delhi and have always lived in Delhi. During their stay in India, they organize Cultural Programme in Delhi-NCR. Income of Mr. Rajesh and Mrs. Sowmya from the Indian sources for the P.Y. 2024-25 is ₹18 lakhs and ₹16 lakhs, respectively.

What is the residential status of Mr. Rajesh and Mrs. Sowmya for A.Y. 2025-26?

(*a*) Both are resident and ordinarily resident in India
(*b*) Both are non-resident in India
(*c*) Mr. Rajesh is resident and ordinarily resident in India and Mrs. Sowmya is non-resident
(*d*) Mrs. Sowmya is resident but not ordinarily resident in India and Mr. Rajesh is resident and ordinarily resident in India.

35. Who among the following will qualify as non-resident for the P.Y. 2024-25?

- Mr. Bob, an Italian dancer, came on visit to India to explore Indian dance on 15.09.2024 and left on 25.12.2024. For past four years, he visited India for dance competition and stayed in India for 120 days each year.
- Mr. Samrat born and settled in USA, visits India each year for 100 days to meet his parents and grandparents, born in India in 1946, living in Delhi. His Indian income is ₹15,20,000.
- Mr. Joseph, an American scientist, left India to his home country for fixed employment there. He stayed in India for study and research in medicines from 01.01.2019 till 01.07.2024.

Choose the correct answer:

(*a*) Mr. Bob and Mr. Joseph
(*b*) Mr. Samrat
(*c*) Mr. Bob, Mr. Samrat and Mr. Joseph
(*d*) None of the three

36. Mr. Sushant is a person of Indian origin, residing in Canada. During P.Y. 2024-25, he visited India on several occasions and his period of stay, in total, amounted to 129 days during P.Y. 2024-25 and his period of stay in India during P.Y. 2023-24, P.Y. 2022-23, P.Y.2021-22, P.Y. 2020-21 was 135 days, 115 days, 95 days and 125 days, respectively. He earned the following incomes during the P.Y. 2024-25:

Particulars	Amount
Income received or deemed to be received in India	2,50,000
Income accruing or arising or which is deemed to accrue or arise in India	3,75,000

Income accruing or arising and received outside India from business controlled from India	5,50,000
Income accruing or arising and received outside India from business controlled outside India	6,50,000

What is the residential status of Mr. Sushant for P.Y. 2024-25 and his income liable to tax in India during A.Y. 2024-25?

(*a*) Non-Resident; ₹6,25,000 is liable to tax in India

(*b*) Resident and ordinary resident; ₹18,25,000 is liable to tax in India

(*c*) Resident but not ordinarily resident; ₹11,75,000 is liable to tax in India

(*d*) Non-Resident; ₹11,75,000 is liable to tax in India.

37. Mr. Ramesh, a citizen of India, is employed in the Indian embassy in Australia. He is a non-resident for A.Y. 2025-26. He received salary and allowances in Australia from the Government of India for the year ended 31.03.2025 for services rendered by him in Australia. In addition, he was allowed perquisites by the Government. Which of the following statements are correct?

(*a*) Salary, allowances and perquisites received outside India are not taxable in the hands of Mr. Ramesh, since he is non-resident.

(*b*) Salary, allowances and perquisites received outside India by Mr. Ramesh are taxable in India since they are deemed to accrue or arise in India.

(*c*) Salary received by Mr. Ramesh is taxable in India but allowances and perquisites are exempt.

(*d*) Salary received by Mr. Ramesh is exempt in India but allowances and perquisites are taxable.

Answer Key

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

03 CHAPTER

Salaries

MULTIPLE CHOICE QUESTIONS

BASIC CONCEPTS

1. Rohit, a non-resident, has the following particulars of income for the PY 2024-25: Salary from a German company of ₹10 lakh received in Germany for services rendered in Germany. Salary from PQR Pvt. Ltd., an Indian company, of ₹15 lakh received in Germany for services rendered in Delhi. Salary of ₹3 lakh received from ABC & Co, a partnership firm, in which he is a partner He instructed PQR Pvt. Ltd. to directly donate 10% of his salary to a charitable trust without paying him the amount. Rohit took an advance of ₹50,000 from PQR Pvt. Ltd. on 15.7.2024 to meet a personal exigency which was later adjusted against payment of salary during October 2024. Compute his gross taxable salary for AY 2025-26.

(*a*) ₹15,00,000
(*b*) ₹25,00,000
(*c*) ₹28,50,000
(*d*) ₹23,50,000

2. During the PY 2024-25, Harsh, employed w.e.f. 1.3.2023 in the scale of ₹50,000 - ₹10,000 - ₹80,000, received the following salary for the period April 2024 to March 2025, arrears of salary pertaining to PY 2021-22 not taxed then of ₹30,000 and salary of April 2025 received in March 2025. Salary becomes due on the last day of every month and is received on 5th of next month. Salary of April 2024 was paid in March 2024. Salary of January 2024, which could not be paid on 5.2.2024, was paid on 15.6.2024. Compute the gross salary income of Harsh for the AY 2025-26.

(*a*) ₹7,60,000
(*b*) ₹7,10,000
(*c*) ₹7,70,000
(*d*) ₹8,30,000

3. Rajesh, covered under the optional tax regime, received the following emoluments during the PY 2024-25: Dearness allowance of ₹5,000 p.m. Overtime allowance of ₹3,000 p.m. underground mine allowance of ₹1,000 p.m. and tribal area allowance of ₹1,000 p.m in the State of Madhya Pradesh. How much amount is taxable as salary?

(*a*) ₹96,000
(*b*) ₹1,20,000
(*c*) ₹1,08,000
(*d*) ₹1,00,000

RETIREMENT BENEFITS

4. Raghav retired on 31.1.2025 after being employed for 10 years, 7 months and 10 days and received ₹5,00,000 as gratuity. During the PY, he drew ₹50,000 as basic salary, dearness allowance @ 80% of basic salary (50% of which was part of salary as per terms of employment), commission of ₹5,000 p.m. and taxable HRA of ₹20,000. Raghav had claimed exemption u/s 10(10) of ₹10 lakh at the time of receipt of gratuity from his previous employer. He had also received ₹2 lakh of gratuity on 1.1.2024. Compute his gross salary income. Raghav was not covered under the Payment of Gratuity Act,1972

(*a*) ₹11,00,000 (*b*) ₹10,80,000

(*c*) ₹11,20,000 (*d*) ₹11,50,000

5. Rishabh joined BCD Ltd. as its finance manager, being his first employment, with effect from 1.4.2024 on a basic salary of ₹2,25,000 p.m. He received dearness allowance @12% of basic salary which formed part of retirement benefits. Rishabh contributed 11% of his basic salary and dearness allowance to the RPF account with BCD Ltd. making a matching contribution. Interest for the FY 2024-25 accumulated in the fund was ₹53,250. Rate of interest does not exceed 9.5%. Compute the amount of taxable interest for the AY 2025-26.

(*a*) ₹13,582 (*b*) ₹16,849

(*c*) ₹6,615 (*d*) Nil

6. Juhi retired from URL Ltd. on 31.1.2025 after serving for 7 years, 5 months and 5 days. At the time of retirement, she was drawing basic salary of ₹1,00,000 p.m., dearness allowance of ₹40,000 p.m. (70% of which was part of salary as per terms of employment), commission of ₹4,000 p.m. and fixed medical allowance of ₹3,000 p.m. She was also entitled to 1% commission on turnover which was ₹20 lakh for the period April 2024 to January 2025. She received leave encashment of ₹3,00,000 on retirement. She was entitled to 32 days of leave every year. She availed 120 days of leave during the service period while 20 days lapsed as per leave rules. She encashed 10 days of leave for ₹50,000 on 1.6.2024. Compute her gross salary income for AY 2025-26.

(*a*) ₹15,30,000 (*b*) ₹15,80,000

(*c*) ₹15,40,000 (*d*) ₹14,90,000

7. On termination of service on 1.5.2024, after serving for 4 years, due to closure of employer's business, Zeeshan received his own contribution of ₹9 lakh (@ 13% of salary) and interest thereon of ₹1 lakh (@ 10%) along with employer's contribution of ₹9 lakh (@ 13% of salary) and interest thereon of ₹1 lakh (@ 10%) from recognized PF. Zeeshan's contribution did not exceed ₹2.5 lakh in any year. What amount, out of these receipts, is taxable as salary?

(*a*) ₹11 lakh (*b*) ₹2 lakh

(*c*) ₹10 lakh (*d*) Nothing

8. Rishabh, working with BCG Pvt. Ltd., retired from employment on 31.12.2024 and started receiving pension of ₹20,000 p.m. thereafter. He also received ₹10 lakh as gratuity, whole of which was exempt u/s 10(10). He commuted 50% of pension for ₹5 lakh on 1.2.2025. He earned taxable salary of ₹6 lakh from April 2024 to December 2024. Compute gross salary for AY 2025-26.

(*a*) ₹8,26,667 (*b*) ₹8,90,000

(*c*) ₹9,10,000 (*d*) ₹8,06,667

9. Rajesh draws the following emoluments during the PY 2024-25: Basic salary of ₹60,000 p.m., dearness allowance of ₹40,000 p.m. (90% is part of salary for retirement benefits), commission of ₹5,000 p.m., taxable perquisites of ₹50.000, overtime allowance of ₹2,000 p.m. He and his employer, each contribute ₹15,000 p.m. towards recognized provident fund. Interest of ₹1,80,000 was credited for the PY 2024-25 in the RPF account @ 10%. Compute the gross salary income for AY 2025-26.

(*a*) ₹13,75,760 (*b*) ₹13,79,000

(*c*) ₹13,84,760 (*d*) ₹13,70,000

10. Rohan opted for retirement under the voluntary retirement scheme of PQR Ltd. which was framed in accordance with Rule 2B. He retired on 30.9.2024 after completing 10 years and 2 months of service and received ₹25 lakh as VRS compensation. During the PY he earned basic salary of ₹70,000 p.m., dearness allowance of ₹50,000 p.m. (40% was part of salary for retirement benefits), bonus of ₹1,00,000 and commission of ₹4,000 p.m. He still had 30 months of service left. Compute his gross salary income for AY 2025-26.

(*a*) ₹28,44,000 (*b*) ₹8,44,000

(*c*) ₹20,50,000 (*d*) ₹10,44,000

11. Raghav retired on 31.12.2024 after being employed for 10 years, 7 months and 10 days and received ₹5,00,000 as gratuity. During the PY, he drew ₹50,000 as basic salary, dearness allowance @ 80% of basic salary (50% of which was part of salary as per terms of employment), commission of ₹5,000 p.m. and taxable HRA of ₹20,000. Raghav had claimed exemption u/s 10(10) of ₹5 lakh at the time of receipt of gratuity from his previous employer. Compute his gross salary income. Raghav was covered under the Payment of Gratuity Act, 1972.

(*a*) ₹8,75,000 (*b*) ₹8,00,000

(*c*) ₹9,00,000 (*d*) ₹8,50,000

12. During the PY 2024-25, employer of Raj contributed 10% of basic salary and DA to the approved superannuation fund (ASF). Raj contributed an equal amount. The fund gained accretion of ₹1,00,000 @7% on the total fund value. Compute the amount to be included in taxable salary income for AY 2025-26 on account of ASF. Raj drew ₹2,00,000 p.m. and ₹1.00.000 p.m. as basic salary and DA, respectively. 60% of DA was part of salary for computing retirement benefits. No contribution was made towards RPF and NPS.

(*a*) ₹4,60,000 (*b*) ₹3,60,000

(*c*) ₹3,12,000 (*d*) Nil

HEALTH AND LIFE

13. Suresh is employed with JK Pvt. Ltd. During the PY 2024-25, he had to get his daughter treated for a disease in a hospital located in the USA. He incurred ₹3 lakh on travel, ₹2 lakh on stay and ₹4 lakh on medical treatment. He accompanied his daughter. He obtained RBI permission in respect of ₹4 lakh for treatment and stay. He was drawing annual salary of ₹12 lakh p.a. and had no other income during the PY. JK Pvt. Ltd. reimbursed the entire amount spent by Suresh abroad. What is the taxable value of medical benefits?

(*a*) Nil (*b*) ₹3,00,000

(*c*) ₹2,00,000 (*d*) ₹5,00,000

14. Rakul received the following benefits from her employer during the PY 2024-25: Fixed medical allowance of ₹2,500 p.m.; health insurance premium of ₹5,000 for Rakul's brother (not dependent on her); medical treatment of her son for ₹20,000 in hospital owned by employer; treatment of her father (not dependent on her) in a Government hospital for ₹30,000; treatment of her spouse in a private local clinic for ₹10,000; her treatment in an approved nursing home for a disease prescribed in Income Tax Rules for ₹50,000. Compute the taxable value of these benefits.

(*a*) ₹70,000 (*b*) ₹45,000

(*c*) ₹75,000 (*d*) ₹65,000

HOUSING

15. Ruhi, a State Government employee, stayed in a house provided by the employer in Chennai (population 70 lakh). Furniture costing ₹5 lakh was also provided which was purchased by the employer in the PY 2020-21. During the PY 2024-25, she drew a basic salary of ₹90,000 p.m., DA (forming part of salary) of ₹50,000, HRA of ₹30,000 p.m. and taxable medical perquisites of ₹50,000. License fee of the house was determined at ₹20,000 p.m. Compute the gross salary of Ruhi for AY 2025-26.

(*a*) ₹24,46,000 (*b*) ₹23,80,000

(*c*) ₹23,30,000 (*d*) ₹25,70,000

16. Vasu is employed with BDM Pvt. Ltd. During the PY 2024-25, he was in receipt of basic salary of ₹40,000 p.m., DA of ₹20,000 p.m. (forming part of salary for retirement benefits), conveyance allowance of `5,000 p.m. for commuting between residence and office and HRA of ₹20,000 p.m. He was posted in Rajnagar from February to June 2024 where he stayed in his own house but he used the HRA to pay rent of ₹10,000 p.m. for his wife who was posted in Ludhiana. From July onwards, he was posted in Hyderabad where he stayed at his friend's house from July to September and, thereafter, in a rented house from October onwards for which he paid rent of ₹15,000 p.m. Compute his gross salary for AY 2025-26 under the optional tax regime.

(*a*) ₹9,69,000 (*b*) ₹9,66,000

(*c*) ₹9,12,000 (*d*) ₹10,12,000

17. Ramesh is provided with furniture of value ₹70,000 along with the house from February 2024, by his employer. Actual hire charges paid by employer for furniture is ₹5,000 p.a. Value of furniture to be included with value of unfurnished house for AY 2025-26 is:

(*a*) ₹5,000 (*b*) ₹7,000

(*c*) ₹10,500 (*d*) ₹14,000

18. Juhi, employed with Zen Ltd., is provided with a house owned by the employer in Faridabad (population 15 lakh), with effect from 1.4.2024, for which she pays ₹10,000 p.m. The company has also provided air conditioners which it has hired at ₹5,000 p.m. During the PY 2024-25, she drew a basic salary of ₹90,000 p.m., DA (50% forming part of salary) of ₹50,000, HRA of ₹30,000 p.m., commission of ₹10,000 p.m. and taxable perquisites (other than house) of ₹50,000. Market rent of the house is ₹50,000 p.m. Compute the gross salary of Juhi for AY 2025-26.

(*a*) ₹23,41,000 (*b*) ₹24,29,000

(*c*) ₹23,36,000 (*d*) ₹22,43,000

TRAVEL AND CONVEYANCE

19. Bhaskar was provided with a motor car by his employer of engine cubic capacity 2,000, on 1.10.2024, which he uses for official as well as personal purposes for the rest of the PY. The car is also used by his spouse and children. While the driver is provided by employer (who bears his salary of ₹4,000 p.m.), running and maintenance to the tune of ₹6,000 p.m. are borne by Bhaskar. He claims that he uses the car for official purposes to the extent of 60%. Compute the value of perquisite.

(*a*) ₹10,800 (*b*) ₹9,000

(*c*) ₹45,600 (*d*) ₹24,000

20. Ram, working in a transport system in Mumbai, receives allowance of ₹12,000 p.m. granted to meet his personal expenditure while on duty. Amount of allowance taxable, under the optional tax regime, is:

(*a*) ₹43,200 (*b*) ₹1,44,000

(*c*) Nil (*d*) ₹1,20,000

21. Yash, working in a transport system, received an allowance of ₹18,000 p.m. to meet his personal expenditure while on duty. Compute the taxable value of this receipt under the optional tax regime if he is not in receipt of any daily allowance from his employer.

(*a*) Nil (*b*) ₹64,800

(*c*) ₹2,16,000 (*d*) ₹96,000

22. Ganesh is employed with BK Ltd. in Delhi. His emoluments for PY 2024-25 comprised of basic salary of ₹50,000 p.m. and leave travel concession of ₹1,00,000. During June 2024, he proceeded to travel to Bangalore along with his spouse (working and independent), mother (working and independent) and three children (major twins and minor daughter; all born after 1.10.1998). Earlier to the PY 2024-25, he had availed LTC exemption during 2021 and 2022. He decided to travel via Nagpur by Indigo and spent ₹15,000 per person. Air India economy class fare for direct route was ₹10,000 per person. He spent ₹50,000 towards food & accommodation. Compute his gross salary for AY 2025-26 under the optional tax regime,

(*a*) ₹7,00,000

(*b*) ₹6,60,000

(*c*) ₹6,40,000

(*d*) ₹6,50,000

23. What will be the value of perquisite per month, where Resham is provided a car throughout the year by his employer purely for personal use, which was purchased by the employer 3 years back for ₹6 lakh, running and maintenance expenses of ₹60,000 are borne equally by Resham and employer, driver is provided by employer which pays salary of ₹10,000 p.m., car is used by spouse of Resham and employer recovers ₹5,000 p.m. from Resham for this facility?

(*a*) ₹12,500

(*b*) ₹10,000

(*c*) ₹15,000

(*d*) Nil

24. Jagat owns a car of 1500 cc which he uses for personal as well as official purposes. His employer incurs expenses of ₹10,000 p.m. on running and maintenance and on driver. 80% expenses relate to official use of car which is substantiated by employer's log book and certificate issued to Jagat in this regard. Value of perquisite per month will be:

(*a*) ₹7,300 (*b*) ₹2,000

(*c*) ₹10,000 (*d*) ₹7,700

25. Rahul works with Shubh Pvt. Ltd. He draws the following emoluments during the PY 2024-25: Basic salary of ₹40,000 p.m.; conveyance allowance to visit client locations ₹10,000 p.m. (₹80,000 spent on official travel); transport allowance to commute between residence and place of work ₹5,000 p.m., project allowance ₹20,000. During June 2023, he was sent on a 10 day official tour to Gujarat and was given ₹30,000 as travelling allowance and ₹2,000 per day as daily allowance. He spent ₹20,000 on travel and ₹15,000 on ordinary daily charges while on tour. Balance was spent on personal purposes. Compute his gross salary for AY 2025-26.

(*a*) ₹6,15,000 (*b*) ₹5,55,000

(*c*) ₹5,65,000 (*d*) ₹5,75,000

26. Bhanu owns a motor cycle which he uses for personal as well as official purposes. His employer incurs running and maintenance expense of ₹3,000 p.m. 60% expenses relate to official use but employer does not maintain any record of official trips. Value of perquisite per month will be:

(*a*) ₹3,000 (*b*) ₹1,200

(*c*) ₹2,100 (*d*) ₹2,500

EDUCATION

27. Shyam has three children. During the PY 2024-25, he received the following benefits from his employer: Education allowance of ₹500 p.m. and hostel allowance of ₹600 p.m. for his elder son, aged 17 years, studying in Mexico, for whom he spent ₹1,00,000 and ₹1,25,000 on education and hostel expenditure, respectively. Education of his younger son in RK School, Delhi, with which his employer has a tie up - Shyam paid ₹500 p.m. in this regard as against a similar school in the same locality which charged ₹3,000 p.m. Reimbursement of tuition fee of ₹4,000 p.m. for education of his daughter in JK School, Noida. Shyam also received reimbursement of ₹10,000 towards an online training program that he undertook to improve his management skills. Compute the taxable value of these benefits for AY 2025-26 under the optional tax regime.

(*a*) ₹86,400 (*b*) ₹1,01,200

(*c*) ₹91,200 (*d*) ₹43,200

28. Manav receives allowance of ₹1,000 p.m. per child for meeting education of his 3 children and allowance of ₹2,000 p.m. per child for meeting their hostel expenditure. He spends ₹3,000 p.m. on education and ₹5,000 p.m. on hostel. Taxable perquisite for the PY 2024-25, under optional tax regime, will be:

(*a*) ₹33,600 and ₹64,800

(*b*) Fully exempt

(*c*) ₹36,000 and ₹72,000

(*d*) ₹12,000 and ₹24,000

29. Suyash is employed as an engineer with BCD Pvt. Ltd. Following particulars are available for PY 2024-25: The employer paid fees of ₹12,500 for attending a seminar on the subject of engineering. His son studied in a school for which the tuition fee of ₹25,000 was reimbursed by the employer. The employer also owned and maintained a school in which his daughter studied for which he paid a tuition fee of ₹750 per month. Cost of education in a similar education in nearby locality was ₹5,250 p.m. Compute the taxable value of the aforesaid benefits for AY 2025-26.

(*a*) ₹25,000 (*b*) ₹66,500

(*c*) ₹37,500 (*d*) ₹79,000

ASSETS

30. Bhanu is sold a laptop for ₹10,000 by his employer which was purchased during the current PY itself for ₹50,000. Perquisite value will be:

(*a*) ₹10,000 (*b*) ₹50,000

(*c*) ₹40,000 (*d*) ₹15,000

31. Raju was provided with a microwave oven at his residence by his employer on 1.9.2024. It was purchased by the employer for ₹40,000 on 15.3.2021. Raju paid ₹100 p.m. on this count. He later purchased it for ₹1,000 on 1.3.2025. Compute the taxable value of these benefits for AY 2025-26.

(*a*) ₹11,240 (*b*) ₹30,400

(*c*) ₹24,400 (*d*) ₹28,400

32. Bhanu is given a motor cycle owned by his employer which he uses for personal as well as official purposes. His employer incurs running and maintenance expense of ₹3,000 p.m. 60% expense relates to official use. Motor cycle was purchased 2 years back for ₹50,000. Value of perquisite will be:

(*a*) ₹5,000 (*b*) ₹36,000

(*c*) ₹14,400 (*d*) Exempt

33. Bhanu is sold a motor cycle on 1.1.2025 for ₹10,000 which was purchased on 1.6.2023 by his employer for ₹50,000. Perquisite value will be:

(*a*) ₹15,000 (*b*) ₹50,000

(*c*) ₹10,000 (*d*) ₹35,000

34. Bhanu is given a laptop for use by his employer who purchased it during the year for ₹50,000. Laptop is used both for official purpose (50%) and by his family members for entertainment purposes (50%). Perquisite value will be:

(*a*) ₹5,000 (*b*) ₹25,000

(*c*) ₹2,500 (*d*) Nil

OFFICE SUPPORT

35. Bhanu is provided uniform allowance of ₹10,000 out of which he spends ₹4,000 for purchasing office uniform and ₹3,000 for purchasing school uniform of his children. Taxable value of perquisite, under the optional tax regime, will be:

(*a*) ₹10,000 (*b*) ₹7,000
(*c*) ₹6,000 (*d*) ₹3,000

36. Bhanu is provided helper allowance of ₹2,000 p.m. which he uses to pay salary to a helper engaged at home for personal purposes. Taxable value of perquisite, under the optional tax regime, will be:

(*a*) ₹24,000 (*b*) Exempt
(*c*) ₹12,000 (*d*) ₹6,000

FINANCIAL INCENTIVES

37. Rakesh is given a personal loan of ₹1 lakh by his employer on 1.4.2024 at 4% p.a. interest. Entire loan is outstanding as on 31.3.2025. SBI rate for personal rate is 10% p.a. as on 1 April 2024 and 12% p.a. as on 31 March 2025. Value of taxable perquisite is:

(*a*) ₹8,000 (*b*) ₹4,000
(*c*) ₹10,000 (*d*) ₹6,000

38. Rakesh is allotted 100 shares pursuant to the ESOP scheme of the employer for ₹10 per share. FMV of shares is ₹50 per share on date of exercise of option and ₹60 on date of allotment. Taxable value of perquisite is:

(*a*) ₹4,000 (*b*) ₹5,000
(*c*) ₹1,000 (*d*) Exempt

39. Suman obtains a housing loan of ₹20 lakh from her employer @ 5% p.a. interest on 1.12.2024 and starts repaying ₹1 lakh on 1st of every month, starting January 2025. SBI housing loan rate is 10% as on 1.4.2024 and 12% on 1.12.2024. Compute the taxable value of perquisite for AY 2025-26.

(*a*) ₹30,833 (*b*) ₹29,166
(*c*) ₹43,167 (*d*) ₹27,366

DEDUCTIONS U/S 16

40. Standard deduction to be provided to an employee, under the default tax regime,having gross salary income of ₹45,000 will be:

(*a*) ₹50,000 (*b*) ₹45,000
(*c*) Nil (*d*) None of the above

41. Roshni, employed with JK Pvt. Ltd., has the following particulars of salary income for PY 2024-25: Basic salary of ₹3,00,000, taxable HRA of ₹1,00,000 and entertainment allowance ₹12,000. JK Pvt. Ltd. has paid professional tax on her behalf of ₹2,500. Compute the taxable salary for AY 2025-26 under the optional tax regime.

(*a*) ₹3,59,500
(*b*) ₹3,62,000
(*c*) ₹3,64,500
(*d*) ₹3,57,000

42. Shambhu, employed with Central Government, on basic salary of ₹4,000 per month, is provided entertainment allowance of ₹1,000 per month. Amount of deduction from the gross salary income in this respect, under the optional tax regime, will be:

(*a*) ₹9,600 (*b*) ₹12,000

(*c*) ₹5,000 (*d*) Nil

Answer Key

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

04 CHAPTER

Income from House Property

MULTIPLE CHOICE QUESTIONS

1. Vacant site lease rent is taxable as

(*a*) Income from house property

(*b*) Business income or income from house property, as the case may be

(*c*) Income from other sources or business income, as the case may be

(*d*) Income from other sources or income from house property, as the case may be

2. Treatment of unrealized rent for determining income from house property

(*a*) To be deducted from expected rent

(*b*) To be deducted from actual rent

(*c*) To be deducted under section 24 from annual value

(*d*) To be deducted from both expected rent and actual rent

3. Municipal taxes to be deducted from GAV should be

(*a*) Paid by the tenant during the previous year

(*b*) Paid by the owner during the previous year

(*c*) Accrued during the previous year

(*d*) Paid during the previous year either by tenant or owner

4. Deduction under section 24(a) is

(*a*) 1/3rd of NAV

(*b*) repairs actually incurred by the owner

(*c*) 30% of NAV

(*d*) Interest on borrowed capital

5. Interest on borrowed capital accrued up to the end of the previous year prior to the year of completion of construction is

(*a*) allowed as a deduction in the year of completion of construction

(*b*) allowed in 5 equal annual installments from the year of completion of construction

(*c*) allowed in the respective year in which the interest accrues

(*d*) not allowed

6. Leena received ₹30,000 as arrears of rent during the P.Y. 2024-25. The amount taxable under section 25A would be:

(*a*) ₹30,000 (*b*) ₹21,000

(*c*) ₹20,000 (*d*) ₹15,000

7. Vidya received ₹90,000 in May, 2024 towards recovery of unrealised rent, which was deducted from actual rent during the P.Y. 2022-23 for determining annual value. Legal expense incurred in relation to unrealized rent is ₹20,000. The amount taxable under section 25A for A.Y. 2025-26 would be:

(*a*) ₹70,000 (*b*) ₹60,000

(*c*) ₹63,000 (*d*) ₹49,000

8. Ganesh and Rajesh are co-owners of a self-occupied property. They own 50% share each. The interest paid by each co-owner during the previous year on loan (taken for acquisition of property during the year 2004) is ₹2,05,000. The amount of allowable deduction in respect of each co-owner is:

(*a*) ₹2,05,000 (*b*) ₹1,02,500

(*c*) ₹1,00,000 (*d*) ₹2,00,000

9. Mr. Zen owns a flat in Mumbai which was let out by him in the previous year 2024-25 on a rent of ₹20,000 p.m. upto December, 2024 and for ₹30,000 p.m. thereafter. The annual municipal value is of ₹3,00,000, Fair Rent is ₹2,50,000 and Standard Rent is ₹2,90,000. The Gross Annual Value of the flat shall be taken as:

(*a*) ₹2,70,000 (*b*) ₹3,00,000

(*c*) ₹2,50,000 (*d*) ₹2,90,000

10. A borrowed ₹5,00,000 @ 12% p.a. on 1-4-2020 for construction of house property which was completed on 15-3-2024. The amount is still unpaid. The deduction of interest for previous year 2024-25 shall be:

(*a*) ₹60,000 (*b*) ₹96,000

(*c*) ₹1,80,000 (*d*) ₹2,40,000

11. Ms. Padmaja let out a property for ₹20,000 per month during the year 2024-25. The municipal tax on the let-out property was enhanced retrospectively. Hence, she paid ₹60,000 as municipal tax which included arrears of municipal tax of ₹45,000. Her income from house property is:

(*a*) ₹1,80,000 (*b*) ₹1,57,500

(*c*) ₹1,26,000 (*d*) ₹1,36,500

12. The construction of a house was completed on 31st January, 2025. The owner of the house took a loan of ₹20,00,000 @ 6% p.a. on 1st May, 2024. In this case the deduction allowable for the previous year 2024-25 towards interest on borrowings is:

(*a*) ₹22,000 (*b*) ₹24,000

(*c*) ₹1,10,000 (*d*) None of the above.

13. Standard Deduction u/s 24(a) shall be

(*a*) 25% of NAV (*b*) 30% of NAV

(*c*) 25% of GAV (*d*) 30% of GAV

14. GAV shall be

(*a*) Higher of expected rent and rent received/receivable
(*b*) Lower of expected rent and rent received/receivable
(*c*) Higher of municipal value and fair rent
(*d*) NAV minus municipal taxes

15. Expected rent shall be

(*a*) Higher of municipal value and fair rent but restricted to Standard rent
(*b*) Lower of municipal value and fair rent but maximum to Standard rent
(*c*) Higher of municipal value and fair rent
(*d*) Lower of municipal value and fair rent

16. Prior Period Interest shall be allowed in

(*a*) 5 annual equal installments
(*b*) 4 annual equal installments
(*c*) 3 annual equal installments
(*d*) 2 annual equal installments

17. The Ceiling limit of deduction u/s 24(b) in respect of interest on loan taken for let out property shall be

(*a*) ₹30,000 p.a.
(*b*) ₹1,50,000 p.a.
(*c*) ₹2,00,000 p.a.
(*d*) No limit

18. Recovery of unrealized rent shall be taxable under the head

(*a*) House Property
(*b*) Business/Profession
(*c*) Other sources
(*d*) None of the above

19. If any person is engaged in the business of letting out of house property, income shall be taxable under the head

(*a*) Business/profession
(*b*) House property
(*c*) Other sources
(*d*) Capital gains
(*e*) None of these

20. If loan has been taken on 01.04.2023 and house was completed on 31.03.2024, in this case

(*a*) no prior period installment in p.y. 2024-25
(*b*) there is prior period installment in p.y. 2024-25

21. Mr. J has a house property in Delhi whose Municipal value is ₹1,00,000 and the Fair Rental Value is ₹1,20,000. The standard rent is fixed at ₹1,08,000. It was self-occupied by Mr. J from 01.04.2024 to 31.07.2024. With effect from 01.08.2024, it was let out at ₹10,000 per month. Compute the net annual value of the house property for A.Y. 2025-26 if the municipal taxes paid by him during the year were ₹20,000.

(*a*) ₹1,00,000
(*b*) ₹60,000
(*c*) ₹1,08,000
(*d*) ₹88,000

22. Mr. Agarwal moved to Mumbai. He took a property on rent for his residential purpose. However, the property was not fully occupied by him. He let out the property to his friend at ₹15,000 p.m.

from 01.04.2024 to 31.03.2025. Mr. Agarwal is of the view that income from subletting of property is taxable as Income from House Property. As tax advisor of Mr. Agarwal, find out whether his view is correct.

(*a*) Correct, as any income from a house property is taxable under the head Income from House Property.

(*b*) Incorrect, as Mr. Agarwal is not the owner of the property let out by him. The income from subletting shall be taxable under the head Profits and Gains of Business or Profession.

(*c*) Incorrect, as Mr. Agarwal is not the owner of the property let out by him. The income from subletting shall be taxable under the head Income from other sources.

(*d*) Correct, as income from subletting of a property is directly attributable to the property itself and hence, chargeable to tax as income from house property

23. During the current previous year income from house property of Kapil was ₹1,44,000 before considering the following data:

- Kapil recovered unrealized rent of ₹16,000 out of total unrealized rent of ₹22,000.
- In past he was allowed deduction of ₹10,000 on account of unrealized rent.
- He also received arrear of rent from another house property amounting to ₹55,450.

What is Kapil's income from house property?

(*a*) ₹71,450 (*b*) ₹1,94,015

(*c*) ₹1,85,615 (*d*) ₹1,89,815

24. **Statement 1:** If a newly constructed house building, being held as stock in trade, is vacant, annual value of such building would be treated as Nil for a period of one year from the end of the financial year in which completion certificate is obtained from competent authority.

Statement 2: Assessee having more than Two house which are self-occupied (deemed to be let out property)

(*a*) Statement 1 only is correct (*b*) Both Statements are correct

(*c*) None of the Statement is correct (*d*) Statement 2 only is correct

25. Karan owns a house in Delhi. The house has two identical units. First unit is self-occupied by the Karan while other is rented at ₹12,000 p.m. The rented unit remained vacant for 3 months. The standard rent, municipal value and fair rent was ₹2,20,000 2,44,000 and 2,35,000 p.a. respectively for the entire house. Karan paid municipal taxes which was 12% of municipal value. Interest on borrowed capital was ₹2,000 p.m. Compute income from house property.

(*a*) ₹53,352 (*b*) ₹50,452

(*c*) ₹42,652 (*d*) ₹41,352

26. Mr. Virat has a house property in Chennai which he let out to Mr. Sumit. For acquisition of this house, Mr. Virat has taken a loan of ₹30,00,000 @10% p.a. on 1-4-2017. He has further taken a loan of ₹5 lakhs @12% p.a. on 1.7.2023 towards repairs of the house. He has not repaid any amount of loan so far. The amount of interest deduction u/s 24(b) to Mr. Virat for P.Y. 2024-25 if he opted for the provisions of section 115BAC is:

(*a*) ₹2,00,000 (*b*) ₹2,30,000

(*c*) ₹3,45,000 (*d*) ₹3,60,000

27. Mr. Kapoor has rented a flat at a monthly rent of ₹85,000. The flat is purchased by him from a bank loan. Interest on bank loan for the current year amounted to ₹1,85,000. Out of ₹1,85,000, ₹85,000 is paid in current year and balance of ₹1,00,000 is paid in subsequent year. In this case, Mr. Kapoor can claim deduction under section 24(b) of _____ in the current year.

(*a*) ₹1,85,000 (*b*) ₹1,00,000

(*c*) ₹85,000 (*d*) Nil

28. Mr. JS took loan from a bank for ₹1,00,000 on 1.1.2020 @ 12% p.a for the construction of the house which is self-occupied. Construction of the house got completed on 1.1.2025 and loan was repaid on 31.12.2023. Compute deduction u/s 24(b) for AY 2025-26.

(*a*) ₹19,400 (*b*) ₹9,600

(*c*) ₹12,000 (*d*) ₹49,000

29. Mr. Ram took a loan of ₹10,00,000 @ 12% p.a on 1/4/2015 for construction of house property. Construction of house completed on 1.1.20. Ram paid Entire loan on 1.12.2023. Calculate Deduction u/s 24(b) for the PY 2024-25.

(*a*) ₹96,000 (*b*) ₹1,20,000

(*c*) ₹2,16,000 (*d*) NIL

30. Mr. Bunty let out his house property and received ₹1,32,000 as rent.

Municipal value = ₹1,30,000 p.a.; Fair rent = ₹1,10,000; Standard rent = ₹1,20,000 p.a. Mr. Bunty took a loan for acquisition of this property from Singapore and paid interest of ₹40,000 without deduction of TDS. Compute income from house property (Municipal taxes accrued = ₹13,000 but paid during the year is ₹10,000):

(*a*) ₹45,400 (*b*) ₹83,300

(*c*) ₹85,400 (*d*) ₹43,300

31. Miss Pallavi has let out her own house property from 01.04.24 to 30.11.24 and received rent of ₹72,000. From 01.12.24 to 31-03-25, she occupied the property herself.

Other information from 01.04.24–31.03.25 is

Municipal Value	:	₹80,000
Fair Rent	:	₹90,000
Standard Rent	:	₹75,000
Municipal taxes	:	₹7,950

Calculate the Gross Annual Value

(*a*) ₹75,000 (*b*) ₹72,000

(*c*) ₹67,050 (*d*) ₹64,050

(*e*) ₹69,700

32. Which of the following can have negative annual value?

1. Let out property
2. One self-occupied property.
3. Deemed let out property.

4. One property which could not be occupied due to employment elsewhere.
5. Property which is part of the year let out and part of the year self-occupied.

Select the correct answer from the options given below:

(*a*) 5, 3, 1 (*b*) 2, 4, 1
(*c*) 2 & 5 (*d*) All of the above

33. From the following data calculate the GAV:

Annual fair rental value (FRV)	=	₹4,80,000
Annual municipal value (MV)	=	₹4,56,000
Annual standard rent (SR)	=	₹4,68,000
Actual Rent	=	₹41,000 p.m.
Period of vacancy	=	2 months
Unrealized rent	=	1 Month
Municipal taxes	=	₹55,700

(*a*) ₹3,90,000 (*b*) ₹4,51,000
(*c*) ₹4,68,000 (*d*) ₹3,95,300

34. Sumit owns a house, half of which is let out at a monthly of ₹10,000. However, this half portion remained vacant for 3 months. 25% portion of the house was use by Sumit for residence and 25% for professional purpose. Other details:

Municipal taxes	:	₹20,000
Repairs	:	₹16,000
interest on loan taken for construction	:	₹10,000
Fire insurance premium	:	₹6,000

Income from house property =?

(*a*) ₹51,000 (*b*) ₹48,500
(*c*) ₹50,500 (*d*) ₹55,000

Answer Key

1. (*c*)	**2.** (*b*)	**3.** (*b*)	**4.** (*c*)	**5.** (*b*)	**6.** (*b*)	**7.** (*c*)	**8.** (*d*)	**9.** (*d*)	**10.** (*b*)
11. (*c*)	**12.** (*c*)	**13.** (*b*)	**14.** (*a*)	**15.** (*a*)	**16.** (*a*)	**17.** (*d*)	**18.** (*a*)	**19.** (*b*)	**20.** (*a*)
21. (*d*)	**22.** (*c*)	**23.** (*c*)	**24.** (*d*)	**25.** (*d*)	**26.** (*c*)	**27.** (*a*)	**28.** (*b*)	**29.** (*a*)	**30.** (*c*)
31. (*a*)	**32.** (*a*)	**33.** (*c*)	**34.** (*b*)						

05 CHAPTER

Profits and Gains of Business or Profession

MULTIPLE CHOICE QUESTIONS

DEDUCTIONS FOR ASSETS

1. Jagan started his business on 1.10.2024 by acquiring the following assets: Land for ₹30 lakh, building constructed on the land at a cost of ₹50 lakh, license and know-how purchased for ₹20 lakh, machines worth ₹20 lakh taken on operating lease at ₹2 lakh p.a., books purchased for ₹30,000 and furniture acquired on rent of ₹60,000 p.a. What is the total cost of assets on which Jagan can claim depreciation u/s 32?

(*a*) ₹1,12,90,000 (*b*) ₹80,30,000

(*c*) ₹90,30,000 (*d*) ₹70,30,000

2. Radhey carries out manufacturing operations in a rented factory premises. During the PY 2024-25, he incurred expenditure of ₹10,000 on local taxes, ₹3,00,000 on rent, ₹10,000 as insurance premium, ₹20,000 on routine repairs and ₹1 lakh on constructing a store room within the premises. He also sublet part of the premises to another person and earned ₹50,000 as rent. All payments were made within the PY 2024-25. The amount of net deduction available to Radhey in computing business income, apart from depreciation, will be:

(*a*) ₹4,40,000 (*b*) ₹3,40,000

(*c*) ₹2,90,000 (*d*) ₹3,90,000

3. Jagan purchased 10 equipments of ₹50,000 each on 14.6.2024 for his production business, entitled to 15% rate of depreciation. Five equipments were put touse immediately. Two could be put to use only from 10.5.2025. One equipment, was installed at his residence for personaluse. One equipment was put to use on 1.12.2024. One equipment was not unboxed since it was purchased in excess of requirements. There were no assets in the relevant block as on 1.4.2024. Depreciation allowable for PY 2024-25 will be:

(*a*) ₹75,000 (*b*) ₹41,250

(*c*) ₹45,000 (*d*) ₹60,000

4. Rohit carries out manufacturing operations using plant and machinery taken on hire for ₹1,20,000 for PY 2024-25. In addition, he has to pay ₹10,000 as insurance premium and periodical repair expenses of ₹20,000 for these assets. 25% of the assets are used by Rohit's brother for his business

for which Rohit does not charge anything. The amount of deduction available to Rohit in computing his business income will be:

(*a*) ₹1,50,000 (*b*) ₹1,12,500

(*c*) ₹1,20,000 (*d*) ₹1,40,000

5. BSL Ltd., a power undertaking, following SLM method of depreciation, purchased a machine for ₹1 lakh on 10.6.2020, entitled to 25% rate of depreciation. Depreciation for PY 2024-25 on the machine will be:

(*a*) ₹25,000 (*b*) ₹12,500

(*c*) Nil (*d*) ₹7,910

6. Raju acquired two machines for ₹60,000 each on 1.2.2024. The first machine was put to use immediately while the second machine was put to use from 10.4.2024. The first machine was sold for ₹40,000 on 15.12.2024. These machines are the only assets in the block entitled to 15% rate of depreciation. Calculate the depreciation for PY 2024-25.

(*a*) ₹9,300 (*b*) ₹10,650

(*c*) ₹11,150 (*d*) ₹11,325

7. Mr. Z, a retailer, acquired furniture on 10.5.2024 for ₹10,000 in cash and on 15.5.2024 for ₹15,000 and ₹20,000 by a bearer cheque and account payee cheque, respectively. Depreciation allowable for AY 2025-26 would be:

(*a*) ₹2,000 (*b*) ₹3,000

(*c*) ₹3,500 (*d*) ₹4,500

8. The WDV of a block of assets (plant and machinery, rate of depreciation 15%) as on 1.4.2024 is ₹3,20,000. A second hand machinery costing ₹50,000 was acquired on 1.9.2024 through account payee cheque but put to use on 1.11.2024. During January 2025, part of this block was sold for ₹2,00,000. Depreciation for AY 2025-26 would be:

(*a*) ₹21,750 (*b*) ₹25,500

(*c*) ₹21,125 (*d*) ₹12,750

9. Rahul commenced his business on 12.7.2024 by acquiring the following assets on the said date: Office building for ₹30 lakh, furniture for ₹10 lakh, computers for ₹2 lakh, computer software for ₹50,000, books for ₹20,000 and patents and copyrights for ₹5 lakh. Depreciation allowable for PY 2024-25 will be:

(*a*) ₹6,33,000 (*b*) ₹4,83,000

(*c*) ₹5,65,500 (*d*) ₹6,65,000

10. Sumit acquired lifesaving medical equipment priced at ₹10 lakh during the PY 2024-25. It was ordered on 15.4.2024, delivered on 15.9.2024 and put to use on 15.11.2024. Interest on loan taken to purchase the equipment, payable till 15.11.2023 was ₹20,000. Sumit spent ₹10,000 in cash on freight, carriage and unloading of the equipment. Besides, he had to incur installation charges of ₹15,000 which were paid in cash on the date of installation to the vendor. GST was payable @ 12% which was claimed as input tax credit. Sumit received 50% of purchase price as subsidy from the State Government. ₹1 lakh towards the price of equipment was paid by bearer cheque while the balance was paid through ECS facility of his bank. Calculate the depreciation allowed u/s 32 for PY 2024-25 assuming that this is the only asset in the block,

(*a*) ₹1,72,000
(*b*) ₹1,09,000
(*c*) ₹86,000
(*d*) ₹2,09,000

11. A machine acquired during the PY and entitled to additional depreciation, is allowed such depreciation @ 10% (i.e., at 50% rate) since it was put to use on 15 March of that PY. How much additional depreciation will be allowed in the subsequent year?
(*a*) 20% again
(*b*) Nil
(*c*) Balance 10%
(*d*) None of these

12. An assessee purchases a machine worth ₹80,000 on 5.9.2024 and makes the payment of ₹45,000 by account payee cheque and ₹20,000 in cash on the same date. The balance of ₹15,000 is paid by bearer cheque on 6.9.2024 when the machine is delivered. Compute the actual cost.
(*a*) ₹45,000
(*b*) ₹80,000
(*c*) ₹60,000
(*d*) ₹65,000

13. Mr. Shine, engaged in manufacture of computers, purchased machinery A, B and C on 5.9.2024 for ₹1 lakh each, entitled to 15% depreciation. Second hand Machine A was imported from France which was not used any time before in India. Machine B was installed in the office. Machine C was installed in the factory. Compute the normal depreciation and additional depreciation allowable for AY 2025-26 as per the optional tax regime.
(*a*) ₹45,000 and ₹20,000
(*b*) ₹30,000 and ₹20,000
(*c*) ₹45,000 and ₹60,000
(*d*) ₹45,000 and ₹40,000

14. Madhav, a retail trader in electronic items, acquired and installed a machine costing ₹1 lakh in his showroom on 15.4.2024. Compute the additional depreciation for AY 2025-26 in this respect. Madhav is covered under optional tax regime,
(*a*) Nil
(*b*) ₹20,000
(*c*) ₹10,000
(*d*) ₹15,000

15. Rambo imported machinery on 1.8.2023 for USD 10,000 from the USA. The machinery was first put to use on 1.8.2023 and the purchase price was paid on the same date. Calculate depreciation for AY 2025-26 if rate of depreciation is 15% and the machinery is the only asset in the block. Exchange rate for 1 USD was ₹75 on 1.8.2023, ₹70 on 31.3.2024 and ₹73 on 31.7.2024.
(*a*) ₹99,819
(*b*) ₹85,120
(*c*) ₹86,456
(*d*) ₹95,625

16. Spark Ltd, a power company, following WDV method of depreciation, acquired Machine A on 5.3.2024 and Machine B on 5.4.2024 for ₹1 lakh each, entitled to 40% depreciation on the block of assets. It further acquired furniture on 5.5.2024 for ₹1 lakh and patent on 5.6.2024 for ₹2 lakh. All these assets were used in the manufacturing facility of the company. Calculate the additional depreciation for AY 2025-26 as per the regular provisions of the Act.
(*a*) ₹40,000
(*b*) ₹20,000
(*c*) Nil
(*d*) ₹30,000

17. Rambo imported machinery on 1.8.2023 for USD 10,000 from the USA by paying 25% of the price upfront with the balance payable on 31.7.2024. Calculate depreciation for AY 2025-26 if rate of

depreciation is 15% and the machinery is the only asset in the block. Exchange rate for 1 USD was ₹75 on 1.8.2023, ₹70 on 31.3.2024 and ₹73 on 31.7.2024.

(*a*) ₹93,375 (*b*) ₹95,625

(*c*) ₹97,875 (*d*) ₹92,625

18. Sumit acquired a building for ₹15 lakh in June 2022, in addition to the cost of ₹3 lakh that he paid in respect of the land on which the building was situated. It was used for his personal purposes until he commenced business in June 2024 and since then it was used for his business purposes. Building is the only asset in the relevant block of assets. The amount of depreciation eligible in his case for AY 2025-26 is:

(*a*) ₹1,50,000 (*b*) ₹1,45,800

(*c*) ₹1,80,000 (*d*) ₹1,21,500

19. Sunil purchased a laptop on 10.4.2022 for ₹30,000, sold it to Sahil on 10.4.2024 for ₹5,000 and purchased it back from him on 10.5.2024 for ₹30,000. Calculate the depreciation available to Sunil for AY 2025-26.

(*a*) ₹12,000 (*b*) ₹2,000

(*c*) ₹4,320 (*d*) Nil

20. Gupta ji commenced business of fertilizer production in India on 20.4.2024. He had acquired plot of land for ₹30 lakh on 1.11.2023 on which he constructed factory at a cost of ₹40 lakh (completed on 15.3.2024, cost capitalized in books as on 20.4.2024). He also imported a second-hand machinery for ₹5 lakh on 20.5.2024 (15% rate of depreciation) which was not used any time before in India and depreciation was never claimed under the Act in respect of such machinery. He purchased new furniture of ₹25,000 on 30.6.2024 by making payment in cash. He has opted to claim benefit of section 35AD. Calculate the amount of deduction available to him for AY 2025-26 u/s 35AD and u/s 32 as per the optional tax regime,

(*a*) ₹45 lakh; Nil

(*b*) ₹45.25 lakh; ₹75,000

(*c*) ₹75 lakh; ₹2,500

(*d*) ₹75.25 lakh; Nil

21. Mr. Z is engaged in retail business. He acquired motor car A for ₹4 lakh on 25.7.2023 which was put to use on 15.9.2024. He further acquired motor car B for ₹3 lakh on 12.1.2024 which was put to use on 4.10.2024. He subsequently acquired motor car C for ₹5 lakh on 20.5.2024 which was put to use on 30.6.2024. He took a vehicle loan of ₹5 lakh on 1.4.2024 at the interest rate of 10% p.a. to acquire motor car C. He sold motor car C on 25.6.2025 for ₹5.5 lakh and re-acquired it back on 25.7.2025 for ₹6 lakh. Above mentioned assets are the only assets in the block of assets. Compute the amount of total depreciation u/s 32 for PY 2025-26.

(*a*) ₹1,66,594 (*b*) ₹1,60,500

(*c*) ₹1,37,438 (*d*) ₹1,62,094

22. Mr. King earned composite agricultural income from tea business. He purchased his first machinery for ₹1 lakh on 15.6.2023 entitled to 15% rate of depreciation. Calculate depreciation allowable to him for AY 2025-26 in computing composite income, i.e., before apportionment of income into taxable and exempt income.

(*a*) ₹15,000
(*b*) ₹14,100
(*c*) ₹12,750
(*d*) ₹7,500

23. Sharma ji carries on business of operating a one-star hotel in Delhi which was commenced in the PY 2023-24. During the PY 2024-25 he incurred capital expenditure on purchase of second-hand local-made furniture on 15.3.2025 worth ₹5 lakh. What is the deduction available to him for AY 2025-26 in this respect? Sharma ji has opted out of default tax regime.

(*a*) ₹5 lakh u/s 35AD
(*b*) ₹5 lakh u/s 35AD and ₹25,000 u/s 32
(*c*) ₹50,000 u/s 32
(*d*) ₹25,000 u/s 32

24. Jaguar Pvt. Ltd., engaged in warehousing business for sugar, sold a building for ₹50 lakh during the PY 2024-25 which was acquired two years back for ₹40 lakh. 100% of this amount was deducted u/s 35AD in the year of acquisition. Amount taxable for AY 2025-26 will be:

(*a*) ₹50 lakh
(*b*) ₹10 lakh
(*c*) Nil
(*d*) ₹40 lakh

25. Jay gifted his laptop to Viru on 10.4.2024. This was purchased by Jay on 15.4.2022 for ₹30,000. Calculate the depreciation available to Viru for AY 2025-26. Laptop is the only asset in the block of assets in the case of Viru as well as Jay.

(*a*) ₹4,320
(*b*) ₹12,000
(*c*) ₹7,200
(*d*) Nil

26. Jaguar Pvt. Ltd, engaged in warehousing business of agricultural produce, transferred a building to its retail business on 15.9.2024. Building was purchased for warehousing business for ₹50 lakh on 15.9.2023 and deduction was allowed u/s 35AD. Compute tax implications of this transaction for AY 2025-26. Building is the only asset in the relevant block of assets.

(*a*) ₹45 lakh taxable income; ₹4.5 lakh depreciation
(*b*) ₹50 lakh taxable income; ₹5 lakh depreciation
(*c*) Nil taxable income; Nil depreciation
(*d*) Nil taxable income; ₹5 lakh depreciation

AMORTIZATION

27. Seva Ltd. launched a voluntary retirement scheme for its employees during PY 2019-20. Total compensation under the scheme amounted to ₹30 lakh. Deduction available for PY 2024-25 in this respect is:

(*a*) Nil
(*b*) ₹6 lakh
(*c*) ₹4 lakh
(*d*) ₹2 lakh

28. Mr. Rajput, a resident, set up a new manufacturing unit during PY 2024-25 for which he incurred ₹5 lakh for conducting market survey by self and ₹3 lakh on preparation of feasibility report by an agency during PY 2023-24. Prescribed statement was submitted for expenditure on market survey. AO has disallowed ₹8 lakh stating that these have been incurred before commencement of business of the new unit. Cost of project as per books as on 31.3.2025 is ₹80 lakh. What is the correct tax treatment?

(*a*) ₹8 lakh deductible for PY 2023-24
(*b*) ₹8 lakh deductible for PY 2024-25
(*c*) ₹3 lakh deductible for PY 2024-25
(*d*) ₹80,000 deductible for PY 2024-25

EXPENDITURE FOR SPECIAL PURPOSES

29. Mr. X acquired an asset for use in scientific research for ₹2,75,000 and claimed deduction u/s 35(l)(iv) in this respect during the PY 2020-21. The asset was brought into use for the business of Mr. X after the research was completed. The actual cost of asset to be included in the block of assets will be:

(*a*) Nil
(*b*) Market value on the date of transfer to business
(*c*) ₹2.75 lakh - Notional depreciation up to the date
(*d*) Actual cost, i.e., ₹2.75 lakh of transfer

30. Rain Pvt. Ltd. made the following donations during the PY 2024-25: ₹20,000 to Gyan University (notified) for statistical research (approval was withdrawn subsequent to making the payment), ₹30,000 to Sudha college (not notified) for social science research, ₹10,000 to a German company for scientific R&D, ₹15,000 to NT, Kanpur for scientific research under an approved program (which was withdrawn subsequent to making the payment). It has claimed deduction of the entire amount in computing income under the head PGBP for AY 2025-26. What is the amount of deduction available to Rain Pvt. Ltd. u/s 35 as per the regular provisions of the Act?

(*a*) ₹75,000
(*b*) ₹35,000
(*c*) Nil
(*d*) ₹45,000

31. Mr. Y purchased a machine for ₹3 lakh on 10.4.2022 on which full deduction was allowed u/s 35 during the PY 2022-23. Upon completion of scientific research, the machine was sold for ₹1 lakh during the PY 2024-25. The amount taxable as business income during PY 2024-25 will be:

(*a*) Nil
(*b*) ₹1 lakh
(*c*) ₹3 lakh
(*d*) ₹2 lakh

32. M/s Science & Co. commenced its business of medicines on 1.4.2024. From 1.4.2022 to 31.3.2024, it spent ₹5 lakh on salary of employees and purchase of materials for scientific research on medicines (out of which only 40% was certified by the prescribed authority). It spent ₹6 lakh for the same purpose during PY 2024-25 (which was not certified). It also purchased land for ₹30 lakh and equipment to be used in research for ₹10 lakh during PY 2024-25. How much deduction is available for PY 2024-25 in respect of all this expenditure?

(*a*) ₹2 lakh deduction; depreciation on ₹10 lakh
(*b*) ₹11 lakh deduction; depreciation on ₹10 lakh
(*c*) ₹18 lakh deduction; no depreciation
(*d*) ₹42 lakh deduction; no depreciation

INTEREST

33. Danny took loan of ₹1 crore from a NBFC for business purposes, in respect of which interest of ₹10 lakh for the PY 2024-25 was paid during the PY 2024-25 to the extent of 60% and between the period 1.4.2025 to 30.6.2025 to the extent of 40%. He incurred a loss in the business for the PY 2024-25. AO disallowed the interest on the ground that deployment of loan amount did not generate any income. Is the action of AO correct? If no, how much interest should he allow for AY 2025-26

(*a*) Yes; Nil
(*b*) No; ₹10 lakh
(*c*) No; ₹6 lakh
(*d*) Yes; in his discretion

34. Raju paid interest on loan taken from Bank of India to purchase a machine which was put to use on 10.8.2024 (interest for the PY 2024-25 was ₹50,000 out of which ₹20,000 was for the period till 10.8.2024). Interest of March 2025 of ₹4,000 was paid after the due date to file return for the AY 2025-26. How much deduction is available to Raju for AY 2025-26?

(*a*) ₹50,000
(*b*) ₹46,000
(*c*) ₹30,000
(*d*) ₹26,000

35. Raj Dhan Bank, a scheduled bank, issued 20,000 notified zero coupon bonds on 10.10.2024 at issue price of ₹150. The face value as well as the amount payable on maturity after 3 years (i.e., on 9.10.2027) is ₹200. Compute the deduction available to Raj Dhan Bank for AY 2025-26 in respect of discount on such bonds.

(*a*) ₹1,66,668
(*b*) ₹1,62,162
(*c*) ₹3,24,324
(*d*) ₹3,33,333

36. Rajnish took a business loan from a firm (in which his wife held 50% profit share) @ 20% p.a. interest (market rate was 15% p.a.) on which interest of ₹60,000 for the PY 2024-25 remained unpaid till the due date to file return for such PY. Interest of ₹30,000 also arose on outstanding payments to trade creditors, 75% of which was paid till 31.3.2025 and the rest was paid after the due date to file return for the PY. He also took a loan from SBI to buy a car for personal use on which interest of ₹20,000 was duly paid on time during the PY. The deduction available in computing income under the head PGBP for PY 2024-25 is:

(*a*) ₹90,000
(*b*) ₹22,500
(*c*) ₹75,000
(*d*) ₹82,500

EMPLOYEE WELFARE

37. Zydus Ltd. incurred the following employee welfare cost during PY 2024-25: Group health insurance premium of ₹1 lakh paid by account payee cheque; Commission of ₹3 lakh paid to a senior employee shareholder which would otherwise have been payable as dividend (paid on 31.3.2025); EPF contribution of Zydus Ltd. of ₹2 lakh and of employees of ₹2 lakh paid on 15.7.2025 (after 15 day time prescribed under EPF Scheme). Due date to file return for Zydus Ltd. is 31.10.2025. The amount deductible for AY 2025-26 in computing business income will be:

(*a*) ₹8 lakh
(*b*) ₹5 lakh
(*c*) ₹3 lakh
(*d*) ₹6 lakh

TAXES

38. For the PY 2024-25, Jacky, a dealer in commodities, paid CTT of ₹10,000. He further paid STT of ₹3,000 on sale of shares held as investment. STT and CTT were charged by the exchanges at the time of transactions. He paid ₹30,000 as income tax while filing his return before the due date, along with interest on delayed payment of advance tax of ₹2,000 as well as penalty of ₹5,000 for failure to deduct TDS. He was also asked to pay GST of ₹10,000 which he paid after the due date to file return for the PV. During the year, he had to pay penalty under excise law of ₹10,000 on 12.2.2025 (out of which ₹4,000 was compensatory in nature). Deduction allowed to him for AY 2025-26 in respect of these payments will be:

(*a*) ₹72,000 (*b*) ₹25,000

(*c*) ₹35,000 (*d*) ₹14,000

SPECIAL DEDUCTIONS

39. Green Ltd. sold goods to Mr. Z for ₹1 lakh during PY 2022-23. It wrote off ₹30,000 during PY 2023-24 as irrecoverable and claimed deduction. It ultimately recovered ₹20,000 during PY 2024-25. Tax implications for AY 2025-26 will be:

(*a*) ₹50,000 is deductible (*b*) Nothing is deductible

(*c*) ₹20,000 is taxable (*d*) ₹80,000 is deductible

40. JK & Co, a partnership firm, paid ₹1,50,000 each as remuneration to its working partners, A, B and C. It also paid interest @ 12% p.a. to its partners amounting to ₹4,00,000. Net business loss of the firm (after deducting remuneration and interest paid) was computed at ₹80,000. Compute the remuneration from the firm taxable in the hands of B.

(*a*) ₹94,000 (*b*) ₹1,11,000

(*c*) Nil (*d*) ₹1,50,000

41. Gaurav, a money lender, advanced loan of ₹10 lakh to Saurav on 15.5.2022 to help him meet a personal exigency. Saurav became insolvent and could not repay any portion of principal or interest. Gaurav wrote off ₹10 lakh along with accumulated interest of ₹2 lakh on 1.4.2024. Amount deductible in the hands of Gaurav for AY 2025-26 will be:

(*a*) ₹10 lakh (*b*) ₹2 lakh

(*c*) ₹12 lakh (*d*) Nil

42. Red Ltd. manufactured and sold medical equipment to Mr. K for ₹1 lakh during PY 2022-23. It wrote off ₹30,000 during PY 2023-24 as irrecoverable and claimed deduction. It discontinued its manufacturing business on 31.3.2024 while continuing its other retail business. It ultimately recovered ₹90,000 during PY 2024-25. Tax implications for AY 2025-26 will be:

(*a*) ₹90,000 is taxable

(*b*) ₹20,000 is taxable

(*c*) ₹50,000 is taxable

(*d*) Nothing is taxable since business is discontinued

43. Sharma & Sons, paid ₹1 lakh to each of the 3 partners as remuneration for PY 2024-25 in terms of partnership deed. Book profit of the firm for PY 2024-25 was ₹5 lakh. Remuneration deductible in the hands of the firm will be:

(*a*) ₹3 lakh (*b*) ₹2 lakh

(*c*) ₹3.9 lakh (*d*) ₹1 lakh

44. M/s Ram & Shyam paid ₹1.5 lakh each to both its partners as remuneration. Further, it paid ₹25,000 as interest on capital to Ram @ 10%. Income under the head PGBP, computed under the Act after deducting these payments, amounted to ₹1 lakh. The firm earned capital gains of ₹1 lakh and income from house property of ₹50,000 during the PY. Amount taxable in the hands of the firm under the head 'PGBP' for AY 2025-26 will be:

(*a*) ₹1.25 lakh (*b*) ₹2.5 lakh

(*c*) ₹1 lakh (*d*) ₹2.75 lakh

45. Gaurav, a manufacturer, advanced ₹1 lakh to Saurav on 15.3.2024 towards purchase of plant and machinery for use in manufacturing process. Saurav became insolvent and could not deliver the products as well as repay the advance. Gaurav wrote off ₹1 lakh on 15.4.2024. Amount deductible in the hands of Gaurav for AY 2025-26 will be:

(*a*) ₹1 lakh (*b*) ₹2 lakh

(*c*) ₹50,000 (*d*) Nil

46. M/s Krishan & Co. paid salary of ₹3 lakh each to its two partners, Krishna and Balaram. It also paid interest @ 15% on capital contribution of ₹10 lakh made by Balaram. Book profit of the firm, as computed u/s 40(b), is ₹5 lakh. Both partners got ₹50,000 each as share in the profits of the firm. Income taxable in the hands of Krishna and Balaram for AY 2025-26 will be:

(*a*) 2.45 L (Krishna); 3.65 L (Balaram) (*b*) 1.05 L (Krishna); 1.35 L (Balaram)

(*c*) 1.95 L (Krishna); 1.35 L (Balaram) (*d*) 2.25 L (Krishna); 3.45 L (Balaram)

47. Rohit sold goods to Mohit in PY 2023-24 for ₹3 lakh out of which he wrote off ₹1 lakh during the PY 2024-25 as irrecoverable, without exhausting all legal remedies. He had also paid advance of ₹50,000 to Shobhit for supply of raw materials which Shobhit forfeited on 10.11.2024 due to breach of terms. He had extended a loan of ₹1 lakh to his friend to help him start a new business but his friend became insolvent. Rohit wrote off the loan on 10.2.2025. The amount of deduction allowed in computing business income for AY 2025-26 will be:

(*a*) ₹1,00,000 (*b*) ₹1,50,000

(*c*) ₹2,50,000 (*d*) ₹50,000

48. M/s Thakur & Sons paid ₹11 lakh as remuneration to its partners. The same was in accordance with partnership deed. Partners are also entitled to interest on capital @ 11% as per partnership deed. Total interest paid during the year is ₹1,30,000. The book profit before interest on capital and remuneration is ₹37 lakh. The salary allowable as deduction to the firm is:

(*a*) ₹22,62,000 (*b*) ₹11,00,000

(*c*) ₹23,10,000 (*d*) ₹22,32,000

49. Rohit is a partner in a firm on behalf of his HUF. The HUF has contributed ₹10 lakh as capital in the firm. Rohit has also extended a loan of ₹6 lakh to the firm in his individual capacity. The

firm has paid interest on capital as well as loan @ 15% p.a. interest which is similar to the rate prevailing in the market. Compute the amount of interest deductible in the hands of the firm for the PY. Payment of interest is authorized by the partnership deed.

(*a*) Nil
(*b*) ₹2,10,000
(*c*) ₹2,40,000
(*d*) ₹1,92,000

GENERAL DEDUCTION

50. Play Pvt. Ltd. spent ₹1.5 lakh during the PY 2024-25 on CSR expenses required under the Company Law. It lost ₹1 lakh on account of embezzlement of money by one of its employee. During the year, it donated ₹2 lakh to the National Laboratory for undertaking scientific research on a program (not approved till the date of payment). ₹50,000 had to be paid as interest on delayed payment to creditors for purchase of stock. Determine the amount allowed as deduction to Play Pvt. Ltd. for AY 2025-26 in computing business income as per the regular provisions of the Act.

(*a*) ₹1,50,000
(*b*) ₹3,50,000
(*c*) ₹3,00,000
(*d*) ₹5,00,000

51. During the PY 2024-25, Roma availed loan of ₹20 lakh from SBI to purchase raw material and paid interest of ₹2 lakh thereon (50% was paid after the due date to furnish return of PY 2024-25). She spent ₹20,000 as brokerage and bank charges for arranging the loan. She also paid ₹10,000 during the year for publishing of advertisement in a pamphlet published by a political party. Two computers were purchased on 1.5.2024 for ₹50,000 each for use in office and these were the only assets in the relevant block of assets. Compute the amount of deduction allowable to Roma for AY 2025-26 in computing business income.

(*a*) ₹1,20,000
(*b*) ₹1,60,000
(*c*) ₹2,60,000
(*d*) ₹1,30,000

52. Mr. Roy, carrying on agency business and maintaining books of account on mercantile basis, incurred expenditure of ₹20,000 during the PY 2024-25 towards advertisement and publicity. Fie also spent ₹10,000 on celebration in office on the occasion of New Year and Diwali. He spent ₹20,000 as fee for a training program attended by him and his employees to gain contemporary business skills. He had to pay ₹2,500 as professional tax levied by the State Government. He filed his return of income on 15.9.2025 after paying ₹45,000 as income-tax. Office expenditure of ₹50,000 incurred last year but missed to be booked, was debited in the accounts for PY 2024-25. Deduction allowed to Mr. Roy for AY 2025-26 in computing his business income will be:

(*a*) ₹92,500
(*b*) ₹50,000
(*c*) ₹1,00,000
(*d*) ₹52,500

53. Shine Pvt. Ltd. incurred the following expenditure on its employees for the PY 2024-25: Salary of ₹50 lakh; group health insurance premium of ₹1 lakh (paid by cheque); Employee's contribution to EPF of ₹1 lakh (paid before the EPF due date) and own contribution to EPF of ₹1 lakh (paid after the due date to furnish return for PY 2024-25); gratuity paid ₹3 lakh (out of approved gratuity fund), tax of ₹2 lakh deducted u/s 192 from above stated salary of ₹50 lakh and deposited within due date. Deduction available to Shine Pvt. Ltd. for AY 2025-26 will be:

(*a*) ₹57,00,000
(*b*) ₹58,00,000
(*c*) ₹52,00,000
(*d*) ₹58,20,000

EXPENSES NOT DEDUCTIBLE IN CERTAIN CIRCUMSTANCES

54. Shubham pays office rent of ₹3 lakh to M/s Shekhar & Co., owner of the building. Shekhar, the brother of Shubham, is a partner in this firm with 10% profit share. Market rent for a similar property is ₹2 lakh. Amount deductible as rent for AY 2025-26 will be:

(*a*) ₹3 lakh
(*b*) ₹2 lakh
(*c*) ₹1 lakh
(*d*) As the AO may determine

55. Gita pays rent of ₹1 lakh to Rohan, a resident, on 5.1.2025 (tax is deductible u/s 194-1) without deduction of tax. She deducts tax on 5.4.2025 and deposits it with the Government on 10.4.2025. In which year will rent be allowed as deduction?

(*a*) ₹70,000 in PY 2024-25; 30,000 in PY 2025-26
(*b*) ₹1,00,000 in PY 2024-25
(*c*) ₹1,00,000 in PY 2025-26
(*d*) ₹70,000 in PY 2025-26; ₹30,000 in PY 2026-27

56. Mr. Dhiman booked expenditure of ₹30,000 towards purchase cost of raw material on 15.12.2023 and claimed deduction during that PY on due basis. Payment of this amount was made on 15.12.2024 to the extent of 40% in cash and the rest by Bank ECS. What will be the tax implication of this transaction for AY 2025-26?

(*a*) No implication
(*b*) ₹30,000 is taxable
(*c*) ₹12,000 is taxable
(*d*) ₹18,000 is taxable

57. JP Ltd. credits a sum of ₹45,000 as commission to Z Ltd., an Indian company, on 25.6.2024 without deducting tax at source. Z Ltd. paid its entire tax liability on its income by way of advance payment of tax during PY 2024-25 and filed its return of income for AY 2025-26 on 15.10.2025. JP Ltd. has obtained certificate in Form No. 26A from a CA to this effect. Compute the amount of deduction that shall be allowed to JP Ltd. for AY 2025-26 in respect of commission credited to Z Ltd. assuming that JP Ltd. follows mercantile system of accounting.

(*a*) ₹45,000
(*b*) Nil
(*c*) ₹13,500
(*d*) ₹31,500

58. Shyamal pays interest of ₹5 lakh for PY 2024-25 on business loan taken from a deposit-taking NBFC in which his wife is a director holding 30% equity shares. Reasonable interest as per market conditions is ₹2 lakh. Interest is paid by Shyamal on 1.12.2025, i.e., after due date to furnish return of income for the PY 2024-25. Amount deductible will be:

(*a*) ₹5 lakh for PY 2025-26
(*b*) ₹2 lakh for PY 2024-25
(*c*) ₹2 lakh for PY 2025-26
(*d*) ₹5 lakh for PY 2024-25

59. M/s Jagriti Group, a proprietorship firm following cash system of accounting, incurred the following expenditure during the PY 2024-25: (A) Customs duty of AY 2025-26 ₹75,000 - paid on 15.5.2025. (B) Income tax paid for AY 2024-25 ₹84,000- paid on 16.6.2024. Amount of expenditure allowed for AY 2025-26 is:

(*a*) ₹1,59,000
(*b*) ₹75,000
(*c*) Nil
(*d*) ₹84,000

60. Shaily makes various payments during PY 2024-25. Which of these is not allowed as deduction for AY 2025-26?

(*a*) ₹30,000 paid in cash to Mr. X for purchase of inventory, paid in three equal instalments on successive days

(*b*) ₹10,001 paid by uncrossed cheque to Mr. Z on 10.6.2024 as interest on business loan

(*c*) ₹25,000 paid by crossed cheque to Mr. G on 4.5.2024 for transporting goods from factory to customers

(*d*) ₹9,000 each, paid by bearer cheque to Mr. P and Mr. Q on 1.4.2024 for purchase of raw material

61. Manas has paid interest of ₹30,000 on a business loan taken from Flight Ltd. in which his sister holds 25% equity shares. Interest payable as per market rate comes to ₹10,000. Amount deductible as interest for AY 2025-26 will be:

(*a*) ₹30,000 (*b*) ₹10,000

(*c*) ₹20,000 (*d*) Nil

62. Which of the following payments made by Gautam during PY 2024-25 is allowable as deduction in entirety?

(*a*) ₹1 lakh paid by NEFT on 10.6.2024 for purchase of plant and machinery

(*b*) Loan of ₹30,000 given in cash to a colleague on 15.4.2024

(*c*) Personal loan of ₹50,000 taken from a friend, repaid on 5.5.2024 along with interest of ₹11,000, in cash.

(*d*) ₹30,000 payable to Mr. G for supply of office stationery adjusted in accounts against ₹50,000 receivable from him.

63. Sita incurs expenditure of ₹1 lakh as fees for technical services and makes the payment to Mita (a resident) on 4.2.2025 after deducting tax at source u/s 194J. She deposits the tax on 27.12.2025. In which year will the expenditure be allowed as deduction? Due date to furnish return for Sita is 31.10.2025.

(*a*) ₹1 lakh in PY 2024-25

(*b*) ₹1 lakh in PY 2025-26

(*c*) ₹30,000 in PY 2024-25; ₹70,000 in PY 2025-26

(*d*) ₹70,000 In PY 2026-25; ₹30,000 in PY 2025-26

64. Mr. Garg made the following payments during the course of PY 2024-25, each on a particular day to one party: ₹20.000 paid in cash to Railways for transportation of goods, ₹15,000 paid in cash to a farmer for purchase of grains, ₹20.000 paid by uncrossed cheque to a wholesale trader for purchase of wheat, ₹40,000 paid by bearer cheque as gratuity to a retiring employee. What is the amount of deduction available to Mr. Garg for AY 2025-26?

(*a*) ₹75,000 (*b*) ₹95,000

(*c*) ₹60,000 (*d*) ₹55,000

65. Jagriti Pvt. Ltd. took a term loan from Bank of Baroda in respect of which the outstanding interest of ₹10 lakh was converted into a Funded Interest Term Loan (FITL) to be paid in five equal annual instalments starting from 20.12.2024. The company paid all the instalments on time. Interest deductible for PY 2024-25 is:

(*a*) ₹2 lakh (*b*) ₹4 lakh

(*c*) Nil (*d*) ₹10 lakh

66. Mr. Sweet credited interest of ₹1 lakh to the account of Ms. Sweety (a resident) on 15.3.2025 without deducting tax at source since TDS provisions did not apply to this payment. Ms. Sweety paid tax on her total income on 10.9.2025 but filed her return of income on 15.12.2025 (including said interest income). Interest will be deductible in the hands of Mr. Sweet in which PY?

(*a*) ₹70,000 in PY 2024-25; 30,000 in PY 2025-26

(*b*) ₹1,00,000 in PY 2024-25

(*c*) ₹1,00,000 in PY 2025-26

(*d*) ₹70,000 in PY 2024-25; ₹30,000 in PY 2025-26

SPECIAL PROVISIONS

67. DLF builders sold a plot of land on 15.9.2024 for ₹50 lakh. AO substituted the value of consideration with the SDV being ₹75 lakh. DLF claimed that the SDV was much more than the fair market value of ₹60 lakh. The case was referred to DVO who determined the value of the plot at ₹65 lakh. What value of consideration will be taken for computing profit from the sale of plot?

(*a*) ₹50 lakh (*b*) ₹75 lakh

(*c*) ₹60 lakh (*d*) ₹65 lakh

68. Mr. R purchased raw material from Mr. S during PY 2022-23 for ₹1 lakh but did not make any payment because of a dispute around the terms of the contract, though he claimed the amount as deduction in computing business income of that year. Seeing no resolution to the dispute, Mr. R unilaterally wrote off ₹70,000 in the books of account and paid the balance on 10.1.2025, though Mr. S continued to contest the dispute. What will be the tax implications for AY 2025-26.

(*a*) ₹70,000 is taxable

(*b*) ₹30,000 is taxable

(*c*) ₹30,000 is deductible

(*d*) Nothing is taxable since amount is still disputed

69. Housing Pvt. Ltd., a real estate developer, sold a building on 16.9.2024 for ₹50 lakh costing ₹20 lakh. Stamp duty value on the date of agreement to sell (1.4.2024) was ₹54 lakh while it was ₹60 lakh on 16.9.2024 when the transfer was registered. ₹5 lakh was received from the buyer on 15.3.2024 through a bearer cheque. What will be the profit chargeable to tax for AY 2025-26?

(*a*) ₹30 lakh (*b*) ₹40 lakh

(*c*) ₹34 lakh (*d*) ₹25 lakh

COMPLIANCE

70. A business is required to get its accounts audited u/s 44AB if sales, turnover or gross receipts in business:

(*a*) Exceed ₹1 crore for all the three preceding PYs irrespective of the quantum of of transactions in cash mode or non-cash

(*b*) Exceed ₹1 crore for the current PY irrespective of transactions in cash mode or non-cash mode

(*c*) Exceed ₹1 crore for the current PY if receipts and payments in cash or by non-A/c payee cheque/bank- draft do not exceed 5% of the respective totals

(*d*) Exceed ₹10 crore for the current PY if receipts and payments in cash or by non-A/c payee cheque/bank- draft do not exceed 5% of the respective totals.

71. If due date to furnish return of income u/s 139(1) for the PY 2024-25 is 31 October, 2025, due date to get accounts audited and furnish the tax audit report u/s 44AB for the said PY is:

(*a*) 1 October 2025 (*b*) 30 September 2025

(*c*) 31 October 2025 (*d*) After 31 October 2025

72. Who is required to keep and maintain books prescribed

(*a*) Ms. X, a doctor having gross receipts of ₹1.2 lakh and income from profession of ₹1 lakh in all the three preceding PYs

(*b*) Mr. Y, an engineer having gross receipts of ₹2 lakh and income from profession of ₹1.5 lakh in all the three preceding PYs

(*c*) Ms. Z, a retailer having gross receipts of ₹3 lakh and income from business of ₹2 lakh in all the three preceding PYs

(*d*) Mr. U, a gym trainer having gross receipts of ₹5 lakh and income from profession of ₹1 lakh in all the three preceding PYs

73. A person carrying on a profession is required to get his accounts audited u/s 44AB if his gross receipts:

(*a*) Exceed ₹1 crore during the current PY

(*b*) Exceed ₹50 lakh in all the three preceding PYs

(*c*) Exceed ₹50 lakh during the current PY

(*d*) Exceeds ₹1 crore in the current PY if cash transactions are not more than 5%

PRESUMPTIVE INCOME FOR SMALL ENTERPRISES

74. Raj is a resident and ordinarily resident for PY 2023-24 and resident but not ordinarily resident for PY 2024-25. He carries on the business of trading in food grains and has clocked turnover of ₹1 crore during the PY 2024-25, 10% of which is received in cash and the balance through banking channels within the PY itself. What would be taken to be the profits and gains for the AY 2025-26 u/s 44AD?

(*a*) ₹6,00,000

(*b*) Computed by deducting expenses from receipts

(*c*) ₹8,00,000

(*d*) ₹6,20,000

75. Roxy & Co. is a transporter owning 8 goods carriages as on 1.4.2024 having gross vehicle weight of 10 ton each. On 10.6.2024, he sold one goods carriage. He purchased one goods carriage of 10 ton on 20.7.2024. He has also taken 2 goods carriages on hire purchase, used by him throughout the PY and having gross vehicle weight of 10 ton. His income u/s 44AE for PY 2024-25 would be:

(*a*) ₹6,30,000 (*b*) ₹7,20,000

(*c*) ₹12,00,000 (*d*) ₹9,00,000

76. M/s PQR, an eligible assessee following mercantile system of accounting and carrying on eligible business u/s 44AD, provides the following details: Total turnover for FY 2024-25 is ₹130 lakh. Out of this, ₹25 lakh is received by A/c payee cheque during FY 2024-25; ₹50 lakh is received by cash during FY 2024-25; ₹25 lakh is received by A/c payee bank draft before due date of filing

return and ₹30 lakh is not received till due date of filing of return. Compute the amount of deemed profits of M/s PQR u/s 44AD(1) for AY 2025-26.

(*a*) ₹10.4 lakh
(*b*) ₹7 lakh
(*c*) ₹5.5 lakh
(*d*) ₹9.4 lakh

Answer Key

1. (*d*)	**2.** (*c*)	**3.** (*b*)	**4.** (*b*)	**5.** (*c*)	**6.** (*d*)	**7.** (*b*)	**8.** (*a*)	**9.** (*a*)	**10.** (*c*)
11. (*c*)	**12.** (*a*)	**13.** (*a*)	**14.** (*a*)	**15.** (*d*)	**16.** (*d*)	**17.** (*a*)	**18.** (*d*)	**19.** (*c*)	**20.** (*a*)
21. (*c*)	**22.** (*c*)	**23.** (*d*)	**24.** (*a*)	**25.** (*a*)	**26.** (*a*)	**27.** (*a*)	**28.** (*d*)	**29.** (*a*)	**30.** (*b*)
31. (*b*)	**32.** (*c*)	**33.** (*b*)	**34.** (*d*)	**35.** (*a*)	**36.** (*c*)	**37.** (*c*)	**38.** (*d*)	**39.** (*a*)	**40.** (*b*)
41. (*c*)	**42.** (*b*)	**43.** (*a*)	**44.** (*c*)	**45.** (*d*)	**46.** (*d*)	**47.** (*b*)	**48.** (*b*)	**49.** (*b*)	**50.** (*a*)
51. (*b*)	**52.** (*d*)	**53.** (*c*)	**54.** (*a*)	**55.** (*a*)	**56.** (*c*)	**57.** (*d*)	**58.** (*c*)	**59.** (*c*)	**60.** (*b*)
61. (*b*)	**62.** (*d*)	**63.** (*d*)	**64.** (*a*)	**65.** (*a*)	**66.** (*b*)	**67.** (*d*)	**68.** (*a*)	**69.** (*b*)	**70.** (*d*)
71. (*b*)	**72.** (*b*)	**73.** (*c*)	**74.** (*d*)	**75.** (*d*)	**76.** (*d*)				

06 CHAPTER

Capital Gains

MULTIPLE CHOICE QUESTIONS

CHARGEABILITY

1. Ram undertook certain transactions during the PY 2024-25. He seeks your advise as to which of the following transactions would not be liable to capital gain in his hands for AY 2025-26?

(*a*) Transferred his membership in Super housing cooperative society to Ramesh on 1.6.2024

(*b*) Executed a written agreement with Rohit to sell his house and handed over possession on 1.3.2025. Rohit has paid 50% consideration and promised to pay the balance but the sale deed has not yet been executed

(*c*) Received ₹10 lakh as advance money for sale of his plot of land in Delhi to be executed on 15.4.2025

(*d*) Sold equity shares of Tata Sons Ltd. on 1.1.2025 which were held as investment since last 10 years.

2. Yuvi acquired a residential flat in Chennai for ₹50 lakh on 1.1.2001. FMV of the flat on 1.4.2001 was ₹60 lakh while SDV on that date was ₹55.5 lakh. He sold the flat on 15.1.2025 for ₹2 crore. He incurred 1% brokerage on purchase as well as sale. He had to spend ₹20,000 on painting and routine repairs on 10.4.2015. Compute long term capital gain for AY 2025-26.

Note: Assessee has opted to pay tax without Indexation.

(*a*) ₹19,29,500 (*b*) ₹13,29,500

(*c*) ₹23,29,500 (*d*) ₹17,78,750

3. Heera, maintaining books of account on cash basis, sold his shop to Meera on 15.6.2024. Meera discharged the consideration by paying ₹10 lakh on 15.3.2024, ₹5 lakh on 15.6.2024 and handing over the possession of her gold jewellery (worth ₹15 lakh on 1.4.2024 and ₹18 lakh on 15.6.2024). The shop was gifted to Heera by his father on 1.1.2024 who purchased it from Zehra for ₹12 lakh on 1.7.2022. Capital gain in the hands of Heera for AY 2025-26 will be:

(*a*) STCG of ₹21,00,000 (*b*) STCG of ₹11,00,000

(*c*) LTCG of ₹20,10,000 (*d*) LTCG of ₹2,10,000

4. Shivam, aged 35 years, sold an agricultural land for ₹43 lakh on 14.8.2024 acquired at a cost of ₹41 lakh on 10.12.2023 situated 8.4 kms from the local limits of municipality having population

of 5,00,000 and also sold another agricultural land for ₹53 lakh on 2.11.2024 acquired at a cost of ₹46 lakh on 25.2.2023 situated 1.2 kms from the jurisdiction of municipality having population of 22,000. What would be the amount of capital gain chargeable to tax in the hands of Shivam for AY 2025-26?

(*a*) STCG of ₹9,75,000
(*b*) STCG of ₹7,00,000
(*c*) LTCG of ₹2,54,325
(*d*) LTCG of ₹17,940

5. Juhi, stuck in a criminal litigation, handed over some precious stones which she owned, to Jasbir, her lawyer, on 15.12.2024, for defending her case in the Court of law. She had bought these stones for ₹2 lakh on 15.6.2022. These stones were worth Rs 5 lakh in the market on 15.12.2024. Find out capital gain chargeable to tax in hands of Juhi for AY 2025-26.

(*a*) Nil
(*b*) STCG (loss) of ₹2,00,000
(*c*) LTCG of ₹2,80,623
(*d*) STCG of ₹3,00,000

6. Rajan acquired a shop in a commercial complex in Mumbai for ₹10 lakh on 1.2.1995. FMV and SDV on 1.4.2001 were ₹15 lakh and ₹16 lakh, respectively. Rajan unsuccessfully tried to sell the shop to Sajan during the PY 2005-06 and he had to forfeit ₹2 lakh received as advance in terms of the agreement to sell. Later, he gifted the shop to Raju, his grandson on 15.11.2010. Raju negotiated to sell the shop to Somil during January 2011 but was unsuccessful and he had to forfeit advance of ₹1 lakh in terms of the agreement. Raju later struck a deal with Monu to sell the shop during June 2019 but due to failed negotiations, he had to forfeit the advance of ₹2 lakh. He was able to finally sell the shop to Sonu during January 2025 for ₹80 lakh. Compute the capital gain in the hands of Raju for AY 2025-26.

(*a*) LTCG ₹27,04,000
(*b*) LTCG ₹31,28,000
(*c*) LTCG ₹39,23,400
(*d*) LTCG ₹35,62,000

7. Sawan purchased a residential house from Sohan during the PY 2024-25 for ₹50 lakh. Sohan had purchased the house during PY 2023-24 for ₹30 lakh. Sawan paid brokerage of 0.5% to the property dealer and incurred stamp duty charges of ₹1 lakh towards registration of the property in his name. Sohan paid 1% to the property dealer both at the time of purchase and sale. Additionally, he incurred ₹50,000 as legal charges for drafting the sale contract. Capital gain in the hands of Sohan for AY 2025-26 will be:

Note : Assessee has opted to pay tax without Indexation

(*a*) STCG of 20,00,000
(*b*) STCG of 12,70,000
(*c*) STCG of 18,70,000
(*d*) LTCG of 18,70,000

8. Shaivi acquired a building in Goa for ₹20 lakh on 1.1.2010. FMV and SDV on this date were ₹22 lakh and ₹25 lakh, respectively. She spent ₹25,000 on 15.6.2017 on current repairs. She constructed a room for ₹5 lakh on 15.8.2021. She sold the building for ₹50 lakh on 1.1.2024. Compute the capital gain for AY 2025-26.

Note : Assessee has opted to pay tax without Indexation

(*a*) LTCG of ₹25,876
(*b*) LTCG (loss) of ₹4,945
(*c*) LTCG (loss) of ₹25,00,000 Gain
(*d*) LTCG of ₹6,085

SPECIAL PROVISIONS FOR DEPRECIABLE ASSETS

9. Vandana started a business on 1.4.2024 and purchased a machine for ₹10 lakh entitled to 15% rate of depreciation. She sold the machine, without putting it to use, for ₹8 lakh on 1.9.2024. There were no other transactions regarding fixed assets during the year. What will be the tax implication for AY 2025-26? Ignore additional depreciation.

(*a*) Depreciation of ₹1.5 lakh
(*b*) Depreciation of ₹30,000
(*c*) Short term capital loss of ₹2 lakh
(*d*) No tax implication

10. Opening WDV of the block of intangible assets, comprising know-how and patent, on 1.4.2024, is ₹20 lakh. During the PY 2024-25, an additional patent was acquired on 1.5.2024 for ₹5 lakh and the patent, acquired five years back for ₹40 lakh, was sold for ₹35 lakh on 1.2.2025. What will be the tax implication for AY 2025-26?

(*a*) Long term capital loss of ₹5 lakh; depreciation of ₹1.25 lakh
(*b*) No capital gain; depreciation of ₹1,25,000
(*c*) Short term capital gain of ₹10 lakh; no depreciation
(*d*) Neither depreciation nor capital gain

11. Vandana purchased Machine C on 1.1.2025 for ₹10 lakh (15% rate of depreciation). She sold Machine B, acquired on 1.1.2024 for ₹8 lakh, for ₹6 lakh on 1.9.2024. Machines B and C are the only assets in the 15% machinery block and were put to use immediately upon acquisition. What will be the tax implication for AY 2025-26? Ignore additional depreciation.

(*a*) Depreciation of ₹1,62,000
(*b*) Depreciation of ₹96,000
(*c*) Short term capital loss of ₹2,00,000
(*d*) Short term capital loss of ₹1,40,000

SPECIAL PROVISIONS WHERE CAPITAL GAIN IS TAXABLE OTHER THAN IN THE YEAR OF TRANSFER

12. Which of the following is correct if Rashmi converted a capital asset, acquired in PY 2015-16, into stock-in-trade of her business in PY 2020-21, and sold it in PY 2024-25?

(*a*) Year of charge will be AY 2021-22 for LTCG and AY 2025-26 for PGBP
(*b*) Year of charge will be AY 2025-26 for LTCG and AY 2025-26 for PGBP
(*c*) Indexation will run from PY 2015-16 to PY 2024-25
(*d*) Sale price will be the full value of consideration for computing capital gain

13. Sony, a businessman, had two machines in the block of assets (15% depreciation rate) with WDV of ₹1 lakh on 1.4.2024. Machine A was purchased for ₹2 lakh on 1.4.2018 and Machine B for ₹1.5 lakh on 1.4.2019. On account of an earthquake on 15.4.2024, Machine A was damaged and Machine B was destroyed. Insurance company paid compensation of ₹45,000 for Machine A and replaced Machine B with a new machine on 1.7.2024 whose FMV on this date was ₹50,000. Tax implication for AY 2025-26 will be:

(*a*) Long term capital loss of ₹43,950
(*b*) Short term capital loss of ₹55,000
(*c*) Short term capital loss of ₹5,000
(*d*) No tax implication

14. What is the tax treatment for AY 2025-26 of ₹30,000, being interest on compensation received on 30.9.2024 for the period 1.4.2023 to 30.9.2024?

(*a*) ₹10,000 is taxable under the head IFOS
(*b*) ₹5,000 is taxable under the head IFOS
(*c*) ₹15,000 is taxable under the head IFOS
(*d*) ₹30,000 is taxable under the head IFOS

15. Johny, engaged in manufacturing of goods, owned a residential house which was destroyed in a cyclone that occurred on 1.1.2024. He had purchased the house on 1.5.2019 for ₹10 lakh. The cyclone also destroyed his personal car which he had purchased for ₹5 lakh on 1.4.2021 and some stock-in-trade of his business worth ₹1 lakh which was kept in his house at that time. He had paid ₹10,000 as insurance premium for the house and car on 1.9.2023. On 17.5.2024, he received insurance compensation of ₹10 lakh for the house, ₹50,000 for the car and ₹65,000 for the stock-in-trade. Amount chargeable as capital gain for AY 2025-26 will be:

Note : Assessee has opted to pay tax without Indexation

(a) NIL Taxable
(*b*) Long term capital loss of ₹85,000
(*c*) Long term capital loss of ₹75,000
(*d*) Long term capital loss of ₹75,000; short term capital loss of ₹4,50,000

16. Rashmi started a jewellery business on 1.2.2021 and brought her personal jewellery that she used to wear, into the business on 1.9.2021 as inventory (worth ₹5,00,000 on this date). She had purchased the jewellery on 15.6.2011 for ₹1,00,000. She sold 50% of this jewellery to various customers for ₹4,00,000 on 1.5.2024. Compute the capital gain and business income arising from these transactions.

(*a*) PGBP of ₹1,50,000 for AY 2025-26; no capital gain
(*b*) LTCG of ₹1,59,880 for AY 2022-23 and PGBP of ₹1,50,000 for AY 2025-26
(*c*) PGBP of ₹3,50,000 for AY 2025-26; no capital gain
(*d*) LTCG of ₹2,00,000 and PGBP of ₹1,50,000 for AY 2025-26

17. Government of Delhi acquired a plot of land owned by Gyan on 1.6.2023 for constructing Delhi Metro. It paid 70% compensation on 1.1.2024 and balance on 1.5.2024 On appeal by Gyan, the Delhi High Court passed an interim order on 1.11.2024 pursuant to which Gyan received interim compensation on 1.12.2024. The Court passed the final order on 14.4.2025 confirming the interim compensation and further enhancing the compensation, the pending amount of which was finally paid to Gyan on 15.6.2025. Which amounts will be taxable in the hands of Gyan for AY 2025-26?

(*a*) 30% initial compensation; interim compensation
(*b*) Entire compensation
(*c*) No compensation
(*d*) Interim compensation

18. Government of Maharashtra acquired a house owned by Yaman on 10.12.2023, which he had acquired as gift from his father on 10.12.2022 who, in turn, had purchased it on 10.12.2017 for ₹20 lakh. Fie received ₹30 lakh as compensation on 10.4.2024. On appeal, the Delhi Court awarded an interim additional compensation of ₹5 lakh, which he received on 10.7.2024. The Court passed the final order on 10.9.2024 confirming the enhancement. Yaman had to pay ₹50,000 to his lawyer for this purpose. Capital gain arising for AY 2025-26 will be

Note : Assessee has opted to pay tax without Indexation

(*a*) LTCG of ₹10,00,000
(*b*) LTCG of ₹11,69,697
(*c*) STCG of ₹4,50,000
(*d*) Nil

19. If Rashmi treats the stock-in-trade of her jewellery business (acquired on 17.8.2018) as a capital asset on 17.8.2022 and later sells the capital asset on 10.8.2024, what will be the tax treatment?

(*a*) PGBP will not arise; LTCG will arise for AY 2025-26 (cost to acquire stock-in-trade will be the cost of acquisition)

(*b*) PGBP will arise for AY 2023-24; STCG will arise for AY 2025-26 (FMV on date of conversion will be taken as PGBP income and also the cost to compute STCG)

(*c*) PGBP and STCG will arise for AY 2025-26 (FMV on (*d*) date of conversion will be taken as PGBP and also the cost to compute STCG)

(*d*) PGBP will arise for AY 2025-26 (FMV on date of conversion will be taken as PGBP); capital gain will not arise

SPECIAL PROVISIONS TO PREVENT TAX AVOIDANCE

20. Shekhar, a shareholder of 100 unlisted equity shares in Shikhar Pvt. Ltd., sold his entire shareholding on 15.2.2025 at ₹5,000 per share, whereas the fair market value of a share, determined as per Rule 11UAA, was ₹6,000 on 1.4.2024, 5,500 on 15.2.2025 and ₹5,000 on 31.3.2025. The shares were acquired by Shekhar on 15.3.2023 at ₹3,000 per share. Capital gain in respect of this transaction for AY 2025-26 will be:

(*a*) LTCG of ₹2,20,935 (*b*) LTCG of ₹1,70,935

(*c*) STCG of ₹2,50,000 (*d*) STCG of ₹2,00,000

21. Zubin sold a vacant plot of land to Rubin for ₹30 lakh on 14.8.2024 on which date its SDV was ₹50 lakh and FMV was ₹35 lakh. He had received 5% down payment by account payee cheque on 14.6.2024, being the date of agreement, when the SDV was ₹45 lakh. Zubin contested the SDV in the Court which finalized the value of land at ₹32 lakh. What value of consideration will be considered in computing capital gain?

(*a*) ₹30 lakh (*b*) ₹45 lakh

(*c*) ₹35 lakh (*d*) ₹32 lakh

22. Zulu sold his house to Zola on 15.12.2024 for ₹50 lakh. Zola paid ₹1 lakh by a bearer cheque as token amount on the date of agreement being 15.10.2024. SDV of the house was ₹56 lakh on 15.10.2024 and ₹55 lakh on 15.12.2024 The house was purchased by Zulu on 15.12.2023 for ₹30 lakh. Capital gain for AY 2025-26 will be:

Note : Assessee has opted to pay tax without Indexation

(*a*) STCG of ₹26 lakh (*b*) STCG of ₹25 lakh

(*c*) STCG of ₹20 lakh (*d*) STCG of ₹19 lakh

FINANCIAL ASSETS

23. Quant Ltd. allotted 1,000 equity shares to Rashid on 1.3.2024 on payment of ₹200 per share under its employee stock option plan. Rashid had exercised the option to purchase shares on 15.2.2024. FMV of shares on 15.2.2024 and 1.3.2024 was ₹1,000 and ₹1,200, respectively. Rashid sold all the shares on 20.2.2025 @ ₹1,500 per share. Capital gain for AY 2025-26 will be:

(*a*) STCG of ₹3,00,000 (*b*) LTCG of ₹4,46,844

(*c*) STCG of ₹5,00,000 (*d*) LTCG of ₹12,89,369

24. Rana was offered 100 right shares of PQR Ltd. @ ₹400 per share on 20.5.2023 which he renounced in favor of Sana @ ₹200 per share on 25.5.2023, who subsequently subscribed to the shares and was allotted the shares on 10.6.2023. Sana sold all the shares @ ₹1,000 per share on 30.5.2024. Shares are not listed and STT is not applicable. Capital gain arising to Rana for AY 2024-25 and Sana for AY 2025-26 will be:

(*a*) STCG of ₹20,000; LTCG of ₹36,811
(*b*) Nil; STCG of ₹60,000
(*c*) STCG of ₹20,000; STCG of ₹40,000
(*d*) STCG of ₹40,000; LTCG of ₹78,937

25. Cee purchased 100 shares of Gems Ltd. @ ₹50 per share on 20.2.1998. FMV on 1.4.2001 was ₹100 per share. Upon the death of Cee, Dee obtained these shares under his will on 20.2.2005. Gems Ltd. offered rights shares in the ratio of 1 : 2 @ ₹200 per share to which Dee subscribed and was allotted shares on 20.2.2017. The company allotted bonus shares on 20.3.2024 in the ratio of 1 : 3. Dee sold all the shares on 20.1.2025 @ ₹1,000 per share. STT was not paid on these transactions. Compute the capital gain for AY 2025-26.

(*a*) LTCG ₹1,40,442; STCG ₹50,000
(*b*) LTCG ₹1,04,362; STCG Nil
(*c*) LTCG ₹38,598; STCG ₹50,000
(*d*) LTCG ₹1,30,000; STCG ₹50,000

26. Ruma purchased 1,000 shares of D Ltd. on 1.7.2023 @ 200 per share, 2,000 shares of C Ltd. on 1.12.2023 @ 400 per share and 500 shares of D Ltd. on 12.12.2023 @ 300 per share. Ruma sold 1,200 shares of D Ltd. on 1.5.2024 @ ₹500 per share. Shares were sold in the order they were first acquired. Capital gain for AY 2025-26 will be:

(*a*) STCG of ₹3,20,000
(*b*) STCG of ₹3,40,000
(*c*) STCG of ₹3,10,000
(*d*) STCG of ₹3,00,000

27. Shine Ltd., an Indian company, purchased 10,000 of its equity shares of face value of ₹10 for ₹50 from its shareholders on 15.6.2024. These shares were issued during June 2019 at a premium of ₹5. Out of these shares, Sheryl owned 200 shares which she had purchased on 15.11.2023 @ ₹40 per share. Tax implications for AY 2025-26 will be:

(*a*) STCG of ₹2,000 for Sheryl; no implication for Shine Ltd.
(*b*) No implication for Sheryl and Shine Ltd.
(*c*) No implication for Sheryl; Buyback tax payable by Shine Ltd @ 20% (+ SC & HEC) on ₹3.5 lakh
(*d*) No implication for Sheryl; Buyback tax payable by Shine Ltd @ 20% (+ SC & HEC) on ₹5 lakh

28. Roland Ltd. split its equity shares of face value of ₹10 each into five equity shares of ₹2 each, on 1.1.2024. Roli held 1,000 shares in the company on 1.3.2025. She had purchased shares in Roland Ltd. on 1.9.2020 @ ₹100 each. She sold all these shares on 1.3.2025 @ ₹50 per share. FMV of shares on 1.1.2024 is ₹40 per share. Shares are not covered u/s 112A. Capital gain for AY 2025-26 will be:

(*a*) LTCG of (–) ₹59,688
(*b*) STCG of (–) ₹50,000
(*c*) STCG of ₹10,000
(*d*) LTCG of ₹30,000

29. Maya had bought 3,000 listed shares of a company on 25.2.2024 at ₹300 per share. The company announced and allotted bonus shares in the ratio of 1 : 3 on 1.7.2024. After the allotment of bonus shares, the shares were sold by Maya on 10.3.2025 at ₹400 per share. Compute capital gain for AY 2025-26. Ignore the provisions of section 112A.

(*a*) STCG ₹7,00,000
(*b*) LTCG ₹2,53,776; STCG ₹4,00,000
(*c*) LTCG ₹2,60,252; STCG ₹1,00,000
(*d*) LTCG ₹3,00,000; STCG ₹4,00,000

30. Zara acquired 100 debentures in Z Ltd. on 1.7.2017 for ₹500 each. 50% of the debentures were converted into 50 equity shares on 1.1.2022 on which date the FMV of shares was ₹1,000 per share. Zara sold all the debentures @ ₹600 each and all the shares @ ₹1,200 each on 15.3.2025. STT is not applicable. Capital gain for AY 2025-26 will be:

(*a*) LTCG ₹40,000 (*b*) LTCG ₹32,598

(*c*) STCG ₹10,000; LTCG ₹5,000 (*d*) LTCG ₹10,156

31. Zen subscribed to 1,000 convertible preference shares of MR Ltd. on 1.11.2009 @ ₹500 per share. These shares were converted on 1.4.2019 into equity shares of MR Ltd. in the ratio of 2 : 1 (FMV of equity shares on this date: ₹400 per share). Zen sold his entire holding in MR Ltd. on 1.1.2025 @ ₹600 per share. STT was not paid. Capital gain for AY 2025-26 will be:

(*a*) Nil (*b*) STCG of ₹4,00,000

(*c*) LTCG of ₹7,00,000 (loss) (*d*) STCG of ₹7,00,000

INTANGIBLE ASSETS

32. Mr. Bee purchased the license to run his profession from Mr. Cee on 15.2.2022 for ₹10 lakh. He also created and used a trademark for his profession which he got registered on 15.8.2022. He sold both these capital assets to Mr. Dee on 15.1.2025 for ₹20 lakh and ₹10 lakh, respectively. Capital gain for AY 2025-26 will be:

(*a*) STCG of ₹30,00,000 (*b*) LTCG of ₹18,67,858

(*c*) STCG of ₹20,00,000 (*d*) LTCG of ₹8,67,858

33. Gopal, a transporter, acquired stage carriage permit on 12.12.2018 for ₹1,00,000 from another transporter. He gifted the permit to Govind on 12.12.2020. Govind sold the permit to Mohan on 12.11.2024 for ₹2,00,000. Calculate the capital gain in the hands of Govind for AY 2025-26.

(*a*) Nil (*b*) STCG of ₹1,00,000

(*c*) LTCG of ₹2,00,000 (*d*) LTCG of ₹72,059

34. Rishabh, selling products under the brand name 'Super Duper Foods' since 1.5.2000, transferred the brand name to Zed Pvt. Ltd. for ₹50 lakh on 1.5.2024. Fie estimated the FMV of the brand name on 1.4.2001 to be ₹5 lakh. Expenses in preparing legal documentation for transfer amounted to ₹10,000. Capital gain for AY 2025-26 will be:

(*a*) LTCG of ₹44,90,000 (*b*) LTCG of ₹50,00,000

(*c*) LTCG of ₹34,05,000 (*d*) LTCG of ₹49,90,000

BUSINESS REORGANIZATION

35. KLM Ltd. transferred its manufacturing unit to BCD Ltd. for a lump sum consideration of ₹27 crore on 15.6.2024 (FMV of unit on this date was determined in the prescribed manner at ₹30 crore). The undertaking was set up on 15.1.2019. Tax WDV of depreciable assets is ₹10 crore (₹15 crore as per books). Land, purchased for ₹5 crore, is stated at a revalued figure of ₹15 crore. Book value of all other assets is ₹10 crore. Value of liabilities as per books stands at ₹5 crore. Capital gain on slump sale will be:

(*a*) LTCG of ₹5.04 crore (*b*) Nil

(*c*) LTCG of ₹10 crore (*d*) LTCG of ₹7 crore

36. Shaunak, a shareholder in Mart Ltd., received 5,000 shares in D-Mart Ltd. on 1.6.2024 pursuant to amalgamation of Mart Ltd. with D-Mart Ltd., an Indian company. FMV of share on 1.6.2024 was ₹300. Shaunak sold all these shares on 1.12.2024 @ ₹400. Shares in D-Mart Ltd. were allotted to Shaunak based on 1,000 shares that he held in Mart Ltd. which he had acquired on 12.4.2020 @ ₹1,000 per share. Shares are not covered u/s 112A. Capital gain in the hands of Shaunak for AY 2025-26 will be:

(*a*) LTCG ₹4,03,114; STCG ₹5,00,000
(*b*) STCG ₹5,00,000
(*c*) LTCG ₹5,00,000
(*d*) LTCG ₹10,00,000

CERTAIN OTHER TRANSFERS NOT LIABLE TO CAPITAL GAIN

37. Raj sold his shop on 1.3.2025 resulting in long term capital gain of ₹65 lakh. From out of the capital gain, he invested ₹30 lakh in bonds of NHAI on 31.3.2025 and ₹15 lakh in bonds of RECL on 1.8.2025. He sold the bonds of RECL on 1.5.2026 for ₹20 lakh. Determine the capital gain arising from these transactions.

(*a*) LTCG of ₹35 lakh for AY 2025-26; LTCG of ₹5 lakh for AY 2026-27
(*b*) LTCG of ₹20 lakh for AY 2025-26; LTCG of ₹5 lakh for AY 2027-28
(*c*) LTCG of ₹20 lakh for AY 2025-26; STCG of ₹15 lakh for AY 2026-27
(*d*) LTCG of ₹20 lakh for AY 2025-26; LTCG of ₹15 lakh for AY 2027-28

38. JJ Hussain, a renowned painter, donated his famous paintings to the National Art Gallery on 20.2.2025. He estimated ₹1 lakh as cost of creating those paintings and ₹30 lakh as the market value on 20.2.2025. All the paintings were created during the PY 2022-23. Capital gain in his hands for AY 2025-26 will be:

(*a*) Nil
(*b*) STCG of ₹29,00,000
(*c*) LTCG of ₹28,90,311
(*d*) STCG of (–) ₹1,00,000

39. Dhoni sold a residential house on 1.5.2024 on which long term capital gain was computed at ₹25 lakh. He purchased two houses of ₹10 lakh each on 1.5.2025. He sold one of these houses on 1.8.2026 for ₹12 lakh (SDV on this date was ₹15 lakh). Dhoni had not claimed any capital gain exemption before. Compute the capital gain chargeable to tax on these transactions.

(*a*) LTCG of ₹15 lakh for AY 2025-26; STCG of ₹15 lakh for AY 2027-28
(*b*) LTCG of ₹5 lakh for AY 2025-26; STCG of ₹15 lakh for AY 2027-28
(*c*) LTCG of ₹5 lakh for AY 2025-26; STCG of ₹15 lakh for AY 2027-28
(*d*) LTCG of ₹15 lakh for AY 2025-26; STCG of ₹5 lakh for AY 2027-28

40. Mr. Shankar, aged 70 years, purchased a residential house on 1.4.2023 for ₹50 lakh and mortgaged it to SBI on 1.4.2024 under the reverse mortgage scheme of the bank. He started receiving the loan sanctioned of ₹30 lakh in instalments of ₹10,000 per month. He had no other income or investments during the PY 2024-25. His total income for AY 2025-26 will be:

Note : Assessee has opted to pay tax without Indexation

(*a*) ₹1,20,000
(*b*) Loss of ₹20,00,000
(*c*) Nil
(*d*) Loss of ₹18,80,000

41. Harini is a resident of India staying in Jaipur. During FY 2014-15, she purchased an agricultural land for ₹15 lakh. This land was situated in an area having aerial distance of 6.5 km from local limits of municipality of Modinagar. Total population of this area was 1,30,000 as per the last preceding census. During FY 2024-25, she sold this land to Heera for ₹35 lakh on 29.1.2025. Harini invested ₹4 lakh in bonds of NHAI on 31.7.2025. What is the amount of capital gain taxable in her hands for AY 2026-27?

(*a*) ₹5,15,761 (*b*) ₹9,15,761

(*c*) ₹16,00,000 (*d*) None of the above

42. In which of the following cases can the assessee claim exemption u/s 54EC?

(*a*) Sale of urban agricultural land (acquired on 1.4.2019) on 1.4.2024 and purchase of corporate bonds from the stock exchange on 1.9.2024

(*b*) Sale of commercial building in Delhi (acquired on 1.7.2022) on 1.4.2024 and purchase of NHAI bonds on 1.9.2024

(*c*) Sale of residential house in Delhi (acquired on 1.7.2020) on 1.4.2024 and purchase of RECL bonds on 1.11.2024

(*d*) Sale of vacant plot of land in Delhi (acquired on 1.7.2020) on 1.4.2024 and purchase of RECL bonds on 1.9.2024

43. Raja sold his house on 15.3.2025 resulting in long term capital gain of ₹60 lakh. He invested ₹30 lakh in bonds of NHAI on 20.3.2025 and another ₹20 lakh on 15.8.2025. He took a loan of ₹20 lakh from a bank on 15.8.2027 against security of these bonds of the same value. Determine the capital gain arising from these transactions.

Note : Assessee has opted to pay tax without Indexation

(*a*) LTCG of ₹10 lakh for AY 2025-26; LTCG of ₹20 lakh for AY 2028-29

(*b*) LTCG Nil for AY 2025-26; LTCG of ₹20 lakh for AY 2028-29

(*c*) LTCG of ₹10 lakh for AY 2025-26; LTCG of ₹50 lakh for AY 2028-29

(*d*) LTCG Nil for AY 2025-26; LTCG of ₹50 lakh for AY 2028-29

44. Rosy sold a plot of land on 1.3.2025 attracting LTCG of ₹50 lakh. It was acquired 4 years back. She used the sale proceeds to invest ₹30 lakh in bonds of RECL on 15.5.2025 and additional amount of ₹10 lakh on 15.10.2025. She used the balance to purchase diamond jewellery for ₹10 lakh on 1.9.2026 which was sold for ₹12 lakh on 1.3.2026. The bonds purchased on 15.10.2025 were sold on 15.3.2026 for ₹15 lakh. Determine the capital gain arising from these transaction.

(*a*) LTCG ₹10 lakh for AY 2025-26 STGC ₹7 lakh for AY 2026-27

(*b*) LTCG ₹10 lakh for AY 2025-26 LTCG ₹10 lakh for AY 2026-27

(*c*) LTCG ₹20 lakh for AY 2025-26 STGC ₹10 lakh for AY 2026-27

(*d*) LTCG ₹20 lakh for AY 2025-26 STGC ₹7 lakh for AY 2026-27

45. In which of the following situations, can exemption granted 1.4.2024, be forfeited?

(*a*) Already owning a house on 1.4.2024, he purchased a house in Surat on 1.12.2024 (for which he claimed exemption u/s 54F) and a house in Chandigarh on 1.5.2026

(*b*) Staying in a rented house on 1.4.2024, he purchased a house in Surat on 1.12.2024 (for which he claimed exemption u/s 54F) and a house in Chandigarh on 1.5.2026

(*c*) Already owning a house on 1.4.2024, he purchased a house in Surat on 1.12.2024 (for which he claimed exemption u/s 54F) and a house in Chandigarh on 1.3.2026

(*d*) Already owning a house on 1.4.2024 and having purchased a house in Surat on 1.1.2024 (for which he claimed exemption u/s 54F), he constructed a house in Chandigarh (completed on 1.6.2027)

46. DLF builders converted a commercial building, held as capital asset, into stock-in-trade on 1.1.2022 (FMV on this date ₹40 lakh). The building was acquired for ₹20 lakh on 1.4.2018. It was sold on 1.4.2023 for ₹45 lakh (SDV on this date ₹50 lakh). It invested ₹10 lakh in RECL bonds on 1.9.2024. Determine the tax implications arising from these transactions.

(*a*) LTCG of ₹17,86,765 and PGBP of ₹5,00,000 for AY 2025-26

(*b*) LTCG of ₹17,86,765 and PGBP of ₹10,00,000 for AY 2025-26

(*c*) LTCG of ₹20,00,000 and PGBP of ₹10,00,000 for AY 2025-26

(*d*) LTCG of ₹20,00,000 and PGBP of ₹5,00,000 for AY 2025-26

47. In which of the following situations, can Raje claim exemption u/s 54F?

(*a*) Raje, staying in her self-owned house in Rajnagar and owning another residential house in the same city, sold gold jewellery (acquired in 2019) on 1.4.2024 and purchased a residential house in Jhansi on 1.6.2023

(*b*) Raje, staying in her only self-owned flat in Raj Nagar and owning another running a business from a self-owned office building, sold the office building (acquired in 2019) on 1.4.2024 and purchased a residential house in Jhansi on 1.3.2026

(*c*) Raje, staying in a rented house, sold a plot of land (acquired in 2023) on 1.4.2024 and constructed a residential house in Jhansi (construction completed on 1.6.2026)

(*d*) Raje, staying in her only self-owned house in Raj Nagar and running a business from a self-owned shop, sold gold jewellery (acquired in 2019) on 1.4.2024 and purchased a residential house in Lahore on 1.6.2025

48. Swara sold a residential house acquired three years before, on 1.2.2025 resulting in long term capital gain of ₹75 lakh. She utilized the entire sale consideration to invest equally in NHAI bonds on 1.7.2025, RECL bonds on 1.9.2025 and deposit in CGAS account on 1.10.2025. She filed her return of income on 31.10.2025, being the due date u/s 139(1). She utilized the deposit to purchase a residential house in Kathmandu on 1.10.2026 for ₹10 lakh and a residential house in Patna on 1.10.2027 for ₹15 lakh. Determine the tax implications arising out of these transactions.

Note : Assessee has opted to pay tax without Indexation

(*a*) LTCG ₹25 lakh for AY 2025-26; LTCG ₹25 lakh for AY 2028-29

(*b*) LTCG Nil for AY 2025-26; LTCG ₹25 lakh for AY 2028-29

(*c*) LTCG ₹25 lakh for AY 2025-26; LTCG ₹10 lakh for AY 2028-29

(*d*) LTCG Nil for AY 2025-26; LTCG ₹10 lakh for AY 2028-29

49. Jaya sold a commercial building, acquired in 2013, on 1.9.2023 for ₹50 lakh (SDV on this date: ₹54 lakh). This resulted in long term capital gain of ₹35 lakh. She deposited ₹30 lakh in the CGAS account on 1.12.2024 and used the remaining amount to renovate her house. She withdrew ₹30 lakh from the CGAS account to purchase a residential house in Jodhpur on 1.1.2026. She took

a loan from bank and purchased another residential house at Ranchi for ₹30 lakh on 1.7.2026. All throughout, she stayed in her self-owned house which was the only house she owned on 1.9.2024. Determine the capital gain arising from these transactions.

(*a*) LTCG ₹5 lakh for AY 2025-26; LTCG ₹21 lakh for AY 2027-28

(*b*) LTCG ₹14 lakh for AY 2025-26; LTCG ₹30 lakh for AY 2027-28

(*c*) LTCG ₹14 lakh for AY 2025-26; LTCG ₹21 lakh for AY 2027-28

(*d*) LTCG ₹5 lakh for AY 2025-26; LTCG ₹30 lakh for AY 2027-28

TAX ON CAPITAL GAIN

50. For computing FMV of unit of equity oriented fund (referred u/s 112A) on 31.1.2018 for the purpose of determining cost of acquisition, its NAV on 31.1.2018 is taken in which of the following cases?

(*a*) Unit is listed on 31.1.2018

(*b*) Unit is not listed on 31.1.2018

(*c*) Unit is listed on 31.1.2018 but not traded on this date

(*d*) None of the above

51. Income-tax on short term and long term capital gain on sale of equity shares (STT paid on purchase and sale), where total income exceeds ₹50 lakh, is to be increased by:

(*a*) SC of 25% and HEC of 4%

(*b*) SC of 10% and Nil HEC

(*c*) SC (cannot exceed 15%) and HEC of 4%

(*d*) Nil SC and HEC of 4%

52. Gain arising till 31.1.2018 can be grandfathered in computing capital gain on transfer of which of the following capital assets on 1.4.2024?

(*a*) Unlisted equity shares acquired on 1.1.2017

(*b*) Units of mutual fund (which invests 60% proceeds in listed equity shares of domestic companies) acquired on 1.1.2016

(*c*) Equity shares acquired on 1.1.2000 (STT paid only on sale)

(*d*) Equity shares acquired on 1.1.2019 (STT paid on purchase and sale)

53. Mr. Raja, a resident but not ordinarily resident, turned 60 years of age on 31.3.2025. Taxable income for AY 2025-26 comprised the following: Pension ₹1,00,000 (computed), short term capital gain on sale of equity shares (STT paid on sale) ₹50,000 and on sale of gold ₹1,00,000, long term capital gain on sale of equity shares (STT paid on purchase and sale) ₹2,20,000 and on sale of a painting ₹1,20,000. He deposited ₹1,50,000 in his PPF account during the year. Mr. Raja has opted out of the default tax regime. Compute his tax liability.

(*a*) ₹9,650

(*b*) ₹5,440

(*c*) ₹4,160

(*d*) Nil

54. Cost of acquisition of equity shares or units of EOF, referred u/s 112A and acquired before 1.2.2018 is taken as:

(*a*) Higher of (*a*) cost of acquisition and (*b*) higher of FMV on 1.4.2001 or consideration

(*b*) Higher of (*a*) cost of acquisition and (*b*) FMV on 31.1.2018 or consideration

(*c*) Higher of (*a*) cost of acquisition and (*b*) lower of FMV on 31.1.2018 or consideration

(*d*) Higher of (*a*) cost of acquisition and (*b*) higher of FMV on 31.1.2018 or consideration

55. Bhaskar acquires 100 equity shares on 1.1.2017 at ₹200. FMV of shares on 31.1.2018 is ₹500. He sells these shares on 30.4.2024 at ₹400. Calculate the capital gain. STT was paid by Bhaskar on acquisition and transfer.

(*a*) Nil
(*b*) (–) ₹1,00,000
(*c*) ₹2,00,000
(*d*) ₹3,00,000

56. Bony purchased 100 equity shares of Zydus Ltd. on 1.4.1999 @ ₹100 per share. FMV on 1.4.2001 was ₹150 per share. He gifted the shares to his daughter, Sony, on 1.4.2005. Sony sold all the shares on 1.4.2024 @ ₹1,000 per share after paying STT. The highest, average and lowest price quoted on the stock exchange on 31.1.2018 was ₹800, ₹750 and ₹720. Calculate the capital gain from sale of shares for AY 2025-26 in the hands of Sony.

(*a*) LTCG of ₹52,450
(*b*) LTCG of ₹6,765
(*c*) LTCG of ₹20,000
(*d*) LTCG of ₹25,000

57. Zee, resident of age 65 years, has the following taxable income during the AY 2025-26: business income 1.50 crore, short term capital gain taxable u/s 111A ₹30 lakh and long term capital gain taxable u/s 112A ₹40 lakh. Compute his tax liability. Zee is covered under the default tax regime.

(*a*) ₹67,43,910
(*b*) ₹61,59,400
(*c*) ₹56,59,400
(*d*) ₹60,59,400

58. Vinay purchased 100 equity shares of Reliable Ltd. on 1.4.2016 @ ₹500 per share (STT paid). He was allotted bonus shares in the ratio of 1 : 2 on 1.10.2023. Vinay sold all the shares on 1.4.2024 @ 475 per share (STT paid). Shares were not traded on stock exchange on 31.1.2018 although quoted at ₹400 on this date (last traded on 25.1.2018 at highest quoted price of ₹450 and thereafter on 3.2.2018 at the highest quoted price of ₹430). Calculate capital gain for AY 2025-26.

(*a*) LTCG of ₹2,500; STCG of ₹23,750
(*b*) LTCG of (–) ₹2,500; STCG of ₹23,750
(*c*) LTCG of (–) ₹12,538; STCG of ₹23,750
(*d*) LTCG of (–) ₹4,945; STCG of ₹23,750

59. Jagan purchased 1,000 units of HDFC equity oriented fund on 1.4.2017 @ ₹50 per unit. He sold all the units on 1.4.2024 @ ₹100 per unit (STT paid). While the units were not listed on a stock exchange, the NAV on 31.1.2020 was ₹75 per unit. Compute the capital gain for AY 2025-26.

(*a*) LTCG of ₹12,592
(*b*) LTCG of ₹41,728
(*c*) LTCG of ₹25,000
(*d*) LTCG of ₹50,000

60. For computing FMV of equity share (referred u/s 112A) on 31.1.2018 for the purpose determining the cost of acquisition, its highest price quoted on 31.1.2018 is taken in which of the following cases?

(*a*) Listed but not traded on 31.1.2018
(*b*) Listed on 31.1.2018 but last traded on 30.1.2018
(*c*) Listed and traded on 31.1.2018
(*d*) Not listed on 31.1.2018 but traded on this date

61. Taxable income of Ramu, a resident aged 35 years, for the AY 2025-26 comprises the following: Business income ₹1,00,000, short term capital gain on sale of equity shares (STT paid on sale)

₹50,000, long term capital gain on sale of units of equity oriented mutual fund (STT paid on sale) ₹1,50,000 and short term capital gain on sale of gold ₹1,80,000. He deposited ₹30,000 in his PPF account during the year. Compute his tax liability. Ramu has opted out of default tax regime,

(*a*) ₹5,000 (*b*) ₹10,200

(*c*) ₹4,000 (*d*) ₹3,250

62. Mr. Fancy, a non-resident aged 85 years, has the following taxable income for AY 2025-26: Pension ₹1 lakh (computed), short term capital gain on sale of units of equity oriented fund ₹1 lakh, long term capital on sale of units of equity oriented fund ₹2 lakh and units of debt oriented fund (40% exposure to equity) ₹1 lakh. He deposited ₹1.5 lakh in his PPF account during the year. STT has been paid as applicable. He is covered under the default tax regime. Compute his tax liability.

(*a*) Nil (*b*) ₹43,550

(*c*) ₹14,500 (*d*) ₹20,800

63. During the PY 2024-25, Ranveer has STCG of ₹95 lakh taxable u/s 111A, LTCG of ₹110 lakh taxable u/s 112A and business income of ₹90 lakh. Which of the following statements is correct in respect of surcharge (SC)?

(*a*) SC @ 25% is leviable on tax computed on total income of ₹2.95 crore

(*b*) SC @ 15% is leviable on tax computed on total income of ₹2.95 crore

(*c*) SC @ 25% is leviable on tax computed on business income and @ 15% on the remaining of total income

(*d*) SC @ 15% is leviable on tax computed on capital gain of ₹2.05 crore and @ 10% on tax computed on business income

64. Zee, resident of age 40 years, has the following taxable income during the AY 2025-26: business income 3 crore, short term capital gain taxable u/s 111A ₹30 lakh and long term capital gain taxable u/s 112 ₹40 lakh. Compute his tax liability. Zee has opted out of the default tax regime.

(*a*) ₹56,34,450 (*b*) ₹81,34,450

(*c*) ₹91,34,450 (*d*) ₹1,27,53,160

Answer Key

1. (*c*)	**2.** (*d*)	**3.** (*a*)	**4.** (*b*)	**5.** (*d*)	**6.** (*b*)	**7.** (*c*)	**8.** (*c*)	**9.** (*c*)	**10.** (*c*)
11. (*b*)	**12.** (*b*)	**13.** (*c*)	**14.** (*c*)	**15.** (*a*)	**16.** (*d*)	**17.** (*c*)	**18.** (*a*)	**19.** (*b*)	**20.** (*c*)
21. (*a*)	**22.** (*b*)	**23.** (*c*)	**24.** (*c*)	**25.** (*d*)	**26.** (*b*)	**27.** (*c*)	**28.** (*d*)	**29.** (*b*)	**30.** (*a*)
31. (*c*)	**32.** (*c*)	**33.** (*d*)	**34.** (*d*)	**35.** (*c*)	**36.** (*d*)	**37.** (*c*)	**38.** (*a*)	**39.** (*b*)	**40.** (*c*)
41. (*d*)	**42.** (*d*)	**43.** (*a*)	**44.** (*d*)	**45.** (*c*)	**46.** (*c*)	**47.** (*a*)	**48.** (*a*)	**49.** (*c*)	**50.** (*b*)
51. (*c*)	**52.** (*c*)	**53.** (*c*)	**54.** (*c*)	**55.** (*a*)	**56.** (*c*)	**57.** (*a*)	**58.** (*b*)	**59.** (*c*)	**60.** (*c*)
61. (*d*)	**62.** (*b*)	**63.** (*b*)	**64.** (*d*)						

07 CHAPTER Income from Other Sources

MULTIPLE CHOICE QUESTIONS

DIVIDEND

1. Charmis Pvt. Ltd., having reserves of ₹10 lakh and capitalized profits of ₹5 lakh (on account of issue of bonus shares) on 1.7.2024, distributed deposit certificates (carrying interest) of ₹18 lakh on this date to its equity shareholders. Market value of certificates on this date was ₹20 lakh. Amount treated as dividend in the hands of Raju, holding 10% equity shares, would be:

(*a*) ₹1,00,000 (*b*) ₹50,000

(*c*) ₹1,50,000 (*d*) ₹2,50,000

2. Ranbir, a resident of age 36 years, has the following incomes for AY 2025-26: Dividend of ₹20 lakh, short-term capital gain from sale of building ₹90 lakh, long term capital gain from sale of equity shares (STT paid on purchase and sale) ₹31 lakh. Ranbir has opted out of the default tax regime. Tax payable will be:

(*a*) ₹39,03,900 (*b*) ₹40,93,310

(*c*) ₹44,36,250 (*d*) ₹41,67,310

3. TexMax Ltd. distributed deposit certificates (without interest) to its equity and preference shareholders on 15.12.2024. Accumulated profits as on this date was ₹50 lakh. Mr. J, holding 10% equity shares, received deposit certificates of the value of ₹10 lakh. Amount of dividend taxable in the hands of Mr J would be:

(*a*) ₹5 lakh (*b*) ₹10 lakh

(*c*) Exempt (*d*) 5 lakh is taxable but deductible from GTI

4. Zara Pvt. Ltd, extended a loan of ₹10 lakh on 12.12.2024 to B&C, a partnership firm, in which B is entitled to a 20% profit share. On the same date, it also advanced ₹2 lakh to B for completing a job work for the company which was billed to the company on completion of the work. B holds 15% equity shares and 5% preference shares in Zara Pvt. Ltd. Zara Pvt. Ltd. is mainly engaged in software business but 5% of its income also comes from money lending business. Accumulated profits of the company on 1.4.2024 and 12.12.2024 were ₹7 lakh and ₹9 lakh, respectively. Amount of dividend taxable in the hands of B for AY 2025-26 would be:

(*a*) ₹9,00,000 (*b*) ₹10,00,000

(*c*) ₹12,00,000 (*d*) ₹7,00,000

5. Shure Ltd., an Indian company, paid ₹500 per share on buy back of its shares on 1.9.2024 and deposited buy back tax u/s 115QA with the Government. Amount treated as dividend in the hands of Surjit, holding 1,000 shares (acquired 5 months back @ ₹300 per share), would be:

(*a*) Nil
(*b*) ₹5,00,000
(*c*) ₹5,00,000 *less* buyback tax
(*d*) ₹2,00,000

6. Sara (P) Ltd gave loan of ₹5 lakh to C on 1.1.2024 at 12% rate of interest. C holds 40% equity shares in the company. C repaid ₹2 lakh on 15.3.2024. Sara (P) Ltd. declared dividend on 15.6.2024 and paid ₹1 lakh to C, after adjusting the outstanding loan of ₹3 lakh. Amount taxable as dividend in the hands of C for AY 2025-26 would be:

(*a*) ₹1 lakh
(*b*) ₹4 lakh
(*c*) ₹3 lakh
(*d*) ₹5 lakh

7. Priyansh, a non-resident, received the following dividend during the PY 2024-25: ₹50,000 from Facebook Inc on 1.6.2024 (credited in his bank account in India), ₹30,000 from Daisy (P) Ltd., an Indian company, on 1.1.2025 (credited in his bank account in US), ₹40,000 from Lazy Ltd, a foreign company, on 5.4.2024 (credited in his bank account in France). Amount taxable in his hands for AY 2025-26 is:

(*a*) ₹90,000
(*b*) ₹1,20,000
(*c*) ₹50,000
(*d*) ₹80,000

8. Mr. D, a lawyer aged 50 years, has the following particulars of income and expenses for PY 2024-25: Gross receipts from profession of ₹30,00,000; interest on fixed deposits with Canara Bank of ₹30,000, dividend from various companies of ₹1,00,000; professional expenses of ₹18,00,000 and interest on loan taken to acquire shares in companies (from which dividend income is earned) of ₹25,000. Mr. D is not willing to comply with tax audit provisions u/s 44AB. Compute his total income for AY 2025-26.

(*a*) ₹13,10,000
(*b*) ₹16,30,000
(*c*) ₹16,10,000
(*d*) ₹16,05,000

9. For AY 2025-26, dividend is taxable in the hands of the shareholder, at what rate?

(*a*) 30% tax rate + Up to 15% SC + 4% HEC
(*b*) Regular tax rate + 15% SC + 4% HEC
(*c*) Regular tax rate + Up to 15% SC + 4% HEC
(*d*) Regular tax rate + Up to 15% SC

10. Ranbir, a resident of age 66 years, has the following incomes for AY 2025-26: Dividend of ₹20 lakh, short-term capital gain from sale of building ₹300 lakh, long term capital gain from sale of equity shares (STT paid on purchase and sale) ₹31 lakh. Ranbir is covered under the default tax regime. Surcharge payable will be:

(*a*) 25%
(*b*) 15% on dividend and LTCG; 25% on STCG
(*c*) 15%
(*d*) 15% on dividend, 25% on LTCG and STCG

11. Joy (P) Ltd. goes into liquidation on 1.5.2024 on which date its accumulated profits are ₹10 lakh. It distributes assets of ₹35 lakh to its shareholders (market value ₹40 lakh) and cash of ₹5 lakh.

Tax implications in the hands of Reyansh, holding 20% shares in the company (purchased 3 months back for ₹5 lakh), would be:

(*a*) Dividend of ₹2 lakh; STCG 1 lakh
(*b*) Dividend of ₹2 lakh; STCG of ₹2 lakh
(*c*) Dividend of ₹2 lakh; STCG of 4 lakh
(*d*) Dividend Nil; STCG of 4 lakh

MONEY OR PROPERTY RECEIVED WITHOUT OR FOR INADEQUATE CONSIDERATION

12. Raghav received the following during PY 2024-25: Gift of ₹50,000 from a neighbor, gift of a watch of market value ₹50.000 from fiancee and jewellery for ₹5,000 (market value ₹55,000) from a friend. Amount taxable in his hands will be:

(*a*) Nil
(*b*) ₹50,000
(*c*) ₹1,00,000
(*d*) ₹1,50,000

13. Mr. Kishore celebrated his 50th marriage anniversary. On this occasion, his wife received a diamond necklace worth ₹5,00,000 from Kishore's brother. Kishore's son gifted him a luxurious car worth ₹15,00,000. His grandchildren gifted them a new furniture set worth ₹3,00,000. Also, he received cash gifts from his friends amounting collectively to ₹80,000. Which of the following statements is correct?

(*a*) Neither of them will be liable to pay tax for any gift
(*b*) Both will jointly share the tax liability on all the gifts
(*c*) Mrs. Kishore will be taxable on diamond set and Mr. Kishore will be taxable on cash gift
(*d*) Mr. Kishore will be taxable on cash gift only

14. DLG (P) Ltd., a real estate dealer, sold a flat to D, its director, on 15.4.2024 for ₹10 lakh when its SDV was ₹30 lakh. Cost of construction of flat was ₹20 lakh. D sold the flat to G for ₹35 lakh on 15.9.2024 when its SDV was ₹45 lakh. Upon reference to the valuation officer on a claim made by D, value was flat was determined at ₹40 lakh. Amount taxable in the hands of the company and D for AY 2025-26 would be:

(*a*) Company: PGBP of (–) ₹10 lakh; D: IFOS of ₹20 lakh, STCG of ₹10 lakh
(*b*) Company: PGBP of ₹10 lakh; D: IFOS of ₹20 lakh, STCG of ₹9 lakh
(*c*) Company: PGBP of ₹10 lakh; D: IFOS of ₹20 lakh, STCG of ₹30 lakh
(*d*) Company: PGBP of ₹10 lakh; D: IFOS of ₹20 lakh, STCG of ₹10 lakh

15. Ryan HUF, comprising Ryan, his wife and his son as members, received the following during the PY 2024-25: Gift of ₹60,000 from Ryan's wife, gold coins of market value ₹1,00,000 for ₹40,000 from an unregistered trust, gift of motor car of market value ₹60,000 from friend of Ryan's wife and gift of plot of land of market value ₹5 lakh (SDV ₹4 lakh) from Ryan's brother. Amount taxable in the hands of HUF will be:

(*a*) ₹5,20,000
(*b*) ₹5,80,000
(*c*) ₹5,00,000
(*d*) ₹4,60,000

16. Shaily received the following during the PY 2024-25: Gift of plot of land from erstwhile business customer on occasion of her son's marriage (market value ₹10 lakh, SDV ₹7 lakh); gift of house from a firm, in which she is a partner, on her wedding anniversary (market value ₹15 lakh, SDV ₹20 lakh); gift of shop from her HUF on its partition (market value ₹20 lakh, SDV ₹15 lakh); flat

through the will of her friend (market value ₹25 lakh, SDV ₹30 lakh). Amount taxable in her hands would be:

(*a*) ₹42 lakh
(*b*) ₹25 lakh
(*c*) ₹57 lakh
(*d*) ₹27 lakh

17. Zeeshan purchased a residential house from a private company, in which he was a shareholder, for ₹10 lakh on 15.10.2024 when its market value was ₹30 lakh and SDV was ₹35 lakh. The agreement to sell was entered into one month before on which date Zeeshan had paid 5% consideration by bearer cheque and the SDV then was ₹32 lakh. Zeeshan later sold this flat on 20.3.2025 for ₹50 lakh. Amount taxable in the hands of Zeeshan for AY 2025-26 will be:

(*a*) IFOS ₹22 lakh; STCG ₹18 lakh
(*b*) IFOS ₹25 lakh; STCG ₹15 lakh
(*c*) IFOS ₹25 lakh; STCG ₹25 lakh
(*d*) IFOS ₹20 lakh; STCG ₹30 lakh

18. Samar received the following during the PY 2024-25: Gift on birthday of ₹20,000 from father, ₹20,000 from elder brother and ₹20,000 from office colleagues; loose diamonds for ₹10,000 (market value ₹40,000) from elder sister's son; painting for ₹20,000 (market value ₹50,000) from HUF of which Samar is a member; purchase of raw material for ₹50,000 (market value ₹1,00,000) for his business; furniture (market value ₹60,000) gifted by girlfriend. Amount taxable in his hands would be:

(*a*) ₹1,20,000
(*b*) ₹1,10,000
(*c*) ₹60,000
(*d*) ₹1,80,000

19. Mr. B sold 1,000 shares of PQR Pvt. Ltd. to JKL Pvt. Ltd. for ₹2,00,000 on 15.12.2024 (FMV on this date ₹3,00,000). The shares were purchased by Mr. B on 1.6.2021 and the indexed cost of acquisition is computed at ₹1,00,000. Compute the income taxable in the hands of Mr. B and JKL Pvt. Ltd. arising from this transaction.

(*a*) ₹2 lakh LTCG for Mr. B; Nil for JKL Pvt. Ltd.
(*b*) ₹2 lakh LTCG for Mr. B; ₹1 lakh IFOS for JKL Pvt. Ltd.
(*c*) ₹1 lakh LTCG for Mr. B; Nil for JKL Pvt. Ltd.
(*d*) ₹1 lakh LTCG for Mr. B; ₹1 lakh IFOS for JKL Pvt. Ltd.

20. Mr. B, a member of his father's HUF, transferred a house property to the HUF without consideration. The value of house is ₹20 lakh as per the registrar of stamp duty. Amount taxable as IFOS would be:

(*a*) ₹20 lakh in the hands of Mr. B
(*b*) ₹20 lakh in the hands of HUF
(*c*) Nil in the hands of Mr. B
(*d*) Nil in the hands of HUF

21. Jeev received a plot of vacant land from his grandfather as gift on his birthday on 15.6.2024 when its FMV was ₹50 lakh and SDV was ₹55 lakh. He sold the land on 1.3.2025 for ₹65 lakh (when SDV was ₹63 lakh). His grandfather had purchased the land on 1.5.2023 for ₹30 lakh. Amount taxable in the hands of Jeev for AY 2025-26 will be:

(*a*) IFOS ₹55 lakh; STCG ₹10 lakh
(*b*) IFOS Nil; STCG ₹10 lakh
(*c*) IFOS Nil; STCG ₹35 lakh
(*d*) IFOS ₹50 lakh; STCG ₹35 lakh

22. Vihaan sold 1,000 equity shares of J (P) Ltd. to his friend Suhaan on the occasion of marriage of Suhaan, for ₹100 each on 1.7.2024 when its market value was ₹500 per share. Suhaan sold these

shares to Zubin for ₹200 each on 1.1.2025 when the market value was ₹600 per share. Amount taxable in the hands of Suhaan for AY 2025-26 would be:

(*a*) ₹5 lakh STCG
(*b*) ₹4 lakh IFOS; ₹1 lakh STCG
(*c*) ₹4 lakh IFOS; ₹5 lakh STCG
(*d*) ₹1 lakh IFOS; ₹4 lakh STCG

23. Divyansh acquired a house from his friend as gift on the occasion of Deepawali on 10.11.2024 when its SDV was ₹60 lakh and FMV was ₹65 lakh. His friend had purchased the house for ₹40 lakh on 10.11.2021. Divyansh sold the house on 12.2.2025 for ₹70 lakh (SDV on this date was ₹75 lakh). Amount taxable in the hands of Divyansh for AY 2025-26 would be:

(*a*) IFOS ₹60 lakh; STCG ₹10 lakh
(*b*) IFOS ₹60 lakh; LTCG ₹25.74 lakh
(*c*) IFOS ₹60 lakh; LTCG ₹30.74 lakh
(*d*) IFOS ₹65 lakh; STCG ₹10 lakh

INTEREST

24. Divya received interest on compensation of ₹3,00,000 on 1.7.2024 for compulsory acquisition of a plot of land by the State Government on 1.6.2022. Out of this 80% interest pertained to the FY 2023-24. She incurred ₹50,000 as litigation expenses and ₹5,000 as administrative charges towards realizing the interest. Amount taxable in her hands for AY 2025-26 would be:

(*a*) ₹1,50,000
(*b*) ₹30,000
(*c*) ₹2,45,000
(*d*) ₹5,000

25. Suyash received the following interest during the PY 2024-25: Interest on PPF of ₹1,00,000, interest on GOI Bonds of ₹25,000, interest on bank fixed deposits of ₹30,000, interest on delayed compensation for compulsory acquisition of house property by the Government of ₹2,00,000 (25% pertained to FY 2024-25). Interest taxable for AY 2025-26 is:

(*a*) ₹3,70,000
(*b*) ₹1,05,000
(*c*) ₹2,55,000
(*d*) ₹1,55,000

26. Darshit earned the following interest during the PY 2024-25: Interest on debentures ₹45,000 (net of TDS @ 10%), interest on loan given to friend ₹10,000, interest on individual saving account with Post Office ₹5,000, interest on saving bank account with ICICI Bank ₹5,000 and interest on Gold Deposit Bonds issued under the Gold Deposit Scheme, 1999 ₹7,500. He incurred ₹1,000 as commission for realizing the interest from friend. Interest taxable under the head IFOS for the PY 2024-25 would be:

(*a*) ₹60,500
(*b*) ₹69,000
(*c*) ₹65,500
(*d*) ₹73,000

SHARE PREMIUM

27. Grand (P) Ltd issued 1,000 equity shares of face value ₹10 each to Darshit for ₹200 each on 12.1.2025. On this date, the fair market value of a share, determined under rule 11UA, was ₹150. The company tried to substantiate the value of share to be ₹190 before the AO but could not succeed. Amount taxable in the hands of the company would be:

(*a*) ₹1,40,000
(*b*) ₹50,000
(*c*) ₹10,000
(*d*) ₹1,90,000

28. GC (P) Ltd. issued 1,000 equity shares of face value ₹10 each to David for ₹200 each on 12.1.2025. FMV was determined under Rule 11UA at ₹190. The company substantiated the FMV of share at ₹225 to the satisfaction of the AO. Amount taxable in the hands of the company would be:

(*a*) ₹10,000 (*b*) ₹25,000

(*c*) Nil (*d*) ₹35,000

29. DM Ltd., not being a company in which the public are substantially interested, issued 1,000 equity shares of face value ₹100 to Dhiman, a non-resident, for ₹150 each on 12.2.2025. FMV of shares as per Rule 11UA was ₹80 while the company was able to substantiate it before the AO at ₹90. Amount taxable in the hands of the company u/s 56(2)(viib) would be:

(*a*) ₹70,000 (*b*) ₹60,000

(*c*) ₹50,000 (*d*) Nil

OTHER INCOMES TAXABLE AS IFOS

30. Mehul received compensation of ₹50 lakh on 12.3.2024 on account of compulsory acquisition of his house by the State Government on 12.5.2023. He received interest on compensation to the tune of ₹2,00,000 on 12.5.2024. In a major earthquake, his properties got destroyed for which he received compensation of ₹5,00,000 from the Central Government on 12.12.2024. The event was covered as disaster under the Disaster Management Act. Since the death of his father two years back, he was getting ₹5,000 p.m. as family pension from his father's employer. His own business income was computed at ₹3,00,000 for the previous year. His total income for the AY 2025-26 would be:

(*a*) ₹5,45,000 (*b*) ₹9,45,000

(*c*) ₹4,40,000 (*d*) ₹4,45,000

31. Danish, a resident and ordinarily resident, earned the following during PY 2024-25: Dividend of ₹10,000 from Hope Ltd, a foreign company; income from units of Mutual Fund ₹20,000; gift of wrist watch from Flower (P) Ltd where he was employed on salary (FMV ₹50,000); winning from horse race ₹35,000 (net of TDS @ 30%; expenses incurred ₹10,000); sum received under Keyman insurance policy assigned to him by Flower (P) Ltd. ₹2,00,000. Determine income taxable under the head IFOS for AY 2025-26:

(*a*) ₹1,30,000 (*b*) ₹55,000

(*c*) ₹80,000 (*d*) ₹2,80,000

32. Raunak, a software engineer, earned salary income (computed) of ₹3,00,000 during the PY 2024-25. He received the Best Engineer award of ₹50,000 from the Indian association of software engineers for his exceptional contribution in this field of work. He owned a vacant plot of land in Rampur which he had rented out at ₹10,000 p.m. to a dairy farmer. He incurred expenses of ₹30,000 towards upkeep of the land. He was also a director in a public limited company which paid him ₹1,20,000 as fee for performing his duties as director. In a search conducted by the tax authorities during the year, he was found to be in possession of gold bars valued at ₹10,00,000. However, he could not explain the source of this investment. He deposited ₹1,00,000 in his PPF Account on 15.3.2025. He has opted out of the default tax regime. His total income for AY 2025-26 would be:

(*a*) ₹14,60,000 (*b*) ₹4,60,000

(*c*) ₹15,60,000 (*d*) ₹14,90,000

33. Champion, a resident of age 29 years, earned the following during PY 2024-25: Salary (computed) ₹1,00,000 (gross of TDS); dividend ₹20,000; winning from a game show ₹70,000 (net of TDS @ 30%; related expenditure was ₹20,000). He deposited ₹1,50,000 in his PPF Account. He has opted out of default tax regime. His tax liability for AY 2025-26 would be:

(*a*) ₹31,200 (*b*) ₹21,840

(*c*) Nil (*d*) ₹18,200

34. Jayant, staying in a flat at a rent of ₹10,000 p.m., sub-let the flat at ₹15,000 p.m. He owned a printing machine which he rented out at ₹2,000 p.m. w.e.f. 1.10.2024 after incurring repair expenses of ₹5,000 in cash. He purchased a motor car for ₹4 lakh on 1.6.2023 which he let out to a car driving school for ₹10,000 p.m. from the same date. He paid ₹7,000 as insurance premium of the car on 1.6.2024 and also claimed depreciation under the Income Tax Act @ 15%. He had no other income during the year. His total income for AY 2025-26 would be:

(*a*) ₹2,49,000 (*b*) ₹1,29,000

(*c*) ₹1,20,000 (*d*) ₹1,59,000

35. If, in the hands of Mrs. C, a resident aged 70 years, interest on securities for the PY 2024-25 is ₹45,000 (net of TDS @ 10%), pension from employer (computed) is ₹2 lakh, undisclosed income u/s 69C is ₹1 lakh and investment in PPF Account is ₹1 lakh, what will be the total tax liability for AY 2025-26, if Mrs. C has opted out of the default tax regime?

(*a*) Nil (*b*) ₹61,750

(*c*) ₹62,400 (*d*) ₹78,000

SPECIAL PROVISIONS

36. Raja, a Chartered Accountant, authored a book on taxation during the year and earned royalty of ₹15 lakh. He claimed the following expenses as deduction: Purchase of books and periodicals for doing research - ₹20,000 paid in cash to the bookseller on 1.5.2024. Stationery expenses of ₹15,000 (stationery costing ₹5,000 was consumed by his children). Salary paid to assistant, working in his office, without deduction of tax which was deductible at source - ₹5 lakh. Payment for proof reading made to spouse of ₹5 lakh where the market charges are ₹1 lakh. 50% of payment for content development services of ₹30,000 made last year and deducted in computing royalty income of that year, was refunded during the current year by the service provider on account of deficient services. Compute the income chargeable under the head IFOS for AY 2025-26 where Raja maintains books on mercantile basis.

(*a*) ₹10,35,000 (*b*) ₹9,05,000

(*c*) ₹10,70,000 (*d*) ₹10,55,000

Answer Key

1. (*c*)	**2.** (*d*)	**3.** (*a*)	**4.** (*a*)	**5.** (*a*)	**6.** (*a*)	**7.** (*d*)	**8.** (*c*)	**9.** (*c*)	**10.** (*b*)
11. (*b*)	**12.** (*a*)	**13.** (*d*)	**14.** (*d*)	**15.** (*d*)	**16.** (*d*)	**17.** (*b*)	**18.** (*c*)	**19.** (*b*)	**20.** (*d*)
21. (*c*)	**22.** (*a*)	**23.** (*a*)	**24.** (*a*)	**25.** (*d*)	**26.** (*c*)	**27.** (*b*)	**28.** (*c*)	**29.** (*b*)	**30.** (*d*)
31. (*c*)	**32.** (*a*)	**33.** (*d*)	**34.** (*b*)	**35.** (*b*)	**36.** (*d*)				

08 CHAPTER

Income of Other Persons included in Assessee's Total Income

MULTIPLE CHOICE QUESTIONS

INCOME OF MINOR CHILD

1. Megha (16 years) received gift of ₹10 lakh from her grandfather on her birthday on 1.6.2023. She utilized ₹3 lakh to purchase shares of BCD Ltd. on 1.9.2023 which she sold on 1.6.2024 for ₹4 lakh. BCD Ltd. declared dividend on 10.4.2024 and she received ₹5,000 in this respect. She purchased debentures of JKL Pvt. Ltd. on 1.4.2024 by utilizing ₹5 lakh on which she received interest of ₹40,000 during the PY. She lent the amount of ₹40,000, earned as interest, to her friend who paid her interest of ₹5,000. She utilized the balance ₹2 lakh to purchase shares of JJ Ltd. JJ Ltd. issued 1,000 bonus shares to her on 1.5.2024 which she sold for ₹200 per share on 1.7.2024. Compute the amount of income to be clubbed with the income of her parent u/s 64(1A) for AY 2025-26 if the parent is covered under the default tax regime.

(*a*) ₹43,500 (*b*) ₹1,43,500

(*c*) ₹2,00,000 (*d*) ₹3,50,000

2. Ruhi, aged 17 years, was adopted by her parents and got married on 1.10.2024. During the PY 2024-25, she got dividend from shares of a foreign company of ₹1,400 and won a prize of ₹20,000 from a general knowledge competition. Her father and mother have total income of ₹3 lakh each, without including her income. This is the first year when Ruhi earned any income. How will the income be assessed to tax under the optional tax regime?

(*a*) ₹21,400 is assessed in the hands of Ruhi

(*b*) ₹20,000 is assessed in the hands of Ruhi and no income is clubbed with the income of any parent

(*c*) ₹20,000 is assessed in the hands of Ruhi and 1,400 can be clubbed with the income of either parent

(*d*) ₹21,400 can be clubbed with the income of either parent

3. Raja is the minor son of Rocky. During PY 2024-25, he earned following incomes: Interest of ₹10,000 from Post Office Time Deposit made out of ₹2 lakh gifted by the spouse of Rocky's brother on 15.5.2024; dividend of ₹15,000 from shares purchased in DEF Ltd. out of ₹3 lakh gifted by close friend of Rocky's spouse on 15.4.2024. Amount assessed for PY 2024-25, under the default tax regime, will be:

(*a*) ₹25,000 clubbed with the income of Rocky
(*b*) ₹5,25,000 clubbed with the income of Rocky
(*c*) ₹3,25,000 clubbed with the income of Rocky
(*d*) ₹3,23,500 clubbed with the income of Rocky

4. On 20.10.2024, Sweety (minor child) gets a gift of ₹20 lakh from her father's friend. On the same day, the amount is deposited in her bank account. On the said deposit, interest of ₹12,000 was earned during the PY 2024-25. In whose hands is income of Sweety taxable? Also, compute the amount of income taxable as per the optional tax regime.
(*a*) ₹20,10,500 is taxable in the hands of father
(*b*) ₹20,12,000 is taxable in the hands of father
(*c*) ₹20,10,500 is taxable in the hands of mother or father, whose income, before such clubbing, is greater
(*d*) ₹20,12,000 is taxable in the hands of mother or father, whose income, before such clubbing, is greater

5. Mr. Zero, directed his bank to transfer interest of ₹30,000 on fixed deposits held by him, to the account of his son Mr. Hero (21 years). How will this income be taxable?
(*a*) ₹30,000 in the hands of Mr. Hero
(*b*) ₹28,500 in the hands of Mr. Hero
(*c*) ₹28,500 in the hands of Mr. Zero
(*d*) ₹30,000 in the hands of Mr. Zero

6. Divyansh (14 years) won the first prize of ₹1 lakh in National Talent Search on 1.4.2024. He invested this money in the business of his friend from which he received profit share of ₹50,000 on 1.10.2024. He deposited this profit share in bonds of a closely held company which generated interest income of ₹3,000 for the previous year. His father and mother earned salary income of ₹2 lakh and ₹3 lakh during the year, respectively (computed). Divyansh's father gifted ₹15 lakh to Divyansh's mother on 10.4.2024 which she lent to a colleague who paid ₹1.5 lakh as interest for the year. Compute taxable income of Divyansh and his parents for AY 2025-26 as per the optional tax regime.
(*a*) Divyansh ₹1,00,000; Father ₹4,01,500; Mother ₹3,00,000
(*b*) Divyansh ₹1,53,000; Father ₹3,48,500; Mother ₹3,00,000
(*c*) Divyansh ₹1,03,000; Father ₹3,98,500; Mother ₹3,00,000
(*d*) Divyansh ₹1,03,000; Father ₹2,00,000; Mother ₹4,98,500

INCOME OF SPOUSE FROM CONCERN IN WHICH INDIVIDUAL HAS SUBSTANTIAL INTEREST

7. During the year 2024-25, Sweety (spouse of Veer) received commission of 1% on turnover achieved by CD Pvt. Ltd. of ₹10 crore on account of marketing and sales strategic support provided by her. Sweety is an MBA in marketing. Veer held 25% equity shares in the company as on 1.4.2024. He transferred 10% holding to his major son and another 10% to his friend, on 1.6.2024. Determine tax ability of commission for AY 2025-26.
(*a*) ₹10 lakh assessed in hands of Veer
(*b*) ₹10 lakh assessed in hands of son
(*c*) ₹10 lakh assessed in hands of Sweety
(*d*) ₹10 lakh assessed in hands of son and friend, equally

8. During the PY 2024-25, the spouse of Charu received salary of ₹50,000 per month, as legal manager, from a law firm in which Charu held 10% profit share. Her spouse is a qualified dentist and runs his own clinic. On 1.3.2025, Charu's brother was admitted as a partner with the firm with 10% profit share. Determine tax ability of salary income for AY 2025-26.

(*a*) ₹5,50,000 assessed in the hands of spouse

(*b*) ₹5,50,000 clubbed with the income of Charu's brother

(*c*) ₹5,50,000 clubbed with the income of Charu

(*d*) ₹6,00,000 assessed in the hands of spouse

9. Raja and Rani, spouses, were employed with BCD (P) Ltd on annual salary income of ₹2 lakh each (computed), on the post of tax manager. Raja and Rani were doctors and operated their clinic from which they earned professional income of ₹3 lakh and ₹4 lakh, respectively (computed). Both of them had individually acquired 15% equity shares in the company on 1.6.2023. However, while Raja transferred 10% of his holding to his minor son on 1.1.2024, Rani transferred 10% of her holding to her friend on 1.3.2024. Taxable income of Raja and Rani for AY 2025-26 is:

(*a*) Raja ₹5 lakh; Rani ₹6 lakh

(*b*) Raja ₹7 lakh; Rani ₹4 lakh

(*c*) Raja ₹8 lakh; Rani ₹3 lakh

(*d*) Raja ₹3 lakh; Rani ₹8 lakh

10. Romil, a doctor, gifted ₹10 lakh to his spouse, Damini, on 1.4.2024 from which she purchased 15% equity shares in BCD Pvt. Ltd. Romil got financial advisory consulting contracts from BCD Pvt. Ltd. for which he was paid remuneration of ₹3 lakh on 1.10.2024. Romil used a portion of this money to acquire 10% equity shares of BCD Pvt. Ltd. on 15.3.2025. Determine taxability of these amounts for AY 2025-26.

(*a*) ₹3 lakh taxable in the hands of Damini

(*b*) ₹13 lakh taxable in the hands of Damini

(*c*) ₹3 lakh taxable in the hands of Romil

(*d*) ₹2.5 lakh taxable in the hands of Damini

INCOME FROM ASSETS TRANSFERRED TO SPOUSE OR SON'S WIFE

11. Yuvraj, gifted ₹50 lakh to his spouse on 1.4.2024. Out of this money, she invested ₹30 lakh in fixed deposits with Canara Bank from which she earned interest of ₹3 lakh for the previous year. She further invested the balance of ₹20 lakh to purchase shares of CDF Ltd. on 1.10.2024. She received ₹20,000 as dividend on 1.1.2025. She was allotted 100 bonus shares in the company on 1.2.2025 which she sold for ₹1 lakh on 15.3.2025. Compute the amount to be included in the income of Yuvraj and his spouse for AY 2025-26.

(*a*) Yuvraj ₹4,20,000;Spouse Nil

(*b*) Yuvraj Nil; Spouse ₹4,20,000

(*c*) Yuvraj ₹3,20,000; Spouse ₹1,00,000

(*d*) Yuvraj ₹1,00,000; Spouse ₹3,20,000

12. Mr. Z gifted ₹5 lakh each to Mrs. Z, his spouse, and Master Z, his son aged 25 years, on 1.4.2022. They invested this amount on 1.4.2022 in 10% debentures of BCD Ltd. The interest accrues annually and is reinvested. Compute the amount taxable in the hands of Mrs. Z for AY 2025-26.

(*a*) ₹50,000

(*b*) ₹60,500

(*c*) ₹10,500

(*d*) Nil

13. During the PY 2024-25, Sona acquired jewellery from her friend for ₹1 lakh (market value ₹5 lakh). Being a law graduate, she worked as a lawyer with a law firm from which she earned salary of ₹50,000 per month. Her spouse was a partner in this firm with 30% profit share. On 1.6.2024, her spouse gifted her ₹20 lakh which she used to purchase a flat for self-residence. During the year, she took a loan from bank for undertaking certain repairs to the flat for which interest till 31.3.2025 came to ₹25,000. Compute the amount to be included in the income of Sona and her spouse for AY 2025-26.

(*a*) Sona ₹4,50,000; spouse ₹5,25,000
(*b*) Sona ₹9,25,000; spouse Nil
(*c*) Sona ₹5,50,000; spouse (–) ₹25,000
(*d*) Sona ₹9,50,000; spouse (–) ₹25,000

14. Rajshri commenced her business on 1.9.2024 with ₹10 lakh (out of which ₹5 lakh was loan taken from bank). Her spouse gifted her ₹5 lakh on 1.10.2024 which she invested in the business on the same day. The business generated a profit of ₹90,000 for the PY 2024-25. Compute the amount to be included in the income of Rajshri and her spouse for AY 2025-26.

(*a*) Rajshri Nil, spouse ₹90,000
(*b*) Rajshri ₹45,000, spouse ₹45,000
(*c*) Rajshri ₹60,000, spouse ₹30,000
(d) Rajshri ₹90.000, spouse Nil

15. Badal gifted a house property valued at ₹50 lakh to his wife, Rani, who in turn gifted the same to her daughter-in-law Shamili shortly after. The house was let out at ₹25,000 per month throughout the PY 2024-25. Compute income from house property for AY 2025-26. In whose hands will this income be taxable?

(*a*) ₹3 lakh in the hands of Badal
(*b*) ₹2.1 lakh in the hands of Badal
(*c*) ₹2.1 lakh in the hands of Rani
(*d*) ₹2.1 lakh in the hands of Shamili

16. Rhea received gift of ₹10 lakh from her spouse on 15.4.2024. She invested this money, along with her own savings of ₹20 lakh to start a business on 1.6.2024. She incurred a loss of ₹1,20,000 in the business for PY 2024-25. She wrote a book during the year from which royalty income of ₹3,00,000 was earned. Compute the amount to be included in the income of Rhea and her spouse for AY 2025-26.

(*a*) Rhea ₹1,80,000; spouse Nil
(*b*) Rhea ₹2,20,000; spouse (–) ₹40,000
(*c*) Rhea Nil; spouse ₹1,80,000
(*d*) Rhea (–) ₹1,20,000; spouse ₹3,00,000

17. Mr. B is a partner in PQR & Co., a partnership firm, having his capital contribution of ₹10,00,000. Mrs. gifted ₹6,00,000 to Mr. B on 31.3.2024. Mr. B invested ₹5,00,000 from this amount as his additional capital contribution in PQR & Co. on 10.4.2024. He further infused ₹3,00,000 as his capital contribution (₹1,00,000 gifted again by Mrs. B and ₹1,00,000 out of his own funds) on 15.6.2024. During the year, Mr. B received interest on capital of ₹1,50,000, salary of ₹2,40,000 and share of profit of ₹1,20,000 from the firm. Determine the amount includible in the income of Mrs. B for the AY 2025-26.

(*a*) ₹1,00,000
(*b*) ₹2,60,000
(*c*) Nil
(*d*) ₹3,40,000

18. On 1.3.2024, Shobhit became a partner in R&S partnership firm, with 50% profit share, by bringing in ₹10 lakh as his capital contribution. This money was gifted by his spouse on 1.2.2024. For the

PY 2024-25, he received interest on capital of ₹1 lakh and his share in profit of ₹2 lakh. Compute the amount to be included in the income of Shobhit and his spouse for AY 2025-26.

(*a*) Shobhit ₹2 lakh; spouse ₹1 lakh
(*b*) Shobhit ₹50,000; spouse ₹50,000
(*c*) Shobhit Nil; spouse ₹1 lakh
(*d*) Shobhit ₹1 lakh; spouse ₹2 lakh

19. Manjari gifted a property to her daughter-in-law on 1.4.2024. Income from property for the year (accruing evenly) was ₹1,00,000. Her daughter-in-law was divorced on 30.9.2024 and she sold the property on 31.3.2025 on which capital gain was computed at ₹30,000. Compute the amount to be included in the income of Manjari and her daughter-in-law for AY 2025-26.

(*a*) Manjari ₹50,000; daughter-in-law ₹80,000
(*b*) Manjari ₹1,00,000; daughter-in-law ₹30,000
(*c*) Manjari ₹1,30,000; daughter-in-law Nil
(*d*) Manjari Nil; daughter-in-law ₹1,30,000

20. Sakshi is a partner in ABC & Co, partnership firm. Her capital contribution in the firm is ₹8 lakh which includes ₹2 lakh gifted by her spouse on 1.1.2024. She made additional capital contribution of ₹4 lakh on 1.4.2024 out of gift made by her spouse. The firm paid her interest on capital of 1,20,000 for the PY 2024-25. This amount was fully allowed as deduction in the hands of the firm. She also received her share of profit in the firm of ₹2,50,000. Determine the amount to be included in the income of Sakshi and her spouse for the AY 2025-26.

(*a*) ₹60,000 for Sakshi; ₹60,000 for spouse
(*b*) ₹3,10,000 for Sakshi; ₹60,000 for spouse
(*c*) ₹55,000 for Sakshi; ₹1,55,000 for spouse
(*d*) ₹1,55,000 for Sakshi; nil for spouse

CONVERSION OF SELF-ACQUIRED PROPERTY INTO PROPERTY OF HUF

21. On 1.7.2024, Saira transferred gold jewellery of market value ₹10 lakh to the HUF for a consideration of ₹10 lakh (capital gain computed ₹1 lakh). HUF comprised herself, her spouse and her minor son as member. On 1.10.2024, the HUF sold the jewellery for ₹15 lakh and invested the proceeds in fixed deposits with ICICI Bank. Interest from fixed deposits for the PY 2024-25 was ₹1 lakh. Compute the amount to be included in the income of these persons for AY 2025-26.

(*a*) Saira ₹1,50,000; HUF ₹5,00,000; Spouse ₹25,000
(*b*) Saira ₹1,00,000; HUF ₹6,00,000
(*c*) Saira ₹1,48,500; HUF ₹5,00,000 lakh; Spouse ₹25,000
(*d*) Saira ₹2,98,500; Spouse ₹2,00,000

22. On 1.4.2024, Shan (Karta of his HUF comprising of his spouse and minor daughter), gifted ₹15 lakh to the HUF. The HUF purchased a property from this amount on which income for PY 2024-25 (accruing evenly across the year) was ₹1,20,000. The HUF was partitioned on 30.9.2024 and all assets were distributed equally. Shan's spouse has no other income during the year. Compute the amount to be included in the income of these persons for AY 2025-26 in respect of income from such property considering the provisions of the optional tax regime.

(*a*) Shan ₹1,18,500
(*b*) Shan ₹98,500; spouse ₹20,000
(*c*) Shan ₹80,000; spouse ₹20,000, daughter ₹20,000
(*d*) Shan ₹1,00,000; daughter ₹20,000

CROSS TRANSFERS

23. On 1.4.2024, Mr. B gifted ₹1.5 lakh to Mrs. C (spouse of Mr. C, his brother). Mr. C, in turn, gifted ₹1 lakh to Master B (minor child of Mr. B). On the same day, both recipients invested the money in instruments generating interest of 10% p.a. Income of Mr. B is higher than Mrs. B (without considering interest income). Determine the income taxable in the hands of these persons for AY 2025-26 considering the provisions of the default tax regime.

(*a*) Mr. B ₹8,500; Mr. C ₹15,000
(*b*) Mr. B ₹15,000; Mr. C ₹10,000
(*c*) Mr. B ₹10,000; Mr. C ₹10,000; Mrs. C ₹5,000
(*d*) Mr. B ₹8,500; Mr. C ₹10,000; Mrs. C ₹5,000

GENERAL PROVISIONS OF CLUBBING

24. Sana's spouse (61 years and resident in India) gifted ₹60 lakh to Sana (59 years and resident in India) who earned interest of ₹4,50,000 during the PY 2024-25 by investing such amount in corporate deposits. The intent for the gift was to reduce tax liability by availing rebate of section 87A in the hands of Sana. Sana's spouse has income from pension of ₹6,00,000 (computed). Sana does not have any other income. Both have decided to opt out of default tax regime. Tax liability for AY 2025-26 will be:

(*a*) Sana ₹44,200; Spouse ₹31,200
(*b*) Sana Nil; Spouse ₹1,30,000
(*c*) Sana Nil; Spouse ₹31,200
(*d*) Sana ₹19,99,140; Spouse ₹31,200

25. Sehar transferred certain plant and machinery, owned by him, to his friend with a stipulation that he would reacquire the assets as and when he needs. The transfer was termed as irrevocable by Sehar in the agreement. Rental income earned by his friend from the assets for PY 2024-25 was ₹1 lakh. The assets were not reacquired by Sehar during the previous year. Determine the amount included in the income of Sehar and his friend for AY 2025-26.

(*a*) Friend ₹1 lakh
(*b*) Sehar ₹50,000; friend ₹50,000
(*c*) Sehar ₹1 lakh
(*d*) Sehar ₹1 lakh or friend 1 lakh as per their discretion

Answer Key

1. (*d*)	**2.** (*b*)	**3.** (*c*)	**4.** (*c*)	**5.** (*d*)	**6.** (*a*)	**7.** (*c*)	**8.** (*b*)	**9.** (*d*)	**10.** (*a*)
11. (*c*)	**12.** (*c*)	**13.** (*d*)	**14.** (*d*)	**15.** (*b*)	**16.** (*b*)	**17.** (*c*)	**18.** (*c*)	**19.** (*a*)	**20.** (*a*)
21. (*b*)	**22.** (*a*)	**23.** (*c*)	**24.** (*b*)	**25.** (*c*)					

09 CHAPTER

Aggregation of Income, Set Off and Carry Forward of Loss

MULTIPLE CHOICE QUESTIONS

INTER SOURCE ADJUSTMENT

1. Sona, the minor child of Sonu, earned interest of ₹1 lakh on fixed deposit with a bank. Sonu has incurred loss of ₹1 lakh on sale of his book. Sonu's spouse is not alive. His net income under the head IFOS would be:

(*a*) Nil
(*b*) Loss of ₹1,500
(*c*) Income of ₹1 lakh
(*d*) Loss of ₹1 lakh

2. Reema has loss from speculation business of ₹50,000, income from a specified business referred u/s 35AD of ₹75,000 and loss from garment business of ₹75,000. Her income taxable under the head PGBP would be:

(*a*) ₹75,000
(*b*) ₹25,000
(*c*) Nil
(*d*) ₹50,000

3. Veer has income from house A of ₹1,00,000 and loss from house B of ₹1,00,000. He also has short term capital gain of ₹50,000. His income after adjustment of losses would be:

(*a*) (₹50,000)
(*b*) Nil
(*c*) (₹1,00,000)
(*d*) ₹50,000

4. Yogi has long term capital gain from sale of land ₹5,00,000, short term capital gain from sale of gold ₹1,00,000, short term capital loss from sale of paintings ₹2,00,000 and long term capital loss from sale of shares ₹2,00,000. His income under the head Capital Gain would be:

(*a*) ₹3 lakh
(*b*) ₹2 lakh
(*c*) ₹1 lakh
(*d*) ₹4 lakh

5. Roma has loss from speculation business of ₹50,000, income from speculation business of ₹25,000 and income from garment business of ₹50,000. Her income taxable under the head PGBP would be:

(*a*) Nil
(*b*) ₹50,000
(*c*) (₹25,000)
(*d*) ₹25,000

6. Rohan has long term capital gain from sale of gold of ₹1,00,000, long term capital loss from sale of shares u/s 112A of ₹1,20,000, short term capital gain on sale of shares u/s 111A of ₹1,00,000 and short term capital loss on sale of units of mutual fund of ₹70,000. Her income under the head Capital Gain would be:

(*a*) ₹10,000 (*b*) ₹1,10,000

(*c*) (₹20,000) (*d*) ₹30,000

7. Sonu has loss from the activity of owning and maintaining race horses of ₹1 lakh, winning from lottery of ₹1 lakh and loss from sub-letting of house of ₹1 lakh. His income under the head IFOS would be:

(*a*) Loss of ₹1 lakh (*b*) Nil

(*c*) Income of ₹1 lakh (*d*) Loss of ₹2 lakh

INTER HEAD ADJUSTMENT

8. Sana has loss from grocery business of ₹1 lakh, income from hospital business referred u/s 35AD of ₹3 lakh, loss from speculative day trading in shares of ₹2 lakh, loss from let out house property of ₹2.5 lakh, long term capital gain u/s 112A of ₹4 lakh, short term capital loss of ₹3.5 lakh, loss from card games of ₹50,000 and winning from betting of ₹1.5 lakh. Her total income, under the optional tax regime, would be:

(*a*) Income of ₹2 lakh (*b*) Income of ₹3 lakh

(*c*) Income of ₹1.5 lakh (*d*) Income of ₹1 lakh

9. Suhail has long term capital loss of ₹1 lakh, short term capital loss of ₹1 lakh, salary income of ₹1 lakh, income from house property of ₹2 lakh and loss from profession of ₹3 lakh. His total income under default tax regime would be:

(*a*) Income of ₹1 lakh (*b*) Nil

(*c*) Loss of ₹2 lakh (*d*) Loss of ₹1 lakh

10. Salman has winning from card games of ₹50,000, undisclosed income of ₹40,000, loss from owning and maintaining race horses of ₹30,000 and short term capital loss of ₹60,000. His total income would be:

(*a*) Income of ₹30,000 (*b*) Nil

(*c*) Loss of ₹50,000 (*d*) Income of ₹90,000

11. Suraj has loss from let out property ₹2 lakh, loss from self-occupied property ₹1 lakh, salary income ₹1 lakh, winning from lottery ₹2 lakh and long term capital gain ₹1 lakh. His total income, under optional tax regime, would be:

(*a*) Nil (*b*) Income of ₹1 lakh

(*c*) Loss of ₹1 lakh (*d*) Income of ₹2 lakh

CARRY FORWARD AND SET OFF

12. Shaan has income from consulting business of ₹10 lakh for AY 2025-26. Unabsorbed business loss of AY 2023-24 is ₹2 lakh and of AY 2024-25 is ₹3 lakh. Unabsorbed depreciation for AY 2024-25 is ₹1 lakh. Which order of set off would be most beneficial for Shaan to follow?

(*a*) Loss of AY 2024-25; loss of AY 2023-24; Unabsorbed depreciation of AY 2024-25
(*b*) Loss of AY 2023-24; loss of AY 2024-25; Unabsorbed depreciation of AY 2024-25
(*c*) Unabsorbed depreciation of AY 2024-25; loss of AY 2023-24; loss of AY 2024-25
(*d*) Unabsorbed depreciation of AY 2024-25; loss of AY 2024-25; loss of AY 2023-24

13. Sunny incurred loss of ₹1,50,000 from let out house property in AY 2021-22. He filed the return of loss for that year after the due date. For PY 2024-25, he has income from house property of ₹1,00,000 and interest on bank deposits of ₹1,50,000. Total income for AY 2025-26 and losses to be carried forward will be:
(*a*) Total income ₹1.5 lakh
(*b*) Total income ₹1.5 lakh; Carry forward loss from house property ₹50,000
(*c*) Total income ₹2.5 lakh
(*d*) Total income Nil; Carry forward loss from house property ₹50,000

14. Mr. J was engaged in retail business of garments and speculation business of trading in shares. Fie discontinued both these businesses on 15.10.2024. Loss in the aforesaid businesses for the PY 2024-25 up to the date of discontinuance was ₹10.000 and ₹30,000,respectively. Mr. J had claimed deduction of ₹1,00,000 on account of bad debts out of which ₹60.000 was allowed in the PY 2023-24. Mr. J recovered ₹70,000 from the debtor on 22.3.2025 in full and final settlement. Mr. J is covered under the default tax regime. The amount taxable in the hands of Mr. J for AY 2025-26 would be:
(*a*) ₹20,000 (*b*) Nil
(*c*) ₹70,000 (*d*) ₹30,000

15. Raunak incurred loss from let out house property of ₹5 lakh for AY 2024-25 for which he filed return of income after the due date. For AY 2025-26, he has income from house property of ₹4 lakh. For AY 2025-26:
(*a*) He cannot set off loss of ₹5 lakh; income from house property will be ₹4 lakh
(*b*) He can set off loss of ₹2 lakh against income of ₹4 lakh and carry forward loss of ₹3 lakh to AY 2026-27
(*c*) He can set off loss of ₹4 lakh against income of ₹4 lakh and carry forward loss of ₹1 lakh to AY 2026-27
(*d*) He can set off loss of ₹2 lakh against income of ₹4 lakh but cannot carry forward loss of ₹3 lakh to AY 2026-27

16. For AY 2025-26, Mohit had income from cold chain business referred u/s 35AD of ₹2,00,000, income from F&B business of ₹3,00,000 and short term capital loss u/s 111A of ₹1,00,000. Loss of ₹2,50,000 from the cold chain business, for AY 2016-17, was brought forward. Mohit filed return of income for AY 2025-26 after the due date. Total income and loss to be carried forward, as per the optional tax regime, would be:
(*a*) Total income ₹3 lakh; Carry forward loss ₹1,50,000
(*b*) Total income ₹5 lakh; Carry forward loss Nil
(*c*) Total income ₹4 lakh; Carry forward loss Nil
(*d*) Total income ₹3 lakh; Carry forward loss ₹50,000

17. Roshni has the following particulars of income for AY 2025-26: income from salary ₹5,00,000; loss from self-occupied house ₹1,00,000; loss from let out house ₹2,00,000; loss from hotel business referred u/s 35AD ₹3,00,000; loss from legal profession ₹1,50,000; long term capital gain from sale of gold ₹1,80,000; interest from bank FD ₹70,000. Compute total income. Roshni has opted out of the default tax regime.

(*a*) ₹5 lakh
(*b*) ₹3 lakh
(*c*) ₹2 lakh
(*d*) ₹4 lakh

18. For AY 2025-26, Gunjan has income from food business of ₹2,00,000 (before depreciation), current year depreciation of ₹50,000, unabsorbed depreciation of AY 2024-25 of ₹80,000, brought forward business loss from AY 2022-23 of ₹1,00,000, long term capital gain of ₹20,000 and salary income of ₹60,000. Determine total income for AY 2025-26 and loss to be carried forward:

(*a*) Total income ₹80,000; carry forward business loss of ₹30,000
(*b*) Total income ₹80,000 carry forward unabsorbed depreciation of ₹30,000
(*c*) Total income ₹60,000; carry forward unabsorbed depreciation of ₹10,000
(*d*) Total income ₹50,000; carry forward loss of Nil

19. For PY 2024-25, Faizal has income from jewellery business of ₹3,00,000 (before depreciation), current year depreciation of ₹1,00,000, unabsorbed depreciation of AY 2024-25 of ₹1,70,000, brought forward business loss from AY 2022-23 of ₹4,00,000, income from other sources of ₹70,000 and salary income of ₹50,000. Total income for AY 2025- 26 and loss to be carried forward would be:

(*a*) Total income ₹1.2 lakh; Carry forward business loss ₹2 lakh and unabsorbed depreciation ₹1.7 lakh
(*b*) Total income ₹50,000; Carry forward business loss ₹2 lakh and unabsorbed depreciation ₹1.7 lakh
(*c*) Total income ₹1.2 lakh; Carry forward business loss ₹2 lakh and unabsorbed depreciation ₹1 lakh
(*d*) Total income ₹50,000; Carry forward business loss ₹2 lakh and unabsorbed depreciation ₹1 lakh

20. For AY 2025-26, Jasmine earned income from speculation business of ₹70,000. Speculation business loss of AY 2019-20 of ₹50,000 and of AY 2023-24 of ₹60,000 were brought forward. Compute total income and loss to be carried forward for AY 2024-25.

(*a*) Total income Nil; Carry forward loss ₹10,000
(*b*) Total income Nil; Carry forward loss ₹40,000
(*c*) Total income ₹10,000; Carry forward loss Nil
(*d*) Total income ₹40,000; Carry forward Nil

21. Johny has the following particulars of income for AY 2025-26: Income from transport business ₹1,00,000; loss from speculative business of AY 2020-21 ₹50,000; short term capital gain u/s 111A 1,75,000; short term capital loss from sale of rural agricultural land ₹3,50,000; long term capital loss u/s 112A brought forward from AY 2022-23 ₹1,25,000; short term capital loss on sale of unlisted shares brought forward from AY 2017-18 ₹2,25,000. Total income for AY 2025-26 and loss to be carried forward, under default tax regime, would be:

(*a*) Total income ₹1 lakh; Carry forward loss ₹1.25 lakh
(*b*) Total income ₹1 lakh; Carry forward loss ₹2.25 lakh
(*c*) Total income ₹1 lakh; Carry forward loss ₹1.75 lakh
(*d*) Total income ₹50,000; Carry forward loss ₹1.25 lakh

22. For PY 2024-25, Sohan has the following particulars of income: Income from owning and maintaining race horses of ₹1,50,000; winning from gambling of ₹40,000; loss in betting ₹50,000; unexplained investment u/s 69 ₹70,000; loss in gambling brought forward from AY 2024-25 ₹30,000; loss from owning and maintaining race horses brought forward from AY 2021-22 ₹2,50,000. Total income for AY 2025-26 and loss to be carried forward would be:
(*a*) Total income ₹1,10,000; Carry forward loss ₹1,00,000
(*b*) Total income ₹70,000; Carry forward loss Nil
(*c*) Total income ₹1,00,000;Carry forward Nil
(*d*) Total income ₹1,10,000; Carry forward loss Nil

23. Mr. Y has the following particulars for AY 2025-26: Loss from retail business ₹4 lakh; long term capital gain on sale of flat ₹3 lakh and loss from house property ₹5 lakh. He filed his return of income after the due date of 31.10.2025. Total income for AY 2025-26 and loss to be carried forward, as per the optional tax regime, would be:
(*a*) Total income Nil; Carry forward business loss of ₹1 lakh
(*b*) Total income Nil; Carry forward house property loss of ₹5 lakh
(*c*) Total income Nil; Carry forward business loss of ₹4 lakh and house property loss of ₹2 lakh
(*d*) Total income ₹3 lakh; Carry forward house property loss of ₹5 lakh

24. For PY 2024-25, Mr. T has the following particulars of income and loss: Income from salary (computed) ₹3,50,000; loss from house property (let out) ₹2,50,000; brought forward loss from house property (let out) of AY 2024-25 ₹3,00,000; loss from transport business ₹2,40,000; interest on fixed deposits with bank ₹50,000. Total income for AY 2025-26 and loss to be carried forward, as per the optional tax regime, would be:
(*a*) Total income ₹1,50,000; Carry forward loss ₹5,40,000
(*b*) Total income Nil; Carry forward loss ₹3,90,000
(*c*) Total income ₹50,000; Carry forward loss ₹5,40,000
(*d*) Total income ₹1,50,000; Carry forward loss ₹3,90,000

Answer Key

1. (*b*)	**2.** (*c*)	**3.** (*d*)	**4.** (*b*)	**5.** (*b*)	**6.** (*d*)	**7.** (*c*)	**8.** (*a*)	**9.** (*a*)	**10.** (*d*)
11. (*d*)	**12.** (*b*)	**13.** (*b*)	**14.** (*a*)	**15.** (*c*)	**16.** (*d*)	**17.** (*d*)	**18.** (*c*)	**19.** (*d*)	**20.** (*c*)
21. (*a*)	**22.** (*d*)	**23.** (*b*)	**24.** (*a*)						

10 CHAPTER

Deductions from Gross Total Income

MULTIPLE CHOICE QUESTIONS

1. Chetan, aged 40 years, has the following particulars for AY 2025-26: Income from salary (computed) ₹1,00,000; long term capital gain on sale of personal car ₹50,000; short term capital gain on sale of equity shares (STT paid) ₹2,00,000; interest on bank fixed deposit in the name of spouse made out of money gifted by Chetan ₹30,000; deposit in PPF account ₹1,50,000. Compute his total income. Chetan has opted out of the default tax regime.

(*a*) ₹1,80,000 (*b*) ₹2,00,000

(*c*) ₹2,30,000 (*d*) ₹2,80,000

DEDUCTION FOR INVESTMENTS (80C, 80CCC, 80CCD)

2. Ramya made the following investments during the PY 2024-25: Her contribution to statutory provident fund ₹20,000; ₹30,000 in National Housing Bank (Tax Saving) Term Deposit, ₹50,000 in 3-year fixed deposit of SBI; ₹30,000 in 5-year tax saver fixed deposit of HDFC Bank; ₹10,000 in notified bonds of NABARD; ₹30,000 in Post Office Savings Bank Account; ₹20,000 in Post Office Time Deposit for 5 years; ₹10,000 in Senior Citizens Savings Scheme; ₹40,000 life insurance premium for self (premium due on 25.3.2025; paid on 1.4.2025; policy issued on 1.4.2023 for sum assured of ₹5 lakh). Compute deduction u/s 80C as per the optional tax regime.

(*a*) ₹1,30,000 (*b*) ₹1,20,000

(*c*) ₹1,50,000 (*d*) ₹1,40,000

3. Gopal, a businessman having gross total income of ₹5,00,000, contributed ₹1,00,000 each to notified bonds of NABARD, approved pension fund of an insurer and his NPS account. Compute the deduction allowable under Chapter VIA. Gopal has opted out of the default tax regime.

(*a*) ₹1,50,000 (*b*) ₹2,00,000

(*c*) ₹3,00,000 (*d*) ₹2,50,000

4. During the PY 2024-25, Yaksh made the following payments of life insurance premium: ₹15,000 for self (policy issued on 31.3.2012 with sum assured ₹1,00,000); ₹20,000 for spouse (not dependent; policy issued on 1.4.2012 with sum assured ₹1,50,000); ₹25,000 for child (20 years age; suffering from a disease specified u/s 80DDB; policy issued on 1.6.2017 with sum assured ₹2,00,000); ₹20,000 for married daughter (policy issued on 1.6.2020 for sum assured ₹1,50,000); ₹18,000 for father (dependent; policy issued on 1.4.2011 with sum assured ₹3,00,000). Compute the deduction allowable u/s 80C under the optional tax regime.

(*a*) ₹70,000 (*b*) ₹50,000
(*c*) ₹73,000 (*d*) ₹40,000

5. Saina is a Central Government employee earning basic salary of ₹1,00,000 per month .and dearness allowance @ 80% of basic salary (forming part of retirement benefits). During the PY 2024-25, she contributed 15% of her total salary to the NPS account with her employer making a matching contribution. Compute deduction u/s 80CCD under optional tax regime.
(*a*) ₹5,68,400 (*b*) ₹5,02,400
(*c*) ₹4,16,000 (*d*) ₹4,82,000

6. Srishti's income for PY 2024-25 comprised income from house property of ₹2,00,000. She invested ₹50,000 in NSC Certificates (IX issue) on 31.3.2025. Accrued interest for the year on certificates held by her amounted to ₹20,000. Her total income, as per the optional tax regime, would be:
(*a*) ₹1,30,000 (*b*) ₹1,50,000
(*c*) ₹2,00,000 (*d*) ₹1,80,000

7. The private sector employer of Raman, who draws basic salary of ₹1,50,000 per month, contributed ₹30,000 per month to his NPS account during the PY 2024-25. How much deduction can Raman claim on this account?
(*a*) ₹3,60,000 (*b*) ₹2,52,000
(*c*) ₹1,80,000 (*d*) ₹1,50,000

8. Rajesh is a businessman having gross total income of ₹6,00,000. During the PY 2024-25, he deposited ₹2,00,000 in his NPS account. Compute his total income. Rajesh has opted out of the default tax regime.
(*a*) ₹4,80,000 (*b*) ₹4,50,000
(*c*) ₹5,50,000 (*d*) ₹4,30,000

9. During the PY 2024-25, Rashi, earning salary of ₹1,00,000 per month from JKL Pvt Ltd. (₹60,000 basic salary and balance as dearness allowance of which 50% formed part of the terms of employment), contributed ₹1,20,000 to her NPS account with her employer making an equal contribution. She also deposited 1,00,000 in her PPF account. Compute the deduction available under Chapter VIA. Rashi has opted out of the default tax regime.
(*a*) ₹2,96,000 (*b*) ₹3,16,000
(*c*) ₹1,50,000 (*d*) ₹2,00,000

10. During the PY 2024-25, Reena incurred the following expenses on education: School fee of ₹1 lakh paid for daughter (25% donation, 75% tuition fee), college fee paid for major son for pursuing MBA in Canada ₹2 lakh (75% tuition fee; 25% development fee), fee for part time course in software development for major son ₹50,000. Deduction u/s 80C, under the optional tax regime, would be:
(*a*) ₹1,50,000 (*b*) ₹1,25,000
(*c*) ₹75,000 (*d*) ₹1,00,000

11. During the PY 2024-25, Jagan deposited ₹2,50,000 in his NPS account (his employer, MMT Ltd, making a matching contribution). He earned basic salary of ₹50,000 per month, dearness allowance

of ₹30,000 per month (60% forming part of terms of employment) and fixed medical allowance of ₹10,000 per month. Compute his total income for AY 2025-26. Jagan has opted out of the default tax regime.

(*a*) ₹8,16,800 (*b*) ₹7,88,000

(*c*) ₹10,66,800 (*d*) ₹8,38,000

12. Shiny, drawing basic salary of ₹1,00,000 per month, contributed ₹1,00,000 each to approved superannuation fund, pension fund of LIC and NPS. Her employer, Zed Ltd., made a matching contribution to NPS. Compute the deduction allowable under Chapter VIA. Shiny has opted out of the default tax regime.

(*a*) ₹1,50,000 (*b*) ₹4,50,000

(*c*) ₹3,00,000 (*d*) ₹2,50,000

13. During the PY 2024-25, Drishti contributed ₹60,000 to recognized provident fund (her employer made a matching contribution), ₹20,000 each to the PPF account of self, married son and mother, ₹10,000 to the Sukanya Samriddhi Account for her girl child and ₹30,000 to unrecognized superannuation fund. Compute the deduction u/s 80C as per the optional tax regime.

(*a*) ₹1,50,000 (*b*) ₹1,40,000

(*c*) ₹1,10,000 (*d*) ₹1,30,000

DEDUCTION FOR HEALTH & WELLNESS (80D, 80DD, 80DDB, 80U)

14. Chetan, resident aged 55 years, incurred the following expenditure during the year: Health insurance premium for spouse (not dependent) ₹30,000; preventive health checkup of his father (resident of age 80 years) ₹10,000; rehabilitation expenses for dependent father-in-law (suffering from severe disability certified u/s 80U) ₹1,00,000; medical treatment of dependent elder brother (non-resident of age 61 years) for a life threatening disease specified u/s 80DDB ₹1,70,000 (₹25,000 reimbursed by insurer). Compute the amount of deduction available to Chetan from his gross total income as per the optional tax regime.

(*a*) ₹50,000 (*b*) ₹1,65,000

(*c*) ₹70,000 (*d*) ₹45,000

15. Mr. A, a Central Government employee, made the following payments during the year (all by cheque): Contribution to Central Government Health Scheme ₹10,000; mediclaim premium for married son (dependent) ₹5,000; mediclaim premium of younger brother (dependent) ₹10,000; preventive health check-up for spouse (not dependent) ₹7,000. Compute deduction u/s 80D under the optional tax regime.

(*a*) ₹22,000 (*b*) ₹15,000

(*c*) ₹20,000 (*d*) ₹25,000

16. Shubham, resident aged 45 years, spent ₹10,000 on medical treatment of his elder brother, being a person with severe disability certified u/s 80U and mainly dependent on him. He also deposited ₹15,000 in an approved scheme of LIC for maintenance of his brother. His brother does not have any source of income. Shubham would be entitled to a deduction u/s 80DD, under the optional tax regime, of:

(*a*) ₹10,000 (*b*) ₹25,000

(*c*) ₹75,000 (*d*) ₹1,25,000

17. Mr. B, age 35 years, made the following payments during the year (all by cheque): Health insurance premium for working wife ₹23,000, preventive health check-up for minor daughter (dependent) ₹4,000; mediclaim premium for father (non-resident of age 62 years) ₹30,000; mediclaim premium for mother (resident of age 60 years) 18,000; medical expenditure on mother ₹50,000. Compute deduction u/s 80D. Mr. B has opted out of the default tax regime.

(*a*) ₹70,000 (*b*) ₹73,000

(*c*) ₹75,000 (*d*) ₹68,000

18. Raghav, resident aged 40 years, incurred expenditure of ₹10,000 each for medical treatment of his younger brother and elder sister, both wholly dependent on him. Younger brother was certified with disability u/s 80U to the extent of 60% and elder sister was certified with disability u/s 80U to the extent of 90%. Brother earned taxable income and claimed deduction u/s 80U. Deduction available to Raghav from his gross total income, under the optional tax regime, would be:

(*a*) ₹1,25,000 (*b*) ₹75,000

(*c*) ₹2,00,000 (*d*) ₹20,000

19. Mr. C, age 33 years, made the following payments during the year: Mediclaim premium of minor son (dependent) ₹20.000 paid by cash; preventive health check for self ₹10,000 paid by cash; mediclaim premium for father (resident of age 61 years) ₹40,000 paid by cheque; mediclaim premium for mother (resident of age 58 years) ₹20,000 paid by cheque. Compute deduction u/s 80D. Mr. C has opted out of the default tax regime.

(*a*) ₹65,000 (*b*) ₹60,000

(*c*) ₹55,000 (*d*) ₹30,000

DEDUCTION FOR INTEREST ON LOAN (80E, 80EE, 80EEA, 80EEB)

20. Raju purchased his first residential house in Chennai on 1.4.2022. He applied for a home loan from IDFC Bank on 15.3.2022 which got sanctioned on 25.3.2022. Stamp duty value of the house was ₹45 lakh. Interest on the loan amounted to ₹3,90,000 for the FY 2024-25 out which Raju could pay only ₹3,10,000. Further, during the FY 2024-25, he repaid principal amounting to ₹1,00,000. Compute the total interest deduction that Raju can claim for the AY 2025-26 under the optional tax regime.

(*a*) Nil (*b*) ₹3,10,000

(*c*) ₹3,50,000 (*d*) ₹4,50,000

21. Rekha took a loan of ₹10,00,000 from a bank for meeting expenditure on education of her husband pursuing MBA course. The loan was disbursed on 1.9.2014. She paid the first instalment of principal repayment along with interest on 1.6.2017. During PY 2024-25, she paid ₹70,000 towards principal and ₹50,000 towards interest. Her gross total income was ₹3,00,000. Her total income, as per the optional tax regime, would be:

(*a*) ₹2,50,000 (*b*) ₹3,00,000

(*c*) ₹1,80,000 (*d*) ₹2,30,000

22. Jacky purchased his first house for ₹50 lakh (FMV was ₹51 lakh and SDV was ₹44 lakh), using a loan of ₹48 lakh taken from a housing finance company. Loan was sanctioned on 1.10.2021. The house was self-occupied. Jacky paid ₹4 lakh of interest on loan which was due during the

PY 2024-25. His income from salary (computed) was ₹3,50,000. Compute his total income. Jacky has opted out of the default tax regime.

Deductions from Gross Total Income (377)

(*a*) ₹1,50,000 (*b*) ₹2,00,000

(*c*) ₹1,00,000 (*d*) Nil

23. Roshan, a resident but not ordinarily resident, took a loan from Dena Bank of ₹20 lakh to purchase an electric vehicle costing ₹25 lakh, for personal use of his family. He applied for the loan on 1.3.2019 and it was sanctioned and disbursed on 5.4.2019. Interest due for PY 2024-25 was ₹1,60,000. His gross total income comprised income from house property of ₹1,25,000 and winning from lottery of ₹50,000. Compute his total income. Roshan has opted out of the default tax regime,

(*a*) ₹1,75,000 (*b*) ₹25,000

(*c*) ₹50,000 (*d*) ₹15,000

24. Riya took an education loan from a notified financial institution for her spouse (not dependent on her) pursuing M. Tech course from USA. Loan was sanctioned on 1.3.2017 and disbursed on 15.4.2017. The course began on 1.9.2017 and Riya started paying interest from 1.3.2017. During the PY 2024-25, she paid interest of ₹3 lakh and repaid principal of ₹2 lakh. Her gross total income is ₹6 lakh. Compute her total income. Riya has opted out of the default tax regime.

(*a*) ₹6 lakh (*b*) Nil

(*c*) ₹3 lakh (*d*) ₹1 lakh

DEDUCTION FOR DONATIONS (80G, 80GGA, 80GGB, 80GGGC)

25. During the PY 2024-25, JCB Ltd., an Indian company, contributed ₹10,000 in cash to BJP, a political party, ₹20,000 by cheque to Congress, a political party, and spent ₹30,000 by cheque on advertisement in souvenir of a local political party. Determine the deduction allowable, from gross total income, in respect of such payments. JCB Ltd. has not opted for section 115BAA or 115BAB.

(*a*) ₹50,000 (*b*) ₹20,000

(*c*) ₹30,000 (*d*) ₹60,000

26. Rohit donated ₹50,000 to National Cultural Fund and ₹60,000 to Prime Minister's Drought Relief Fund by cheque. He also donated ₹20,000 to a public charitable trust in cash. Deduction u/s 80G, under the optional tax regime, would be:

(*a*) ₹1,30,000 (*b*) ₹1,10,000

(*c*) ₹80,000 (*d*) ₹90,000

27. During the PY 2024-25, Ramit donated ₹50,000 to a research association (approved u/s 35) for carrying out scientific research, ₹40,000 to a college (not approved u/s 35) for statistical research, ₹30,000 to Rural Development Fund (notified u/s 35CCA), ₹60,000 to National Urban Poverty Eradication Fund (notified u/s 35CCA) and ₹2,000 to an association for rural development (approved u/s 35CCA). All payments were by cheque, except to scientific research association and rural development association which were in cash. Ramit is a salaried employee and does

not carry on any business. Deduction allowable to him in respect of such payments, under the optional tax regime, would be:

(*a*) ₹92,000 (*b*) ₹90,000

(*c*) ₹1,30,000 (*d*) ₹1,40,000

28. During the PY 2024-25, Raunaq contributed the following amounts to political parties: ₹1,500 by cash, ₹8,000 by cheque, ₹5,000 by cash and ₹6,000 by cheque for advertisement in brochure of the party. Compute the deduction from gross total income available in respect of such payments. Raunaq has opted out of the default tax regime.

(*a*) ₹9,500 (*b*) ₹14,000

(*c*) ₹15,500 (*d*) ₹8,000

29. Kavya made the following donations during the PY 2024-25: Lieutenant Governor's Relief Fund ₹30,000 (paid by cheque); Prime Minister's Drought Relief Fund ₹50,000 (paid by cheque); approved association for promoting family planning ₹30,000 (paid by cheque); Indian Olympic Association ₹60,000 (paid by cheque); charitable institution approved u/s 80G ₹40,000 (paid by cheque); 1,000 kg rice to a notified mosque worth ₹40,000. Her gross total income comprises income from house property ₹6,00,000 and long term capital gain ₹1,00,000. She deposited ₹1,00,000 in her PPF account. Compute her total income. Kavya has opted out of the default tax regime.

(*a*) ₹4,45,000 (*b*) ₹4,05,000

(*c*) ₹4,95,000 (*d*) ₹5,05,000

DEDUCTION FOR RENT [80GG]

30. Shruti, a salaried employee, pays rent of ₹10,000 per month to stay in a house in Delhi. Her employer does not pay HRA. She or her family members do not own any house. Her income from salary is computed at ₹11,00,000. She has earned long term capital gain of ₹1 lakh from sale of gold and has deposited ₹1 lakh in the LIC pension fund. Compute her total income under the optional tax regime.

(*a*) ₹9,80,000 (*b*) ₹12,80,000

(*c*) ₹10,80,000 (*d*) ₹11,80,000

DEDUCTIONS FOR INTEREST INCOME [80TTA, 80TTB]

31. During the PY 2024-25, Mr. Z, a resident aged 65 years, has earned interest of ₹15,000 from savings bank account in Bank of India, interest of ₹10,000 from Morcha Co-operative Bank and ₹30,000 from JK Finance, an NBFC. What is the deduction available to him in computing gross total income for AY 2025-26? Mr. Z has opted out of the default tax regime.

(*a*) ₹10,000 (*b*) ₹25,000

(*c*) ₹50,000 (*d*) ₹55,000

32. During the PY 2024-25, Raja, a non-resident aged 61 years, deposited ₹1,00,000 in 5-year Post Office Time Deposit on 31.3.2025. He also earned the following interest incomes during the year: Interest on Post Office Saving Account (individual) ₹7,000; interest on savings bank account with

SBI ₹6,000 and interest on fixed deposits with Dhanlakshmi cooperative bank ₹20,000. His gross total income is ₹3,00,000. Compute his total income. Raja has opted out of default tax regime.

(*a*) ₹2,90,000 (*b*) ₹1,90,500

(*c*) ₹2,90,500 (*d*) ₹1,90,000

33. Soumil, aged 50 years, earned ₹20,000 as interest on Post Office Savings Bank Account (individual). He has no other interest income. Amount of interest included in his total income, under the optional tax regime, would be:

(*a*) ₹10,000 (*b*) Nil

(*c*) ₹16,500 (*d*) ₹6,500

34. During the PY 2024-25, Virat, a resident aged 62 years, earned the following incomes: Income from house property ₹3,00,000; interest on fixed deposit with ICICI bank ₹20,000; interest on savings bank account with co-operative bank ₹10,000; interest on PPF ₹50,000; interest on recurring deposit account with Punjab National Bank ₹25,000 and interest on savings account with Post Office (individual account) ₹13,500. Compute his total income. Virat has opted out of the default tax regime.

(*a*) ₹3,15,000 (*b*) ₹3,55,000

(*c*) ₹3,18,500 (*d*) ₹3,22,500

DEDUCTIONS FOR CERTAIN OTHER INCOMES [80JJAA, 80QQB, 80RRB]

35. Ramkumar, a resident of age 55 years and a scientist, received royalty of ₹1.5 lakh each from a foreign company, in respect of three patents registered in his name. He could repatriate 60% of royalty by 30.9.2025. Compute deduction u/s 80RRB for the PY 2024-25. Ramkumar has opted out of the default tax regime.

(*a*) ₹3,00,000 (*b*) ₹2,70,000

(*c*) ₹4,50,000 (*d*) Nil

36. Janak started a new transport business on 1.4.2024. Turnover of business for PY 2024-25 was ₹1.5 crore and 20% transactions of receipts and payments, each, were in cash. He employed 5 people on 1.5.2024 out of which one person drew salary of ₹30,000 p.m. (all others were paid emoluments of ₹25,000 p.m.), one person resigned on 1.9.2024, one person did not participate in the recognized provident fund and one person took emoluments in cash. Determine the deduction available u/s 80JJAA for AY 2025-26.

(*a*) Nil (*b*) ₹2,47,500

(*c*) ₹1,65,000 (*d*) ₹3,30,000

37. Sarthak, a resident individual, is a professional author of artistic books. During the PY 2024-25, he earned royalty @ 20% of books sold of value ₹20 lakh by a foreign publisher. He could repatriate 80% of royalty to India by 30.9.2025. Compute the deduction u/s 80QQB. Sarthak has opted out of the default tax regime.

(*a*) ₹3,00,000 (*b*) ₹3,50,000

(*c*) ₹2,50,000 (*d*) ₹2,00,000

38. Josh carried on business of footwear manufacturing having 20 employees as on 31.3.2024. The business was liable to tax audit u/s 44AB. During the PY 2024-25, two existing employees resigned on 1.5.2024. He employed 5 people on 1.6.2024 on salary of ₹20,000 per month. A new employee was later appointed on 1.10.2024 on salary of ₹26,000 per month.

Determine the deduction available u/s 80JJAA for AY 2025-26.

(*a*) ₹2,26,800 (*b*) ₹1,80,000

(*c*) ₹3,33,333 (*d*) Nil

39. Rukmi, a resident of age 35 years, wrote a book on ancient art and received a lump sum payment of ₹4,00,000 in lieu of all rights in the book. Compute the deduction u/s 80QQB. Rukmi has opted out of the default tax regime.

(*a*) ₹3,00,000 (*b*) ₹3,50,000

(*c*) ₹4,00,000 (*d*) Nil

Answer Key

1. (*b*)	**2.** (*b*)	**3.** (*b*)	**4.** (*a*)	**5.** (*b*)	**6.** (*b*)	**7.** (*c*)	**8.** (*d*)	**9.** (*a*)	**10.** (*c*)
11. (*c*)	**12.** (*c*)	**13.** (*c*)	**14.** (*d*)	**15.** (*c*)	**16.** (*d*)	**17.** (*d*)	**18.** (*a*)	**19.** (*c*)	**20.** (*c*)
21. (*a*)	**22.** (*d*)	**23.** (*c*)	**24.** (*c*)	**25.** (*a*)	**26.** (*c*)	**27.** (*a*)	**28.** (*d*)	**29.** (*d*)	**30.** (*c*)
31. (*b*)	**32.** (*b*)	**33.** (*d*)	**34.** (*a*)	**35.** (*b*)	**36.** (*c*)	**37.** (*a*)	**38.** (*b*)	**39.** (*a*)	

CHAPTER 11

TDS, TCS and Advance Tax

MULTIPLE CHOICE QUESTIONS

TAX DEDUCTION AT SOURCE (TDS)

SALARY PAYMENTS

1. Krish, a resident of age 45 years, is employed with Z Ltd. on an annual salary of ₹4,50,000 p.m. This includes nonmonetary perquisites of ₹50,000 p.m. provided by Z Ltd. Tax on such non-monetary perquisites is borne by Z Ltd. Determine the amount of TDS that would be deducted from the salary during the FY 2024-25. Krish has intimated Z Ltd. of his intention to be covered by the default tax regime. He has deposited ₹1,50,000 in his PPF account.

(*a*) ₹1,72,553
(*b*) ₹15,52,980
(*c*) ₹14,84,340
(*d*) ₹13,30,850

2. Raghav, aged 37 years, is employed with Bright Ltd on a monthly salary of ₹60,000 per month. He has furnished particulars to his employer regarding loss from a let out house property of ₹3,00,000, short term capital loss of ₹30,000 and details regarding other income of ₹1,00,000. He does not want to go with the default tax regime. Compute the amount of TDS per month that Bright Ltd. will deduct during FY 2024-25.

(*a*) ₹1,777
(*b*) Nil
(*c*) ₹2,666
(*d*) ₹2,297

INTEREST, DIVIDEND AND INVESTMENT INCOME

3. During the FY 2024-25, Mr. C, a resident of age 60 years, received interest on fixed deposits from SBI, PNB and HDFC Banks of ₹35,000, ₹45,000 and ₹55,000, respectively. He also received interest on recurring deposit from three branches of Seema Gramin Bank of ₹25,000 each (bank has not adopted core banking solutions). In addition, he received interest from corporate deposits made in two private limited companies of ₹4,000 and ₹8,000, respectively. Compute the amount on which TDS will be deducted.

(*a*) ₹63,000
(*b*) ₹1,38,000
(*c*) ₹67,000
(*d*) ₹1,08,000

4. Mr. Jain, a resident, was issued a life insurance policy by Safe Insurance Company on 20.6.2019 for a sum assured of ₹5 lakh at an annual premium of ₹1 lakh. Upon maturity of policy on 20.6.2024, he received a sum of ₹5,37,500. He also got a life insurance policy from Suraksha Insurance Company on 12.2.2012 for sum assured of ₹10 lakh at annual premium of ₹1 lakh. He received ₹12 lakh from this policy on 12.2.2025. Compute amount of TDS deductible on such sum.

(*a*) ₹20,625 (*b*) ₹26,975

(*c*) ₹40,625 (*d*) ₹9,375

5. Rashmi, a resident and a partner in R&R partnership firm, received interest from the firm of ₹40,000 on 12.9.2024. She also received ₹10,000 as interest on income tax refund on 12.12.2024 and ₹15,000 as interest on savings bank account in Punjab Bank on 31.3.2025. She had given a loan to her friend on which she received interest of ₹20,000 on 1.3.2025. Her friend was a professional having gross receipts of ₹40 lakh for FY 2023-24 and ₹60 lakh for FY 2024-25. Compute the TDS deductible on these amounts.

(*a*) Nil (*b*) ₹1,500

(*c*) ₹4,500 (*d*) ₹2,625

6. Reliable Pvt. Ltd. paid dividend to its shareholders on 15.8.2024 through account payee cheques. Five shareholders received ₹4,000 each, three shareholders received ₹7,500 each and two shareholders received ₹10,000 each. All shareholders were residents. Two shareholders receiving ₹10,000 had not furnished their PAN number to the company. Compute the amount of tax that the company will need to deduct at source?

(*a*) ₹5,250 (*b*) ₹7,750

(*c*) ₹6,250 (*d*) ₹8,750

7. Bharat, a resident, received income from HDFC Mutual Fund of ₹2,250 each on 1.6.2024, 1.9.2024 and 1.3.2025 and income from JM Mutual Fund of ₹2,000 each on 1.11.2024 and 1.2.2025. Further, he sold 2,000 units of Bharat Mutual Fund on 11.11.2024 for ₹50,000 on which he computed short term capital gain of ₹20,000. Compute the amount of TDS that would be deducted from these incomes.

(*a*) ₹675 (*b*) Nil

(*c*) ₹975 (*d*) ₹2,175

8. Mahesh, a resident, received bonus shares from CD Pvt. Ltd. (in which he was a preference shareholder) on 12.11.2024 having market value of ₹75,000 (accumulated profits of the company as on this date were ₹2,00,000). He also held 15% equity shares in this company which gave him a loan of ₹37,500 on 1.1.2025. He repaid the loan on 31.3.2025. He also received dividend of ₹3,000 from ZZ Ltd. on 12.12.2024 and of ₹6,000 from QQ Ltd. on 15.4.2024 and these amounts were credited directly in his bank account. All companies are Indian companies. He furnished his PAN number to all the companies, except QQ Ltd. Compute the amount of TDS deductible from these sums.

(*a*) ₹1,200

(*b*) ₹4,950

(*c*) ₹11,700

(*d*) ₹12,450

9. Mrs. Sharma, a resident, received ₹10 lakh on 20.11.2024 upon the death of her spouse. The policy was taken on 15.4.2022 for sum assured of ₹10 lakh with an annual premium of ₹1,10,000. She had also taken another policy on her life for a sum assured of ₹15 lakh with an annual premium of ₹2,25,000. The policy was issued to her on 15.4.2019. The policy matured on 15.4.2024 and she received ₹20 lakh. Compute the amount of TDS that will deducted on the amounts received by her.

(*a*) ₹32,813 (*b*) ₹1,00,000

(*c*) ₹77,250 (*d*) ₹43,750

CASUAL INCOME

10. During the PY 2024-25, Mr. Gamble earned the following incomes: Lottery prize of ₹30,000 (₹7,500 received on 16.9.2024 and the balance on 5.10.2024) from HP State Lottery; winning in a card game (not online) of ₹5,000 on 15.8.2024 from a local casino; Jackpot prize of a car worth ₹5 lakh along with cash prize of ₹2.5 lakh in a TV game show on 15.12.2024; first prize in horse race of ₹50,000 from the Delhi Horse Club on 15.2.2025. He did not furnish his PAN number to the Delhi Horse Club. What is the total cash amount that he would finally get in hand after TDS, if any?

(*a*) ₹89,500 (*b*) ₹5,86,000

(*c*) ₹86,000 (*d*) ₹83,750

COMMISSION

11. Sukesh, a resident, is a commission agent for Green Wind Pvt. Ltd. During the PY 2024-25, he received commission of ₹10,000, ₹25,000 and ₹40,000 during July, September and October 2024, respectively. He also runs a mobile shop for which he purchased mobile phones worth ₹5 lakh at a discount of 30%, i.e., ₹1,50,000, from a distributor. Calculate the amount of TDS deductible.

(*a*) ₹9,375 (*b*) ₹3,375

(*c*) ₹9,000 (*d*) ₹2,550

12. Rajesh, a resident, is an insurance agent of JKL General Insurance company and PQM Life Insurance company. During the PY 2024-25, he received commission of ₹10,000 for issuance of new policies and ₹22,500 for renewal of existing policies, from these companies, respectively, during January 2025. Calculate the amount of TDS deductible.

(*a*) ₹1,125 (*b*) ₹1,500

(*c*) ₹3,000 (*d*) ₹4,000

13. Mukesh, a resident and a travel agent, received commission of ₹15,000, ₹20,000 and ₹17,500 from three tour operator companies during March 2025. He did not furnish his PAN number to the first tour operator. All the companies had business turnover of less than ₹1 crore during FY 2023-24. Calculate the amount of TDS deductible.

(*a*) ₹4,875

(*b*) ₹1,875

(*c*) ₹5,345

(*d*) ₹2,438

14. Ramesh, a resident, has been appointed the stockist of Assam State Lottery. He is also the distributor of Goa State Lottery. During the PY 2024-25, he was paid commission of ₹1,20,000 by Assam State Lottery in October 2024 and commission of ₹10,000 by Goa State Lottery in January 2025. Calculate the amount of TDS deductible.

(*a*) ₹4,125 (*b*) ₹3,750

(*c*) ₹2,400 (*d*) ₹5,500

WORK AND SERVICES

15. Mr. Raja, carries on a business having turnover of ₹3 crore for FY 2023-24. During the FY 2024-25, he made the following payments: ₹37,500 to Shine Pvt. Ltd., an advertising agency, for running an advertisement campaign for his newly launched product under an advertisement contract; ₹60,000 to Indian Railways for transportation of goods; ₹2,50,000 to Food & Co caterers for arranging catering during his marriage anniversary celebrations; ₹1,00,000 to Dinesh Pvt. Ltd. for supplying anniversary invitation cards as per his specifications (he supplied the material for this purpose); ₹1,80,000 to Mr. Rohit for manufacturing furniture for his office (material was supplied by King Pvt. Ltd. in which Mr. Raja held 15% equity shares). All the payments were made during the period June to December 2024 and all payees are residents. Compute the amount of TDS deductible by Mr. Raja.

(*a*) ₹3,750 (*b*) ₹2,550

(*c*) ₹750 (*d*) ₹2,250

16. Mr. Bonny, having business turnover of ₹5 crore for FY 2023-24 and ₹4 crore for FY 2024-25, made payment to Decor Pvt. Ltd., an Indian company providing services as interior decorators, of ₹60 lakh in five equal instalments during the FY 2024-25 for renovating the interiors of his residence. Compute the amount of TDS that he needs to deduct.

(*a*) Nil (*b*) ₹3,00,000

(*c*) ₹1,20,000 (*d*) ₹6,00,000

17. Raman HUF made payment of ₹90,000 to Shah & Co, partnership firm resident in India and a goods carriage transporter owning 7 goods carriages, for transport of goods from factory to godown. Payment of ₹45,000 each was made on two occasions during the period September to October 2024. Shah & Co did not furnish any declaration to Raman HUF. Raman HUF clocked turnover of ₹1.15 crore during FY 2023-24. Compute the amount of TDS deductible by Raman HUF.

(*a*) Nil (*b*) ₹1,800

(*c*) ₹900 (*d*) ₹2,400

18. Jolly, a Chartered Accountant, having gross receipts in profession of ₹65 lakh for FY 2023-24 and ₹45 lakh for FY 2024-25 made the following payments during the month of February 2025: ₹25,000 and ₹20,000, paid on two occasions, to his lawyer for defending a case in the Delhi High Court relating to a professional dispute; ₹1,20,000 as royalty to Sharp Pvt. Ltd. for using a financial model developed by the company; ₹1,00,000 to Ramola, an interior decorator, for furnishing the interiors of his residence; ₹60,000 for acquisition of financial software from Webtel Pvt. Ltd, an Indian company (he has obtained declaration from the company that it deducted TDS u/s 194J when it acquired the software and it did not modify it further). All payees are residents and no other payment was made to them during FY 2024-25. Compute the amount of TDS that Jolly will need to deduct.

(*a*) Nil
(*b*) ₹13,500
(*c*) ₹9,000
(*d*) ₹4,500

19. Ramandeep Publishers Pvt. Ltd. made payment of ₹90,000 on 15.4.2024 to Mr. Rohit, a resident, carrying on business of offset printing, for printing of books as per its specifications and using material supplied by it. Mr. Rohit raised the invoice separately showing the value of material of ₹60,000. Compute the amount of TDS deductible.

(*a*) ₹300
(*b*) ₹600
(*c*) ₹900
(*d*) ₹1,800

20. Johny is a financial consultant, having gross receipts from profession of ₹45 lakh for FY 2023-24 and ₹55 lakh for FY 2024-25. He made the following payments during the FY 2024-25 to persons being residents in India: ₹60 lakh to a building contractor for reconstruction of his residential house; commission of ₹1 lakh to FinEx, an agency, for procuring customers; ₹30 lakh to a lawyer for defending criminal proceedings against him in the Supreme Court (not connected to his profession). Compute the amount of TDS that he needs to deduct.

(*a*) ₹3,65,000
(*b*) Nil
(*c*) ₹3,00,000
(*d*) ₹4,55,000

21. Ruhi, a professional having gross receipts of ₹40 lakh for FY 2022-23 and ₹60 lakh for FY 2023-24 made the following payments during the FY 2024-25. Commission of ₹15,000 on 12.2.2025, charges of ₹5,00,000 on 15.3.2025 to a gift shop for supplying gift items based on her specifications (she did not supply the raw material) and charges of ₹50,.000 on 12.12.2024 to a doctor for performing surgery on her child. All payees are residents. Determine the amount of TDS that Ruhi would need to deduct on such payments.

(*a*) ₹10,750
(*b*) ₹28,250
(*c*) Nil
(*d*) ₹42,500

22. Jacob, a resident, received the following during the period June 2024 to March 2025: Tts. 37,500 for developing a website for Mantle Pvt. Ltd.; ₹52,500 as fees for technical services (not being professional services) from Roman HUF carrying on business having turnover of ₹2 crore for FY 2023-24; ₹15,000 as directors' remuneration from Axis Pvt. Ltd. (TDS is not deductible u/s 192); ₹75,000 as royalty from Shine & Co, partnership firm, in respect of patent developed by him; ₹1,50,000 as non-compete fee from Bright Ltd. for not carrying out profession in a specialized line of technology. Compute the amount of TDS deducted on these amounts.

(*a*) ₹33,000
(*b*) ₹28,800
(*c*) ₹25,400
(*d*) ₹27,300

HIRE OR TRANSFER OF PROPERTY

23. Keshav, engaged in manufacturing business and having turnover of ₹2 crore for FY 2023-24, made the following payments during the PY 2024-25: Charges for hire of plant and machinery of ₹2 lakh and ₹2.5 lakh paid to Bull Pvt. Ltd. and Bear Pvt. Ltd., respectively; rent for office of ₹3 lakh (includes refundable deposit of ₹1 lakh) paid to Trade Smart Ltd.; rent of factory building of ₹3.75 lakh paid to Leaseman Ltd (the company had sub-let the building to Keshav). All payees are residents. Compute the amount of TDS deductible from these sums.

(*a*) ₹45,000 (*b*) ₹64,500
(*c*) ₹42,500 (*d*) ₹4,500

24. The Maharashtra State Government compulsorily acquired a plot of urban agricultural land and a building belonging to Mr. Jain, a resident, and paid compensation in respect of land of ₹15 lakh and in respect of building of ₹11.25 lakh in five instalments of ₹5.25 lakh each during the period January to March 2025. Compute the amount of TDS that will be deducted.

(*a*) ₹2,62,500 (*b*) ₹3,00,000
(*c*) ₹1,12,500 (*d*) Nil

25. B&C partnership firm, having turnover of ₹40 lakh from business for FY 2023-24, paid office rent of ₹4 lakh to Mr. Sharma HUF, a resident. Rent included ₹50,000 as arrears of rent pertaining to FY 2023-24 and advance rent of ₹30,000 pertaining to FY 2025-26. It also included ₹1 lakh of non-refundable deposit. TDS is deductible from arrears of rent. Compute the amount on which TDS will be deductible.

(*a*) ₹3,00,000 (*b*) ₹4,00,000
(*c*) ₹3,20,000 (*d*) Nil

26. Krishna, a salaried employee, visited Chennai on deputation for the period July 2024 to March 2025 where he stayed in a house on rent of ₹60,000 per month. However, he did not furnish his PAN to the landlord, a resident. What is the total amount he will pay to the landlord, net of TDS, during the PY 2024-25?

(*a*) ₹4,32,000 (*b*) ₹5,19,750
(*c*) ₹4,80,000 (*d*) ₹4,54,000

27. Raghu, a resident of age 20 years, purchased a flat in a housing society on 15.10.2024 from Bhrigu, a resident, for a consideration of ₹60 lakh (SDV ₹70 lakh). How much tax will Raghu need to pay to the Government, for himself as well as on behalf of Bhrigu, on account of TDS if Raghu has no source of income for the PY 2024-25 and he has opted out of default tax regime.

(*a*) ₹60,000 (*b*) ₹1,77,000
(*c*) Nil (*d*) ₹1,87,000

TRADE AND COMMERCE

28. PQR Ltd. sponsored a trip to Hong Kong for Mr. C, a resident, and his family upon achieving the annual sales target of the company. Mr. C is the distributor of PQR Ltd. Turnover in business for Mr. C was ₹75 crore for FY 2023-24 and ₹95 crore for FY 2024-25. The trip was undertaking in the month of October 2024 and it cost ₹10 lakh to the company. Compute the amount of TDS that needs to be deducted or paid in this respect, if any.

(*a*) Nil (*b*) ₹1,00,000
(*c*) ₹2,00,000 (*d*) ₹50,000

29. During the FY 2024-25, QR Ltd., an Indian company, having turnover from business of ₹8 crore for FY 2023-24 and ₹10.2 crore for FY 2024-25, sold computers for ₹80 lakh to Mr. C, a dealer in computers having turnover from business of ₹12 crore for FY 2023-24 and ₹9 crore for FY 2024-25. The computers were sold in two lots of ₹30 lakh on 1.5.2024 and ₹50 lakh on 1.9.2024

and payment was made immediately. Compute the amount of TDS that will need to be deducted by Mr. C.

(*a*) Nil
(*b*) ₹3,000
(*c*) ₹8,000
(*d*) ₹5,000

SPECIAL CASES

30. During the PY 2024-25, Mr. Krishna withdrew ₹1.5 crore in cash in the aggregate from five accounts maintained with Bihar Co-operative Bank, during the month of March 2025. He also withdrew ₹30 lakh in cash from the Saving Bank Account maintained in the Post Office during February 2025 and ₹10 lakh in cash from current account maintained with Bank of India during December 2024. He has not filed his return for the last 10 years. Determine the amount of TDS that will be deducted.

(*a*) ₹8,10,000
(*b*) ₹6,00,000
(*c*) ₹3,60,000
(*d*) ₹4,30,000

31. Mr. Mohan, a transporter, withdrew the following amounts in cash from his accounts during the PY 2024-25: ₹20 lakh from savings account in Delhi branch of HDFC Bank on 1.9.2024; ₹50 lakh from current account in Mumbai branch of HDFC Bank on 1.10.2024; ₹70 lakh from current account in Delhi branch of ICICI Bank on 1.11.2024; ₹40 lakh from saving account in Mumbai branch of ICICI Bank on 1.12.2024 and ₹60 lakh from Post Office Saving Account maintained in Bangalore. He has been duly filing his return since the last ten years. Compute the amount of TDS that will be deducted.

(*a*) Nil
(*b*) ₹2,20,000
(*c*) ₹20,000
(*d*) ₹4,20,000

GENERAL POINTS AND PROCEDURE

32. Mr. Z deducted TDS of ₹3 lakh u/s 194M on 1.3.2025 in respect of payment of fees for professional services paid on 15.3.2025 which was credited to the account of the payee on 1.3.2025. It deposited the TDS deducted on 15.5.2025. Compute the interest payable u/s 201(1A).

(*a*) ₹4,500
(*b*) ₹9,000
(*c*) ₹13,500
(*d*) ₹1,125

33. Vivek & Co, a Chartered Accountant firm, raised invoice of ₹1,18,000 (showing ₹1,00,000 plus 18% IGST), towards fee for professional services rendered to JKG Pvt. Ltd. What is the amount of TDS that will be deducted by JKG Pvt. Ltd.?

(*a*) ₹11,800
(*b*) ₹1,800
(*c*) ₹10,000
(*d*) Nil

34. Zoyo Pvt. Ltd. deducted TDS of ₹20,000 u/s 193 on 15.9.2024 while making payment of interest income which was credited to the account of the payee on 1.9.2024. It deposited the TDS deducted on 7.10.2024. Compute the interest payable u/s 201(1A).

(*a*) ₹200
(*b*) ₹17
(*c*) ₹100
(*d*) Nil

COLLECTION OF TAX AT SOURCE (TCS)

35. Dash Cars Ltd., a car manufacturer, having a turnover of ₹15 crore for FY 2023-24, sold 5 cars of ₹15 lakh each to a transport company in retail sale on 15.2.2025 and 5 cars of ₹12 lakh each to a car distributor on 15.11.2024. Amounts were received within the FY 2024-25. Business turnover of transport company and car distributor is ₹15 crore and ₹5 crore, respectively, for FY 2023-24. What is the amount of TCS that Dash Cars Ltd. will collect?

(*a*) Nil
(*b*) ₹8,500
(*c*) ₹76,000
(*d*) ₹81,000

36. Mr. C is a distributor of alcoholic liquor for human consumption produced by JJ Liquor Ltd. Turnover from his business during the PY 2023-24 was ₹3 crore. During the PY 2024-25, he sold liquor to M/s High & Co, a liquor shop for ₹10 lakh. M/s High & Co did not furnish its PAN to Mr. C. Calculate the amount of TCS that Mr. C would collect from the buyer.

(*a*) ₹37,500
(*b*) ₹10,000
(*c*) ₹50,000
(*d*) Nil

37. Forex & Co, authorized dealers, received ₹5 lakh from Mr. Y, each on 1.2.2025 and 1.3.2025, for remittance outside India under the LRS scheme of the RBI for the purpose of medical expenditure. At what rate will Forex & Co collect TCS from Mr. Y? This is the only remittance that Mr. Y made during the FY.

(*a*) 0.5% on ₹10 lakh
(*b*) 5% of ₹3 lakh
(*c*) 3.75% of ₹3 lakh
(*d*) 10% of ₹5 lakh

38. A mining lease was awarded to BCD Pvt. Ltd. for the period June 2024 to March 2025 for ₹37,500 per month. Compute the amount of TCS that would be collected by the lessor in this respect?

(*a*) Nil
(*b*) ₹10,000
(*c*) ₹25,000
(*d*) ₹7,500

ADVANCE TAX

39. Mr. J, a lawyer and a resident aged 42 years, has estimated gross receipts from profession for FY 2024-25 at ₹50 lakh and income chargeable under the head IFOS at ₹15 lakh. He has opted for presumptive income determination u/s 44ADA. Tax deducted at source during the year is ₹2,50,000. He paid advance tax of ₹5,00,000 on 15.3.2025 and filed return of income on 25.7.2025. Compute the interest u/s 234B and 234C that he will be liable to pay upon self-assessment at the time of filing return of income. Mr. J has opted out of the default tax regime.

(*a*) ₹15,150
(*b*) ₹47,667
(*c*) ₹23,467
(*d*) Nil

40. Mr. K, a resident of age 45 years, has estimated his tax liability for PY 2024-25 at ₹20,000. How much advance tax will he need to pay by 15.9.2024 if he paid ₹2,000 on 15.6.2024 as the first instalment of advance tax?

(*a*) ₹9,000
(*b*) ₹6,000
(*c*) ₹7,000
(*d*) ₹15,000

41. Mr. T, aged 55 years, computed his tax liability for PY 2024-25 at ₹86,500. He paid ₹78,000 as advance tax during the FY 2024-25. Compute the interest chargeable u/s 234B payable on self-assessment at the time of filing return of income on 15.9.2025.

(*a*) Nil
(*b*) ₹510
(*c*) ₹5,190
(*d*) ₹850

42. Mr. T is a businessman claiming profits and gains from business u/s 44AD. He has estimated his tax liability for PY 2024-25 of ₹1,00,000. What advance tax instalments does he need to pay?

(*a*) ₹1,00,000 by 15.3.2025
(*b*) ₹50,000 by 15.9.2024 and ₹50,000 by 15.3.2025
(*c*) ₹1,00,000 by 31.3.2025
(*d*) ₹15,000 by 15.6.2024, ₹30,000 by 15.9.2024, ₹30,000 by 15.12.2024 and ₹25,000 by 15.3.2025

43. Mr. B, a resident aged 39 years, has estimated particulars of his income for PY 2024-25 as under: Business income of ₹6 lakh, loss from house property of ₹2 lakh, long term capital gain on sale of equity shares u/s 112A of ₹2 lakh and investment in PPF of ₹1.5 lakh. Tax of ₹10,000 is deducted at source out of the total tax deductible at source of ₹15,000. Compute the advance tax payable by Mr. B for FY 2024-25. Mr. B wishes to opt out of default tax regime. Note: LTCG is earned after 24th July

(*a*) ₹400
(*b*) ₹10,400
(*c*) ₹20,800
(*d*) Nil

44. Mr. M, aged 40 years, computed his tax liability for PY 2024-25 at ₹98,780. He paid ₹65,430 as advance tax during the FY 2024-25. Tax deducted at source is ₹10,000. Compute the interest chargeable u/s 234B payable on self-assessment at the time of filing return of income on 25.7.2025.

(*a*) ₹1,334
(*b*) ₹934
(*c*) ₹1,541
(*d*) ₹932

45. Mr. Z estimated his tax liability for FY 2024-25 at ₹50,000 but filed his return of income on 20.7.2025 showing tax of ₹60,000 on the returned income. He did not pay advance tax. Upon assessment, the AO determined the tax of ₹65,000. Compute the interest that he will need to pay u/s 234C.

(*a*) ₹2,340
(*b*) ₹3,030
(*c*) ₹5,410
(*d*) ₹3,480

46. Mr. J has estimated his tax liability for PY 2024-25 at ₹50,000. How much advance tax will he need to pay for the instalment due on 15.12.2024 if he paid ₹10,000 on 15.6.2024 and ₹30,000 on 15.9.2024?

(*a*) ₹15,000
(*b*) ₹10,000
(*c*) ₹20,000
(*d*) Nil

47. Mr. Z, a resident, celebrated his 60th birthday on 1.12.2024. He earned salary income of ₹6 lakh (computed) during the year. He also won a lottery prize for ₹7 lakh during the year. Compute his advance tax liability for FY 2024-25 assuming that he intends to opt out of default tax regime.

(*a*) ₹2,08,000
(*b*) ₹31,200
(*c*) ₹2,18,400
(*d*) Nil

Answer Key

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

CHAPTER 12

Provisions for Filling Return of Income and Self Assessment

MULTIPLE CHOICE QUESTIONS

1. Rajesh, a resident aged 35 years, is a partner in a firm whose business turnover for the PY 2024-25 is ₹75 lakh. During the year, he received share of profit from the firm of ₹3 lakh and salary from the firm of ₹3 lakh (which was deductible in the hands of the firm). He deposited ₹1.5 lakh in his PPF account. He has no other source of income. Advise Rajesh on whether he needs to file return of income for AY 2025-26 and the due date. Consider optional tax regime.

(*a*) Not required to file return

(*b*) Required to file return; due date 31.7.2025

(*c*) Required to file return; due date 31.10.2025

(*d*) Required to file return; due date 30.11.2025

2. Shivani furnished the return of income for AY 2023-24 on the due date of 31.7.2023 resulting in Nil tax. Realizing that she had forgot to declare income from house property, she furnished the updated return of income for the said AY on 10.3.2026. The tax payable on the basis of the updated return was ₹40,000 and interest u/s 234B and u/s 234C was determined at ₹2,000 and ₹1,500, respectively. Determine the amount of additional tax u/s 140B that Shivani needs to pay at the time of furnishing the updated return.

(*a*) ₹10,875

(*b*) ₹20,000

(*c*) ₹21,750

(*d*) ₹1,750

3. Hiren, a resident aged 30 years, is a CA in practice. Gross receipts for PY 2024-25 were ₹60 lakh. Business income was computed at ₹3 lakh and ₹1 lakh was the income from other sources. He claimed deduction of ₹1.5 lakh u/s 80C. Is Hiren required to file his return for AY 2025-26 and if so, what is the due date? Consider optional tax regime.

(*a*) Not required to file return

(*b*) Required to file return; due date 31.7.2025

(*c*) Required to file return; due date 31.10.2025

(*d*) Required to file return; due date 30.11.2025

4. Gokul furnished his return for AY 2025-26 on 15.10.2024 as against the due date of 31.7.2025. He paid the entire self- assessment tax due of ₹1 lakh on 25.7.2025. Compute the interest u/s 234A.

(*a*) ₹3,000 (*b*) ₹2,000

(*c*) ₹1,000 (*d*) Nil

5. Rupesh, a resident aged 61 years, is a sleeping partner in a partnership firm having business turnover of ₹2 crore for the PY 2024-25. All the transactions carried out by the firm were online mode. His only income during the year was taxable salary from the firm of ₹2.5 lakh. His son took him for a vacation to Maldives on which his son spent ₹3 lakh. Is Rupesh required to file his return and if so, what is the due date? Consider optional tax regime.

(*a*) Not required to file return

(*b*) Required to file return; due date 31.7.2025

(*c*) Required to file return; due date 31.10.2025

(*d*) Required to file return; due date 30.11.2025

6. Yasmin computed her total income for PY 2024-25 of ₹4 lakh and filed her return of income on 15.12.2025 (due date being 31.7.2025). She is engaged in the business of growing and manufacturing of tea in India. Compute the fee payable by her for default in furnishing return of income for AY 2025-26?

(*a*) ₹1,000

(*b*) ₹5,000

(*c*) ₹10,000

(*d*) Nil as total income is ₹5 lakh

7. Mrs. C, a resident of age 68 years, is a retired professor. During the PY 2024-25, she received dividend of ₹1,35,000 from BCD Pvt. Ltd., an Indian company, and interest of ₹80,000 on debentures of XYZ Ltd. She also received ₹10,00,000 on maturity of her PPF Account and ₹1,00,000 out of the income of HUF of which she is a member. All the amounts were received by cheque which were deposited in her savings bank account on which she received interest of ₹40,000. She did not furnish her PAN number to XYZ Ltd. Is Mrs. C required to file her return of income for AY 2025-26 and if so, what is the due date? Consider optional tax regime.

(*a*) Not required to file return

(*b*) Required to file return; due date 31.7.2025

(*c*) Required to file return; due date 31.10.2025

(*d*) Required to file return; due date 30.11.2025

8. Surabhi filed her return on 1.8.2025 as against the due date of 31.7.2025, declaring a total income of ₹5 lakh. She revised the return on 15.12.2025 showing a total income of ₹4 lakh and again revised the return on 15.1.2026 showing a total income of ₹3 lakh. Assessment was completed on 31.3.2026. What is the total income that will be considered as having been declared by her in her return?

(*a*) ₹5 lakh

(*b*) ₹4 lakh

(*c*) ₹3 lakh

(*d*) AO will determineunder best judgment assessment

9. Mr. J furnished his return for the AY 2023-24 on the due date of 31.7.2023 declaring a total income of ₹6 lakh and tax liability of ₹33,800. Fie furnished a revised return on 15.9.2023 reducing the total income to ₹5.5 lakh and tax liability to ₹23,400. Fie again furnished an updated return on 20.3.2025 modifying the total income to ₹5.75 lakh and tax liability to ₹28,600. What is the amount of tax liability will be considered as valid in his case?

(*a*) ₹33,800

(*b*) ₹23,400

(*c*) ₹28,600

(*d*) AO will need to assess

10. Saumil, aged 20 years, started earning salary during PY 2024-25 and his total income for PY 2024-25 is ₹4 lakh. There is no other source of income. Fie does not have a PAN. Is he required to apply for PAN?

(*a*) No, since tax liability is Nil after claiming rebate u/s 87A

(*b*) Yes, latest by 31.3.2025

(*c*) Yes, latest by 31.5.2025

(*d*) Yes, latest by 31.3.2026

11. Monu started a business during PY 2023-24, turnover of which was ₹4 lakh for PY 2023-24 and is likely to be ₹6 lakh for PY 2024-25. Monu also estimates his total income to be ₹1 lakh for PY 2024-25 (it was Nil for PY 2023-24). The business is his only source of income. He does not have a PAN. Is he required to apply for PAN?

(*a*) No, since tax liability is Nil

(*b*) Yes, latest by 31.3.2025

(*c*) Yes, should have applied by 31.3.2024

(*d*) Yes, latest by 31.5.2025

12. Mr. Q did not file his return for AY 2025-26 and tax on his total income was determined at ₹45,620 on the basis of best judgment assessment u/s 144 which was completed on 15.4.2026. Due date of filing return was 31.7.2025. He had paid advance tax of ₹12,000 and TDS deducted during FY 2024-25 was ₹12,650. Determine interest u/s 234A that Mr. Q. will have to pay.

(*a*) ₹1,887

(*b*) ₹1,672

(*c*) ₹1,881

(*d*) ₹1,543

13. Shovik filed his return on 5.11.2025, as against the due date of 31.10.2025, declaring a total income of ₹10 lakh. He revised his return on 15.12.2025 in which he set off business loss of current year, thereby reducing total income to ₹8 lakh. Assessment was completed on 10.5.2026. What is the total income that will be considered as having been declared by him?

(*a*) ₹10 lakh

(*b*) ₹8 lakh

(*c*) Nil

(*d*) AO will determineunder best judgment assessment

14. Yasmin, having a total income of ₹6 lakh, furnished her return for AY 2025-26 on 31.12.2025. She will need to pay a fee of:

(*a*) ₹1,000 (*b*) ₹5,000

(*c*) ₹10,000 (*d*) Nil

15. Mr. Z declared tax on his total income for AY 2025-26 of ₹54,600 and furnished a belated return. He had paid advance tax of ₹12,000. TDS was deducted for ₹7,500 and he claimed relief u/s 89 of ₹1,400. Interest u/s 234A, 234B and 234C cumulatively amounted to ₹2,500 and fee u/s 234 was ₹5,000. He paid ₹30,000 on self-assessment at the time of filing his return. How much amount will still remain payable by Mr. Z?

(*a*) ₹2,500 of interest; ₹8,700 of tax

(*b*) ₹5,000 of fee; ₹2,500 of interest; ₹3,700 of tax

(*c*) ₹5,000 of fee; ₹6,200 of tax]

(*d*) ₹11,200 of tax

16. Suhani, a resident and ordinarily resident, is a shareholder in BCD Ltd. During the PY 2024-25, BCD Ltd. entered into international transactions in respect of which it is required to furnish Transfer Pricing report u/s 92E. Total income of Suhani, after claiming deduction under Chapter VIA of ₹1 lakh, is ₹1 lakh. She is an authorized signatory for a bank account in the UK. Is she required to file her return and if so, what is the due date? Consider default tax regime.

(*a*) Not required to file return

(*b*) Required to file return; due date 31.7.2025

(*c*) Required to file return; due date 31.10.2025

(*d*) Required to file return; due date 30.11.2025

17. Mr. Gupta filed his return of loss for AY 2023-24 on 31.7.2022. After processing of return, he received a refund of ₹30,000. He has come across additional income to be reported and he wishes to furnish an updated return 10.11.2024. This would result in tax payable of ₹40,000 and interest payable of ₹10,000. What is the amount of additional tax that he would need to pay at the time of furnishing the updated return?

(*a*) ₹40,000 (*b*) ₹20,000

(*c*) ₹25,000 (*d*) ₹12,500

18. Mrs. M, a resident having date of birth 1.4.1944, computed her gross total income for the AY 2025-26 at ₹4,75,000. She has not claimed any deduction under Chapter VIA. She does not have any capital gain. She has paid electricity bills of ₹9,000 p.m. during the PY 2024-25. She travelled to the UK during September 2023 along with her spouse for which he spent ₹1.5 lakh on return airfare. Her daughter, staying in UK, met the expenses of ₹35,000 toward sightseeing and stay. Consider optional tax regime. Determine whether Mrs. M is required to furnish return of income and if so, the due date?

(*a*) Not required to file return

(*b*) Required to file return; due date 31.7.2025

(*c*) Required to file return; due date 31.10.2025

(*d*) Required to file return; due date 30.11.2025

Answer Key

1. (*b*)	**2.** (*c*)	**3.** (*c*)	**4.** (*d*)	**5.** (*a*)	**6.** (*a*)	**7.** (*a*)	**8.** (*b*)	**9.** (*c*)	**10.** (*c*)
11. (*b*)	**12.** (*c*)	**13.** (*b*)	**14.** (*b*)	**15.** (*d*)	**16.** (*b*)	**17.** (*b*)	**18.** (*b*)		

CHAPTER 13

Computation of Total Income and Tax Payable

MULTIPLE CHOICE QUESTIONS

1. Suresh, a resident of age 65 years, has total income of ₹60,00,000 (including winning from lottery of ₹1,00,000). He has paid TDS on lottery prize @ 30%. Compute net tax payable for AY 2025-26. Suresh has opted out of default tax regime.

(*a*) ₹17,71,000
(*b*) ₹16,44,400
(*c*) ₹18,41,840
(*d*) ₹18,11,840

2. Raju, a resident of age 56 years, is having total income of ₹5,00,000 (comprising business income). Tax of ₹4,000 has been deducted at source and he has paid ₹10,000 as advance tax. Compute his net tax payable or refundable for AY 2025-26 under optional tax regime.

(*a*) Nil
(*b*) Tax refundable ₹14,000
(*c*) Tax refundable ₹4,000
(*d*) Tax refundable ₹1,500

ALTERNATE MINIMUM TAX (AMT)

3. Mr. Q is a resident individual aged 40 years having gross total income of ₹25 lakh. He has claimed deduction of ₹5 lakh u/s 80JJAA and ₹3 lakh u/s 80RRB. Gross total income includes long term capital gain from sale of gold of ₹2 lakh. He has opted out of the default tax regime. Compute his tax liability for AY 2025-26 and AMT credit available, if any.

(*a*) Tax liability ₹4,81,000;AMT credit ₹1,66,400
(*b*) Tax liability ₹4,84,120; AMT credit ₹1,69,520
(*c*) Tax liability ₹3,14,600; AMT credit ₹1,66,400
(*d*) Tax liability ₹4,84,120; AMT credit ₹1,66,400

4. Mr. K, a resident individual aged 35 years, having gross total income of ₹30 lakh, has claimed deduction u/s 80QQB of ₹3 lakh. He has opted out of the default tax regime. AMT credit of AY 2024-25 carried forward is ₹1,00,000. Compute his tax liability for AY 2025-26.

(*a*) ₹6,47,400
(*b*) ₹5,77,200
(*c*) ₹5,77,200
(*d*) ₹5,47,400

5. Mrs. Y, a resident individual aged 55 years, has earned business income of ₹45 lakh and income from other sources ₹10 lakh. She has claimed the following deductions: Tts. 1.5 lakh u/s 80C, ₹50,000 u/s 80D and ₹3 lakh u/s 80RRB. Income from other sources includes ₹3 lakh from card games. She has opted out of the default tax regime. Compute her tax liability for AY 2025-26.

(*a*) ₹11,21,690 (*b*) ₹10,19,720

(*c*) ₹13,65,000 (*d*) ₹10,55,600

6. Mr. J is a resident individual aged 65 years carrying on business. His business income (computed) is ₹10 lakh, after claiming deduction of ₹25 lakh u/s 35AD. Had he not claimed deduction u/s 35AD, depreciation of ₹5 lakh would have been allowable. He has opted out of the default tax regime. AMT credit of AY 2024-25 carried forward is ₹1,00,000. Compute his tax liability for AY 2025-26.

(*a*) ₹6,73,400 (*b*) ₹4,77,200

(*c*) ₹1,14,400 (*d*) ₹5,77,200

CONCESSIONAL RATE OF TAX FOR INDIVIDUALS/HUF/AOP/BOI/AJP

7. Suyash, a resident aged 50 years, draws basic salary of ₹40,000 per month and has earned interest on savings account with IDBI Bank of ₹50,000. Compute his tax liability for AY 2025-26, considering the provisions which are most beneficial to him.

(*a*) Nil (*b*) ₹16,120

(*c*) ₹15,080 (*d*) ₹13,040

8. Gaurav, aged 32 years is employed with BCD Ltd. Income from salary (computed) is ₹40 lakh. He has also earned short term capital gain on sale of equity shares (STT paid) of ₹5 lakh. Compute his tax liability for AY 2025-26, considering the provisions which are most beneficial to him. Note: STCG has earned after 23rd July

(*a*) ₹11,31,000 (*b*) ₹10,53,000

(*c*) ₹10,29,600 (*d*) ₹11,56,000

9. Srishti, a resident age 46 years, has the following particulars of income for AY 2025-26: Business income ₹20,00,000 (after claiming deduction of ₹10,00,000 u/s 35AD). Assets on which deduction u/s 35AD is claimed are otherwise eligible for normal depreciation of ₹1,00,000. She has also claimed deduction of ₹2,00,000 u/s 80RRB and ₹1,00,000 u/s 80C. Compute her tax liability for AY 2025-26 in a manner which is most beneficial to her.

(*a*) ₹5,38,720 (*b*) ₹3,35,400

(*c*) ₹5,92,800 (*d*) ₹4,67,200

10. Rishabh, a resident aged 35 years, has business income (computed) of ₹20,00,000, loss from house property (on account of interest on loan for self-occupied house) of ₹2,00,000 and long-term capital gain on sale of gold of ₹3,00,000. He has deposited ₹1,00,000 each in PPF and Sukanya Samriddhi accounts. Compute his tax liability for AY 2025-26, considering provisions which are most beneficial to him. Note: LTCG has earned after 23rd July

(*a*) ₹4,13,400 (*b*) ₹3,40,600

(*c*) ₹3,51,000 (*d*) ₹3,82,200

11. Sushi, resident of age 65 years, has the following incomes during the PY 2024-25: Basic salary received ₹12,00,000; HRA received ₹3,00,000 (₹2,50,000 is exempt), loss from let out house property ₹3,00,000, family pension ₹60,000, interest from debentures of ₹51,500 earned by minor child out of money gifted by Sushi, medical insurance premium paid for self and spouse (63 years) ₹60,000. Compute her tax liability for AY 2025-26, considering the provisions which are most beneficial to her.

(*a*) ₹1,45,990 (*b*) ₹1,45,600

(*c*) ₹1,70,510 (*d*) ₹1,02,960

12. Juhi, age 36 years, has earned income from salary of ₹9,00,000 (computed) for the PY 2024-25. She has claimed the following deductions: ₹1,00,000 u/s 80CCD(2) for employer's contribution to NPS, ₹1,00,000 for own contribution to NPS u/s 80CCD(1), additional deduction of ₹50,000 u/s 80CCD(1B) for own contribution to NPS. She has deposited ₹1,00,000 in PPF. Compute her tax liability for AY 2025-26, considering the provisions which are most beneficial to her.

(*a*) ₹36,400 (*b*) ₹39,000

(*c*) ₹31,200 (*d*) ₹37,500

13. Tax rate slab is same for default as well as optional tax regime for total income exceeding:

(*a*) ₹5,00,000 (*b*) ₹7,50,000

(*c*) ₹10,00,000 (*d*) ₹15,00,000

14. Rana, a resident age 40 years and carrying on a business, has computed business income for the PY 2024-25 of ₹30 lakh. He has further claimed deduction of ₹2 lakh u/s 80JJAA and ₹3 lakh u/s 80G. Compute his tax liability for AY 2025-26 in a manner which is most beneficial to him.

(*a*) ₹6,00,600 (*b*) ₹5,19,480

(*c*) ₹5,85,000 (*d*) ₹5,51,200

Answer Key

1. (*d*)	**2.** (*b*)	**3.** (*a*)	**4.** (*c*)	**5.** (*c*)	**6.** (*d*)	**7.** (*a*)	**8.** (*c*)	**9.** (*a*)	**10.** (*b*)
11. (*d*)	**12.** (*c*)	**13.** (*d*)	**14.** (*d*)						

Goods and Services Tax

01 CHAPTER

Introduction of GST

MULTIPLE CHOICE QUESTIONS

1. Mr. A manufactures goods and supplies to Mr. B, wholesaler. Mr. B supplies these to Mr. C, retailer. Mr. C supplies these to Mr. D, consumer. Who will ultimately bear the brunt of GST levied on such goods?

(*a*) Mr. A
(*b*) Mr. B
(*c*) Mr. C
(*d*) Mr. D

2. Which of the following is not a feature of GST?

(*a*) Commodity tax
(*b*) Progressive in nature
(*c*) Wide tax base
(*d*) Borne by the end consumer

3. Which of the following is a feature of GST?

(*a*) Value added tax
(*b*) Tax on income
(*c*) Progressive in nature
(*d*) Results in tax cascading

4. Jack is engaged in the supply of furniture and provision of architect services. GST will be leviable on:

(*a*) Only supply of furniture
(*b*) Only supply of architect services
(*c*) Both A and B
(*d*) None

5. GST is superior to the erstwhile indirect tax regime on account of which of the following aspects?

(*a*) Multiple tax administrations
(*b*) No cascading of tax
(*c*) Ambiguities in classification of goods/services
(*d*) Procedures across multiple laws

6. Which of the following transactions are not leviable to GST?

(*a*) Sale of gift items onboard Indigo flight from Mumbai to Bangalore
(*b*) Entertainment services onboard a cruise liner sailing from the coast of Goa to the coast of Mumbai
(*c*) Sale of handicraft items on a Shikara boat stationed in the Dal Lake, Srinagar
(*d*) Sale of ski equipment at a snow sports event held in Canada

7. Q Pvt. Ltd. supplies machinery spare parts on a project site located in the continental shelf of India off the coast of Tamil Nadu. Will the supply be exigible to GST?

(*a*) Yes (*b*) No

8. Which of the following taxes have been subsumed in GST?

1. Basic customs duty,
2. Taxes on lotteries,
3. Environment tax levied by local body.

(*a*) All of the above (*b*) None of the above

(*c*) 1 and 2 (*d*) 2

9. Which of the following taxes have been subsumed under GST?

(*a*) Stamp duty (*b*) Purchase tax

(*c*) Anti dumping duty (*d*) Road tax

10. Both Central and State Governments have simultaneous power to levy GST on _____.

(*a*) Intra-state Supplies only (*b*) Inter-state Supplies only

(*c*) Import (*d*) Both (*a*) & (*b*)

11. Which of the following union territory (/ies) has (/have) their own state legislature(s)?

(*i*) Chandigarh

(*ii*) Delhi

(*iii*) Puducherry

(*iv*) Goa

(*a*) (*i*) (*b*) (*ii*) & (*iii*)

(*c*) (*iii*) & (*iv*) (*d*) (*iii*)

12. GST Compensation cess is levied on _____.

(*a*) Tobacco (*b*) Aerated waters

(*c*) Both (*a*) & (*b*) (*d*) None of the above

13. Naina, a resident of Delhi, has transferred ₹ 50,000 to Mr. Rahul, a resident of Assam. Assuming the rate of GST to be 12%, calculate how much amount has to be paid by Naina in respect of GST.

(*a*) ₹ 9,000 (*b*) ₹ 18,000

(*c*) ₹ 4,500 (*d*) Nil

14. In the event of exchange of goods, tax will be levied on _

(*a*) Only the portion of goods supplied by the supplier

(*b*) Only the amount received as consideration, by the supplier

(*c*) Both of the above

(*d*) None of the above

15. Agro Indo Ltd. has supplied raw materials worth ₹ 13,00,000 to "SMP Ltd." based in Haryana. The payment has been duly made for ₹ 10,00,000 and ₹ 3,00,000 has been paid through subsidies provided by the Municipality of Haryana. Ascertain the amount of GST to be paid if GST rate for this purpose is 12%.

(*a*) ₹ 1,56,000 (*b*) ₹ 1,20,000

(*c*) ₹ 60,000 (*d*) ₹ 78,000

16. Which schedule provides for the negative list of supply u/s 7(2) of the CGST Act, 2017?

(*a*) Schedule I (*b*) Schedule II

(*c*) Schedule III (*d*) Schedule IV

17. An act of transportation of the deceased constitutes _____.

(*a*) Supply of goods (*b*) Supply of service

(*c*) Neither supply of goods nor service. (*d*) Nil-rated supply

18. Gifts by an employer to a employee for ₹ 50,000 in value shall be _____.

(*a*) Taxable fully (*b*) Not taxable

(*c*) Taxable for value more than ₹10,000 (*d*) Taxable for value more than ₹ 25,000

19. The term "money" under the CGST Act, 2017 excludes _____.

(*a*) Letter of credit (*b*) Currency held in its numismatic value

(*c*) Bill of exchange and promissory notes (*d*) All the above

20. Which of the following is a non-taxable supply of service?

(*a*) Import with consideration in the course or furtherance of business

(*b*) Import with consideration not in the course or furtherance of business

(*c*) Import by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business without consideration

(*d*) Import by a person from a related person or from any of his other establishments outside India, not in the course or furtherance of business without consideration.

21. Which of the following transaction(s) constitute(s) a supply?

(*i*) A famous actor sold paintings and donated the consideration to charitable trust

(*ii*) Sale of old jewellery by an individual

(*iii*) Art works sent by artists to galleries for exhibition

(*iv*) Supply of service between principal and agent without consideration

(*a*) (*i*) & (*iii*) (*b*) (*ii*) & (*iii*)

(*c*) (*i*) (*d*) (*i*), (*iii*) & (*iv*)

22. In case of supply of printed envelopes, boxes etc., by the printer using their paper to print the design, logo provided by the recipient, it is _____.

(*a*) Mixed supply (*b*) Supply of goods

(*c*) Supply of service (*d*) None of the above

23. The maximum rate of IGST can be:

(*a*) 18% (*b*) 28%

(*c*) 40% (*d*) None of the above

24. Which of the following taxes have not been subsumed under GST?

(*a*) Service tax (*b*) Entry tax

(*c*) Tax on betting (*d*) Entertainment tax levied by local body

25. The local tax officer has demanded the following taxes from Mr. Q, a Chartered Accountant: Profession tax, service tax, tax on gambling and Central Sales Tax. Which of these taxes can the tax officer legitimately demand?

(*a*) Profession tax (*b*) Service tax

(*c*) Tax on gambling (*d*) Central Sales Tax

26. Is GST applicable on alcoholic liquor for human consumption?

(*a*) Yes

(*b*) No, but it will be levied from a date to be notified

(*c*) No, as it is out of purview of GST

(*d*) Yes, but only when State Excise Duty and CST/VAT is exempted on its manufacture or production and sale

27. Which of the following levies apply to alcoholic liquor for human consumption?

(*a*) CST/VAT (*b*) State Excise Duty

(*c*) GST (*d*) (*a*) and (*b*)

28. The GST officer has asked Mr. A, who owns a petrol pump in Delhi, to pay GST on the supply of high speed diesel, petrol, natural gas and vehicle repair services, which he makes from his petrol pump. Is the GST officer correct?

(*a*) Yes, Mr. A needs to pay GST on all supplies

(*b*) No, Mr. A need not pay GST on any supply

(*c*) No, Mr. A needs to pay GST only on repair services

(*d*) No, Mr. A needs to pay GST only on natural gas and repair services

29. Which of the following is not eligible to both GST and Excise Duty?

(*a*) Tobacco (*b*) Bottle of wine for drinking

(*c*) Opium (*d*) Indian hemp

30. GST is leviable on which of the following activities undertaken by Rahul of Chhatisgarh?

(*a*) Production of narcotic drugs (*b*) Sale of tobacco

(*c*) Manufacture of cigarettes (*d*) Sale of petrol

31. Rashi believes that she is not required to pay any tax on supply of ethyl alcohol to manufacturers of chemical and pharmaceutical products. Is she correct?

(*a*) Yes, she is not required to pay any tax (*b*) No, she is required to pay GST

(*c*) No, she is required to pay State Excise Duty (*d*) No, she is required to pay CST/VAT

32. Which of the following supplies made by Mr. Z from Mumbai is an intra-State supply?

(*a*) Provision of consultancy services to Mr. X of Japan

(*b*) Supply of raw material to SEZ unit in Pune

(*c*) Supply of goods to Mr. Y of Pune

(*d*) Provision of consultancy services to Mr. Q of Patna

33. Which of the following supplies made by Mr. A from Jodhpur is an inter-State supply?

(*a*) Goods sold to Mr. B of Chandigarh

(*b*) Services provided to Mr. C of Jaipur

(*c*) Goods sold to Mr. D of Bikaner

(*d*) None of the above

34. Zaheer of Kanpur has supplied goods to Manohar of Varanasi valued at ₹ 1,000 and attracting GST @ 18%. Determine the GST that will be levied on this transaction.

(*a*) IGST of 180

(*b*) IGST of 90 and SGST of 90

(*c*) CGST of 90 and SGST of 90

(*d*) SGST of 180

35. Gaurav of Himachal Pradesh has provided services to Harsh of Orissa for a value of ₹ 10,000. Rate of GST is 18%. Determine the GST that will be levied.

(*a*) IGST of 1,800

(*b*) CGST of 1,800

(*c*) SGST of 1,800

(*d*) CGST of 900 + SGST of 900

36. Gopi of Delhi has supplied goods to Harshit of Delhi for a value of ₹ 1,000. Rate of GST is 18%. Determine the GST that will be levied.

(*a*) IGST of 180

(*b*) CGST of 90 + SGST of 90

(*c*) CGST of 90 + UTGST of 90

(*d*) SGST of 180

37. Yug of Chandigarh has supplied goods to Yogi of Ladakh for a value of ₹ 1,000. Rate of GST is 12%. Determine the GST that will be levied.

(*a*) CGST of 60 and UTGST of 60

(*b*) IGST of 60 and UTGST of 60

(*c*) IGST of 120

(*d*) SGST of 120

38. Raman of Lakshwadeep has supplied goods to Madhav of Lakshwadeep for a value of ₹ 1,000. Rate of GST is 12%. Determine the GST that will be levied.

(*a*) CGST of 60 and SGST of 60

(*b*) IGST of 120

(*c*) UTST of 120

(*d*) CGST of 60 and UTGST of 60

39. Supply within which of these Union Territories will attract UTGST?

(*a*) Chandigarh

(*b*) Delhi

(*c*) Puducherry

(*d*) Jammu and Kashmir

40. CGST and SGST will not apply to supplies within which of these territories?

(*a*) Uttarakhand

(*b*) Delhi

(*c*) Andaman and Nicobar Islands

(*d*) Goa

41. Which Act(s) will apply in case of supply of goods within Tamil Nadu?

(*a*) CGST Act and SGST Act
(*b*) IGST Act
(*c*) IGST Act and SGST Act
(*d*) SGST Act

42. Which Act(s) will apply in case of supply of services within Chandigarh?

(*a*) CGST Act and SGST Act
(*b*) CGST Act and UTGST Act
(*c*) UTGST Act
(*d*) IGST Act and UTGST Act

43. Which Act will apply in case of supply of goods within Jammu and Kashmir?

(*a*) CGST Act and SGST Act
(*b*) CGST Act and UTGST Act
(*c*) IGST Act and UTGST Act
(*d*) IGST Act and SGST Act

44. Which Act will apply in case of supply of goods from Delhi to Andaman and Nicobar Islands?

(*a*) UTGST Act
(*b*) IGST Act
(*c*) CGST Act
(*d*) CGST Act and SGST Act

45. If B of Delhi supplies goods to C of Maharashtra of value ₹ 1,000 and C further supplies these goods to D of Goa at value ₹ 1,500, how much GST will C need to pay? GST rate is 12%. C does not have any input tax credit other than that arising from this transaction.

(*a*) IGST of 120
(*b*) IGST of 180
(*c*) IGST of 60
(*d*) SGST of 60

46. If Shubh of Gujarat supplies goods to Raghav of Chandigarh of value ₹ 1,000 and Raghav further supplies these goods to Chetan of Delhi at value ₹ 1,500, how much GST will Chetan need to bear? GST rate is 12%.

(*a*) IGST of 120
(*b*) IGST of 180
(*c*) IGST of 60
(*d*) SGST of 60

47. If A of Punjab supplies goods to B of Madhya Pradesh and B further supplies these goods to C of Andhra Pradesh, GST will be ultimately earned by which Government?

(*a*) Government of Andhra Pradesh
(*b*) Central Government
(*c*) Central Government and Government of Andhra
(*d*) Central Government and Government of Madhya Pradesh Pradesh.

48. If X of Srinagar supplies services to Y of Bangalore, GST will be ultimately earned by which Government?

(*a*) Central Government
(*b*) Government of Karnataka
(*c*) Central Government and Government of Karnataka
(*d*) Central Government will decide

49. If D of Delhi supplies goods to C of Delhi and C further supplies these goods to B of Delhi, GST will be earned by which Government?

(*a*) Government of Delhi
(*b*) Central Government
(*c*) Central Government and Government of Delhi
(*d*) Government of Delhi will decide

50. If Compensation Cess is levied on pan masala, IGST/CGST/SGST/UTGST cannot be levied.

(*a*) True (*b*) False

51. Which of these taxes is not administered by the CBIC?

(*a*) IGST (*b*) CGST
(*c*) SGST (*d*) Customs duty

52. Who will recommend the date from which GST will be levied on specified petroleum products?

(*a*) State Governments (*b*) Central Government
(*c*) GST Council (*d*) Chairman of CBIC

53. Which of these is not a benefit flowing from introduction of GST?

(*a*) Reduction in multiplicity of taxes (*b*) Unified common national market
(*c*) Mitigation of tax cascading (*d*) Benefit of input tax credit to end consumer

54. How many States have been marked as Special Category States?

(*a*) 9 (*b*) 10
(*c*) 11 (*d*) 12

55. Which of these is not a Special Category State?

(*a*) Assam (*b*) Goa
(*c*) Uttarakhand (*d*) Himachal Pradesh

Answer Key

1. (*d*)	**2.** (*b*)	**3.** (*a*)	**4.** (*c*)	**5.** (*b*)	**6.** (*d*)	**7.** (*a*)	**8.** (*d*)	**9.** (*b*)	**10.** (*a*)
11. (*b*)	**12.** (*c*)	**13.** (*d*)	**14.** (*c*)	**15.** (*a*)	**16.** (*c*)	**17.** (*c*)	**18.** (*b*)	**19.** (*b*)	**20.** (*d*)
21. (*c*)	**22.** (*c*)	**23.** (*b*)	**24.** (*d*)	**25.** (*a*)	**26.** (*c*)	**27.** (*d*)	**28.** (*c*)	**29.** (*b*)	**30.** (*b*)
31. (*b*)	**32.** (*c*)	**33.** (*a*)	**34.** (*c*)	**35.** (*a*)	**36.** (*b*)	**37.** (*c*)	**38.** (*d*)	**39.** (*a*)	**40.** (*c*)
41. (*a*)	**42.** (*b*)	**43.** (*a*)	**44.** (*b*)	**45.** (*c*)	**46.** (*b*)	**47.** (*c*)	**48.** (*c*)	**49.** (*c*)	**50.** (*b*)
51. (*c*)	**52.** (*c*)	**53.** (*d*)	**54.** (*c*)	**55.** (*b*)					

02 CHAPTER

Supply under GST

MULTIPLE CHOICE QUESTIONS

1. Which of the following ingredients is not necessary for levy of GST?
(*a*) There should be a supply of goods or services or both
(*b*) Supply should be received by a taxable person
(*c*) Supply should be made by a taxable person
(*d*) Supply should be a taxable supply

2. Which of the following is a taxable event under the GST law?
(*a*) Manufacture or production
(*b*) Supply
(*c*) Consumption
(*d*) Entry or exit

3. Goods include which of the following: (A) actionable claims, (B) things attached to the land agreed to be severed before supply, (C) money, (D) securities.
(*a*) A, C
(*b*) B, D
(*c*) A, D
(*d*) A, B

4. Which of the following is not considered as goods?
(*a*) 5 paisa coin which can be sold for ₹ 500
(*b*) Lottery ticket of Assam Government
(*c*) Shares of PQR Pvt. Ltd.
(*d*) Right to insurance claim

5. Which of the following is a supply or goods or services or both?
(*a*) Gift of ₹ 10,000 in cash on birthday
(*b*) Issuance of 500 units of Kotak Mutual Fund
(*c*) Underwriting services for issue of share capital
(*d*) Endorsement of cheque in favor of creditor

6. Goods do not include:
(*a*) Land
(*b*) Betting
(*c*) Agricultural produce
(*d*) Gas

7. Which of the following is supply of neither goods or services?
(*a*) Deposit of money in bank account
(*b*) Withdrawal of money from bank account

(*c*) Deposit of principal amount of loan in bank account
(*d*) All of the above

8. Mr. Z undertook the following activities: A: Charged interest on loan of ₹ 1 lakh given to a colleague; B: Purchased and sold shares as a share broker on behalf of clients for a commission; C: Provided money exchange services to clients for a charge; D: Converted Indian Rupee notes of higher denominations to notes of lower denominations for a friend without charging any consideration. Which of these activities is not a supply under GST?

(*a*) A (*b*) B
(*c*) C (*d*) D

9. Which of the following is not a supply of goods or services or both?

(*a*) Disposal of scrap for 1,000 (*b*) Hair cut service in exchange of cosmetics
(*c*) Grant of license of plot of land for car parking
(*d*) Exchange of ₹ 2,000 note for four notes of ₹ 500

10. Which of the following is a supply under GST law?

(*a*) D received a life time achievement award from the Government for contribution to the cause of homeless
(*b*) P gave a machine of value ₹ 1 lakh to Q. T, a financial consultant and a debtor of Q, provided advisory services worth ₹ 1 lakh to P on the directions of T.
(*c*) D received subsidy of R 5 lakh from Government of Karnataka for purchase of equipment
(*d*) D received a refundable security deposit of ₹ 5 lakh from F to whom D gave a commercial complex on rent

11. Jagan gave a loan of ₹ 10 lakh to Sohan and charged ₹ 5,000 as loan processing fees and ₹ 1 lakh as interest on loan during the year. Determine the consideration involved in this transaction chargeable to GST?

(*a*) 10,00,000 (*b*) 11,00,000
(*c*) 1,00,000 (*d*) 1,05,000

12. Rohit gave a shop owned by him on a monthly rent of ₹ 25,000 to Mohit on 1 April. At the time of signing the rent deed, Mohit paid R 10 lakh towards a refundable security deposit. Determine the consideration chargeable to GST for the FY.

(*a*) 3 lakh (*b*) 10 lakh
(*c*) 14 lakh (*d*) Nil

13. BCD Charitable Trust received a motor car from C, an advertising agency, and wallpapers from D, an interior decorator, as donation. The Trust painted "For Best Creatives, "C" is the Place to Go!" on the motor car and wrote "With best compliments from D" on the wallpapers. Donations from whom would be treated as made for a consideration?

(*a*) C (*b*) D
(*c*) Both (*d*) None

14. Mr. Painter worked on a painting which he completed on 1 January. He sent the painting to Mumbai on 15 January for display in an exhibition. The painting was put up for display at the exhibition on 20 January. Mr. Patron, a visitor to the exhibition, selected and purchased the painting on 25 January. What is the date when the supply of painting can be said to , have taken place?

(*a*) 1 January
(*b*) 15 January
(*c*) 20 January
(*d*) 25 January

15. Which of the following is not true for consideration in respect of a supply?

(*a*) Can be in money or kind
(*b*) Can be contingent on happening of a future event
(*c*) Can be as monetary value of an act or forbearance
(*d*) Can be paid now or later

16. Which of the following cannot be treated as a supply?

(*a*) Travel booking services provided on a part time basis by a practicing Chartered Accountant
(*b*) Sale of products at loss by a newly opened shop
(*c*) Sale of old gold bangles by a housewife to the jeweler
(*d*) Provision of common amenities to residents by a Resident Welfare Association against monthly fee

17. Which of the following is not included within the scope of 'business' under the CGST Act, 2017?

(*a*) A one-time adventure in the nature of business
(*b*) Admission for consideration to any premises
(*c*) Transfer or sale of goods in personal capacity
(*d*) Supply of goods in connection with closure of business

18. The criteria of supply being in the course or furtherance of business is to be seen in the context of:

(*a*) Supplier
(*c*) Any of them
(*b*) Recipient
(*d*) Both of them

19. Which of the following activities is not treated as a supply?

(*a*) X sells his old car used for personal purposes to a car dealer for ₹75,000
(*b*) Jumbo circus charges ₹ 1,000 per person for entry into the circus premises
(*c*) Residents Welfare Association of Gruh Housing Society charges ₹ 1,000 per month as fees from each resident for providing common amenities
(*d*) A start up business sells its products at a loss

20. P, a computer dealer, sold a computer to Q. Q used the computer for personal purposes at his residence and later sold it to R, another computer dealer, who sold it further to S. Which of the following sale is a supply?

(*a*) P to Q only
(*b*) Q to R only
(*c*) P to Q and R to S
(*d*) R to S only

21. X is the grandfather of C. In which of the following situations will X be treated as related to C

(*a*) Never treated as related person
(*b*) Always treated as related person
(*c*) When not dependent on C
(*d*) When wholly or mainly dependent on C

22. Z gifted his personal car of value ₹ 3 lakh to his dependent sister. Is this a supply?

(*a*) Yes
(*b*) No

23. Which of these transactions, undertaken without consideration, is a supply?

(*a*) Painting of ₹ 30,000 in value gifted by employer to employee outside the contact of employment
(*b*) Management services provided by 100% subsidiary to its holding company
(*c*) Consultancy service provided free to loyal customers
(*d*) Personal mobile phone gifted to spouse

24. Roman received a gift from his employer on occasion of Deepawali which was not as per terms of employment. What should be the value of gift (if this is the only gift received from the employer during the FY) so as to be treated as a supply?

(*a*) < 50,000
(*b*) ≤ 50,000
(*c*) > 50,000
(*d*) ≥ 50,000

25. Q is an employee of P Ltd. He received gifts from P Ltd. (not forming part of employment contract) of a sculpture of ₹ 30,000 in value on 1 March and a leather jacket of ₹ 25,000 in value on 20th of next month. Determine the value of supply.

(*a*) Nil
(*b*) 30,000
(*c*) 25,000
(*d*) 55,000

26. Roshan sent goods from his factory to his showroom without consideration. In which of the following situations, will this activity be treated as a supply?

(*a*) Factory and showroom are in Gujarat. Both are unregistered.
(*b*) Factory and showroom are in Gujarat. Single registration in Gujarat.
(*c*) Factory is in Gujarat and showroom is in Maharashtra. Both are unregistered.
(*d*) Factory is in Gujarat and showroom is in Maharashtra. Both are registered.

27. Sohan sent goods from his Head Office in Kolkata, West Bengal to Branch Office in Durgapur, West Bengal, without consideration. In which of the following situations, will this activity be treated as a supply?

(*a*) Single registration in West Bengal
(*b*) Separate registration for HO and BO in West Bengal
(*c*) HO and BO are unregistered
(*d*) All the above cases

28. Which of the following is a supply even when made without consideration?

A. Jack transfers goods from his Nagpur branch to Delhi depot for further sales from Delhi depot. Branch and depot are registered under GST.
B. Rohan, a stationery dealer, permanently transferred the motor car, to his friend. ITC was blocked on motor car.

C. Rachna received a refrigerator of ₹ 25,000 in value as gift on Diwali from her employer (*o*utside the terms of employment).

(*a*) A, B, C
(*b*) A, B
(*c*) A
(*d*) B, C

29. P appointed Q as his agent and delivered goods to him without consideration. Q sold the goods to R. In which of the following situations, will supply by P to Q be treated as a supply under GST?

(*a*) Q issued invoice in the name of P
(*b*) Q issued invoice in his own name
(*c*) Both options A and B
(*d*) None of options A and B

30. Y appointed Z as his procurement agent who purchased the raw material from the supplier and then delivered them to Y without consideration. In which of the following situations, will supply by Z to Y not be treated as a supply under GST?

(*a*) Invoice issued in name of Y
(*b*) Invoice issued in name of Z
(*c*) Both options A and B
(*d*) None of options A and B

31. Z of Delhi received financial consulting services for his business from Y based out of Australia, without consideration. Such services received would not be treated as supply when Y is:

(*a*) Son of Z, working and living independently
(*b*) Brother of Z, working and living independently
(*c*) Sister of Z, dependent on Z
(*d*) Daughter of Z, dependent on Z

32. J of Jaipur received designing services from B, an artist working and based out of Frankfut, in connection with designing of the interiors of his residence. In which of the following cases, there arises a supply under GST?

(*a*) B is the son of J and J paid ₹ 1 lakh
(*b*) B is the daughter of J and J did not pay anything
(*c*) B is the uncle of J and J did not pay anything
(*d*) All of the above

33. D of Delhi received management consulting services from B of Brazil, in connection with his business. In which of the following cases, there does not arise a supply under GST?

(*a*) B is the son of D and D paid ₹ 1 lakh
(*b*) B is the daughter of D and D did not pay anything
(*c*) B is the niece of D and D did not pay anything
(*d*) B is the father of D (dependent on D) and D did not pay anything

34. A & Co, financial consultants, have their Head Office in Mumbai and a Branch Office in Canada. The Head Office received advisory services from the Branch Office, without consideration, in connection with an Indian project of a client based out of Canada. Is this a supply?

(*a*) Yes
(*b*) No

35. Which of the following activities is a supply of services in respect of a machine owned by C?

(*a*) C transferred right to use the machine to D on a rent of ₹ 10,000 per month

(*b*) C sold the machine to D for ₹ 2 lakh.

(*c*) C handed over possession of machine to D on sale on approval basis. D gave his approval after one month.

(*d*) C sold the machine to D on hire purchase basis

36. Is transfer of title in goods necessary for an activity or transaction to be classified as supply of goods?

(*a*) Yes (*b*) No

37. X delivered parts of machinery to Y who performed the operations of welding, plating and painting. Thereafter, Y returned the parts of machinery to X. Y charged ₹ 50,000 for this work. Determine the nature of this transaction.

(*a*) Supply of goods (*b*) Supply of services

(*c*) Not a supply (*d*) To be determined at the discretion of X

38. Sunder transferred his business to Ram as a going concern on 1 October on which date Sunder ceased to be a taxable person. Goods of value ₹ 10 lakh formed part of assets of his business as on 30 September. The value was ₹ 9 lakh as on 15 September when the agreement to transfer the business was entered into. Determine the value of deemed supply by Sunder in this case.

(*a*) 10 lakh (*b*) 9 lakh

(*c*) Nil (*d*) 9.5 lakh

39. Which of the following activities/transactions constitute a supply of goods?

(*a*) Goods of business disposed of so as no longer to form part of business assets

(*b*) Goods of business put to private use

(*c*) Goods of business made available for non-business use

(*d*) All the above

40. Z provided technical consultancy to Oberoi Hotels for which he received ₹ 5 lakh in cheque. Z also agreed not to provide similar consultancy to any other hotel chain for a period of 3 years. Against this agreement, Z received ₹ 1 lakh in bank draft and ₹ 1 lakh worth of complimentary vouchers usable at any of the Oberoi Hotels across India. Determine whether these activities are in the nature of supply of goods or supply of services and also the consideration therefor.

(*a*) Supply of goods; 7 lakh (*b*) Supply of services; 6 lakh

(*c*) Supply of services; 7 lakh (*d*) Not a supply

41. Which of the following is a supply of goods?

(*a*) Permission to use trademark for one year (*b*) Sale of copyright

(*c*) Upgradation of software (*d*) Non-compete agreement

42. Jagat let out a building owned by him to Mohan for one week against a consideration of ₹ 3 lakh for hosting a marriage function. The building was vacant for the rest of the year. Determine whether this can be said to be a supply.

(*a*) Supply of services
(*b*) Supply of goods
(*c*) Not a supply
(*d*) Not determinable

43. Which of the following is a supply of services?

(*a*) Sale of industrial designs
(*b*) Supply of food in a restaurant
(*c*) Transfer of title in machinery
(*d*) Sale of goods on hire purchase basis

44. Mohan carried out a works contract for a consideration of ₹ 10 lakh. This involved repair and renovation of the office complex of Sohan. Work involved supply of labor and material. Is this a supply?

(*a*) No, not a supply
(*b*) Yes, supply of goods
(*c*) Yes, supply of services
(*d*) Yes, supply of goods and services as per the value of the respective supplies

45. GST is not applicable on which of the following?

(*a*) Salary paid to Mr. B who is a whole-time employee director of C Ltd.
(*b*) Sitting fee paid to Mr. B, an independent director, for attending board meetings of C Ltd.
(*c*) Brokerage paid to Mr. B, an employee (legal manager) of C Ltd., for arranging a real estate deal for the company on account of his network of contacts.
(*d*) Gift of a painting of ₹ 1 lakh in value received by Mr. B, from C Ltd., his employer, on occasion of New Year.

46. Which of the following is not a supply of service?

(*a*) X repaired mobile phone of Y for a charge of ₹ 5,000.
(*b*) X rented out a commercial complex to Y at a monthly rent of ₹ 20,000 p.m.
(*c*) X agreed not to join a competing firm as an employee after resigning from employment of Y, against payment of ₹ 20 lakh.
(*d*) X earned commission of 1% on sales achieved by him as the marketing head of Y in terms of his employment contract

47. Mahi is employed with Q Ltd. as its finance manager. Which of the following receipts from Q Ltd. is liable to GST?

(*a*) Bonus of ₹ 5 lakh and commission of ₹ 1 lakh from Q Ltd. as part of salary
(*b*) ₹ 10 lakh received consequent to premature
(*c*) Designer pen and wallet of ₹ 50,000 in value received during the financial year as gift on Christmas (not part of employment contract) termination of employment
(*d*) Remuneration of ₹ 1 lakh for providing extra services beyond the contract of employment

48. Surabhi was employed with C Ltd. till 31.12.2024. She received the following from C Ltd. upon leaving employment: Gratuity and leave encashment of ₹ 15 lakh as per terms of employment, ₹ 20 lakh under a non-compete agreement as per which Surabhi will not join any employer in the same industry as C Ltd. for a period of 5 years. C Ltd. also gifted a laptop of ₹ 75,000 in value to Surabhi on 15.12.2024 in appreciation of her contribution to the company (this was not part of the terms of employment contract). Surabhi provided consulting services to C Ltd. in the month of January 2025 for which she was paid ₹ 2 lakh. She also joined D Ltd. on 15.2.2025 as an independent director on account of which she was paid a remuneration of ₹ 50,000. Determine the amounts comprised in these activities/transactions which can be classified as a supply under GST?

(*a*) Nil
(*b*) 23,25,000
(*c*) 22,50,000
(*d*) 2,50,000

49. Which of the following is neither a supply of goods nor a supply of services?

(*a*) X permanently transferred a business asset on which he had availed ITC.
(*b*) X temporarily transferred copyright held by him, to Y for a period of one year.
(*c*) X paid ₹ 5,000 to an ambulance owner for transportation of his deceased relative.
(*d*) X earned rent of ₹ 1 lakh p.m. for letting out office space to his employer.

50. D is in the real estate business. Which of the following activities/transactions undertaken by him does not constitute a supply?

(*a*) Plot of land given to Z on lease for 20 years at an annual rent of ₹ 12 lakh
(*b*) Shopping complex let out to K at a monthly rent of ₹ 50,000
(*c*) Alteration to the structure of a building owned by C for a consideration of ₹ 1 lakh. Work involved supply of both labor and material.
(*d*) Construction of building completed on 1 January (completion certificate issued) and sold to Y for ₹ 30 lakh who made the payment and took occupation on 15 March of the next calendar year.

51. JK Builders constructed 3 buildings, A, B and C for Mr. X, Mr. Y and Mr. Z, respectively. Completion certificate for all the three buildings was obtained on 15 May. Mr. X, Mr. Y and Mr. Z took occupation of their respective buildings on 20 September. Mr. X made the payment on 15 May, Mr. Y made the payment on 1 June and Mr. Z made the payment on 15 » September. Consideration in respect of which the buildings is a consideration for supply under GST₹ All dates are of the same calendar year.

(*a*) A
(*b*) B
(*c*) C
(*d*) A, Band C

52. Which of the following is a not a supply?

(*a*) Betting
(*b*) Unsecured debt
(*c*) Gambling
(*d*) Lottery

53. Which of the following is a supply for the purpose of applicability of GST?

(*a*) Bihar Government charged license fee from Z for opening an alcoholic liquor shop
(*b*) Jharkhand Government charged royalty from Z for grant of mining rights in coal fields

(*c*) B Ltd. moved its trailers from Chennai Unit to Pune Unit for carriage of goods after which they returned. Both Units are registered under GST.

(*d*) All the above

54. Inter State movement of a conveyance between distinct persons is a supply where:

(*a*) It is for repairs and maintenance
(*b*) It carries goods or passengers
(*c*) It is for further supply of same conveyance
(*d*) All of the above

55. Which of the following is a composite supply?

(*a*) A laptop with battery and charger for a price of ₹50,000
(*b*) Festive kit comprising juice can, chocolates and chips for a price of ₹ 1,000
(*c*) A shirt, a trouser and a jacket priced separately
(*d*) All the above

56. Works contract is:

(*a*) Composite supply
(*b*) Mixed supply
(*c*) Individual supplies of labour and material
(*d*) None of these

57. Which of the following is a mixed supply?

(*a*) Television, mobile charger and geyser priced separately
(*b*) Goods, packed and transported with insurance
(*c*) Mobile phone, speaker and earphone for a combo price of ₹ 10,000.
(*d*) All the above

58. Which of the following is neither a composite supply nor a mixed supply?

(*a*) Supply of printed boxes with name and logo of buyer
(*b*) Retreading of tyres
(*c*) Food and beverages served in a restaurant
(*d*) Purchase of paracetamol, lip balm and hand sanitizer from a medical store with each item priced separately

59. Hotel has provided a package for 4 days/3 nights along with breakfast. What is the nature of this supply?

(*a*) Composite supply
(*b*) Mixed supply
(*c*) Individual supplies
(*d*) Not determinable

60. M traders supplies goods (18%) to S. The goods are packed (12%) and transported (5%) with insurance (5%). Determine the rate at which the supply will be taxed. GST rates in brackets are assumptions.

(*a*) 18% on entire value of supply
(*b*) 12% on entire value of supply
(*c*) 5% on entire value of supply
(*d*) 18%, 12%, 5% on respective values

61. B Printers supplies 1,000 printed books to JKL Academy. Content was supplied by JKL Academy. Bhaumik Printers used its own physical inputs, including ink. Determine the nature of supply in this case and tax rate applicable.

(*a*) Individual supplies. Respective tax rates applicable on individual supply of printing services and physical inputs.

(*b*) Mixed supply. Entire value taxable at rate applicable to supply with highest rate.

(*c*) Composite supply. Entire value taxable at rate applicable to printing services.

(*d*) Composite supply. Entire value taxable at rate applicable to paper.

62. G goes to Big Shoppe and buys a perfume for ₹ 10,000 (28%), wallet for ₹ 5,000 (18%) and beverages for ₹ 2,000 (12%). He gets the invoice showing the items separately and makes the full payment at one go. Determine the GST applicable on this supply. GST rates in brackets are assumptions.

(*a*) 3,060 (*b*) 4,760

(*c*) 2.040 (*d*) 3,940

63. CDE Store sells a festive kit for a combo price of ₹ 6,000 comprising a designer pen of value 3,000 (18%), calendar of value ₹ 2,000 (12%) and chocolates (5%) of value ₹ 1,000. Determine the GST applicable on this supply. GST rates in brackets are assumptions.

(*a*) 1,080 (*b*) 300

(*c*) 830 (*d*) 720

64. Rushi lets out the ground floor and first floor of a building to Juhi (not registered under GST). A single rent deed is executed prescribing a rent of ₹ 50,000 p.m. First floor is for residential purpose (exempt) while first floor is for commercial purpose (18%). Determine the GST applicable on this supply. GST rates in brackets are assumptions.

(*a*) Nil (*b*) 9,000

(*c*) 4,500 (*d*) Not determinable

Answer Key

1. (*b*)	**2.** (*b*)	**3.** (*d*)	**4.** (*c*)	**5.** (*c*)	**6.** (*a*)	**7.** (*d*)	**8.** (*d*)	**9.** (*d*)	**10.** (*b*)
11. (*d*)	**12.** (*a*)	**13.** (*a*)	**14.** (*d*)	**15.** (*b*)	**16.** (*c*)	**17.** (*c*)	**18.** (*a*)	**19.** (*a*)	**20.** (*c*)
21. (*d*)	**22.** (*b*)	**23.** (*b*)	**24.** (*c*)	**25.** (*a*)	**26.** (*d*)	**27.** (*b*)	**28.** (*c*)	**29.** (*b*)	**30.** (*a*)
31. (*b*)	**32.** (*a*)	**33.** (*c*)	**34.** (*a*)	**35.** (*a*)	**36.** (*a*)	**37.** (*b*)	**38.** (*c*)	**39.** (*a*)	**40.** (*c*)
41. (*b*)	**42.** (*a*)	**43.** (*b*)	**44.** (*c*)	**45.** (*a*)	**46.** (*d*)	**47.** (*d*)	**48.** (*b*)	**49.** (*c*)	**50.** (*d*)
51. (*a*)	**52.** (*b*)	**53.** (*b*)	**54.** (*c*)	**55.** (*a*)	**56.** (*a*)	**57.** (*c*)	**58.** (*d*)	**59.** (*a*)	**60.** (*a*)
61. (*c*)	**62.** (*d*)	**63.** (*a*)	**64.** (*b*)						

03 CHAPTER

Charge of GST and Composition Scheme

MULTIPLE CHOICE QUESTIONS

1. Mr. K, an aerated water manufacturer in Tripura having aggregate turnover of ₹ 80 lakhs (out of which exempt supplies amount to ₹ 10 lakhs) wants to opt for composition scheme. Compute his aggregate turnover and eligibility to opt for the same.

(*a*) ₹ 80 lakhs, eligible
(*b*) ₹ 80 lakhs, ineligible
(*c*) ₹ 70 Lakhs, eligible
(*d*) ₹ 70 Lakhs, ineligible

2. Which of the following is subject to both GST & central excise duty?

(*a*) Natural Gas
(*b*) Aviation turbine fuel
(*c*) Tobacco
(*d*) None of the above

3. What is the threshold limit of turnover in the preceding financial year to be eligible for composition levy in Jammu & Kashmir and Uttarakhand?

(*a*) ₹ 1.5 Crore & ₹ 75 Lakhs respectively
(*b*) ₹ 75 Lakhs & ₹ 1.5 Crore respectively
(*c*) ₹ 1.5 Crore
(*d*) ₹ 75 Lakhs

4. _____ is levied on the export of goods and/or services.

(*a*) IGST
(*b*) CGST and SGST
(*c*) CGST and UTGST
(*d*) None of the above

5. GST is payable by the recipient under Reverse Charge on:

(*a*) Insurance Agent services
(*b*) Transport of goods by rail
(*c*) Transport of passengers by air
(*d*) All of the above

6. The term Aggregate Turnover' does not include:

(*i*) Exempt supplies
(*ii*) Zero rated supplies
(*iii*) Inter-state stock transfers between branches
(*iv*) Inward supplies under RCM

(*a*) (*ii*), (iii) & (*iv*)
(*b*) (*ii*) & (*iv*)
(*c*) (*iv*)
(*d*) (*iii*)

7. Mr. X is a composition dealer engaged in the business of manufacturing goods. The applicable rate of tax shall be:
   (*a*) 0.5% of the total turnover
   (*b*) 0.5% of the taxable turnover
   (*c*) 2.5% of the total turnover
   (*d*) 2.5% of the taxable turnover

8. Where the place of supply and the location of the supplier are in two different Union Territories, then _____ will be charged:
   (*a*) CGST & UTGST
   (*b*) CGST & SGST
   (*c*) IGST
   (*d*) IGST & UTGST

9. A composition dealer is allowed to render services _____ upto _____.
   (*a*) other than restaurant, ₹ 5 Lakhs or 10% of turnover whichever is lower.
   (*b*) other than restaurant, ₹ 5 Lakhs or 10% of turnover whichever is higher
   (*c*) Restaurant, ₹ 5 Lakhs or 10% of turnover whichever is lower.
   (*d*) Restaurant, ₹ 5 Lakhs or 10% of turnover whichever is higher.

10. Services supplied by Central or State government or Union territory or local authority by renting of immovable property to a registered business entity is _____.
   (*a*) Exempt
   (*b*) Exempt, since included in negative list
   (*c*) Taxable on forward charge basis
   (*d*) Taxable on reverse charge basis

11. Which of the following is correct in respect of the recipient of service liable to pay tax under RCM?
   (*a*) He should pay tax to the supplier, not the Government
   (*b*) He should pay tax to the Government, not the supplier
   (*c*) He must be the end consumer
   (*d*) He must be a body corporate

12. A service provided by Sumit to Sheena is covered under the RCM notification. Exemption from tax has also been provided in respect of such service by way of a notification. Which of the following statements is correct?
   (*a*) Sheena will pay tax on the service
   (*b*) Sumit will pay tax on the service
   (*c*) Neither Sumit nor Sheena will pay tax on the service
   (*d*) Sumit will pay tax but Sheena will reimburse him

13. In which of the following cases is the recipient of service liable to pay tax?
   (*a*) KK & Co, firm of advocates, gives legal advice to employee-director of C Ltd. w.r.t. his personal dispute compliance
   (*b*) JK & Co, a firm of Chartered Accountants, provides tax services to SKD Pvt. Ltd.
   (*c*) Naini, a Company Secretary, provides corporate compliance advise to PQR Ltd.
   (*d*) Mr. X, an advocate, represents PQR LLP, a business consulting firm, in the Delhi High Court

14. Z is a Director of Q Ltd. He was paid remuneration of K 12 lakh for his services. Out of this, K 8 lakh was recorded in the books of the company as salary and TDS was deducted u/s 192 of

the Income Tax Act. The balance payment was subjected to TDS u/s 194J of the Income Tax Act. Which of the following statements is correct?

(*a*) Q Ltd. to pay tax on 12 lakh

(*b*) Q Ltd. to pay tax on 4 lakh and Z to pay tax on 8 lakh

(*c*) Z to pay tax on 12 lakh

(*d*) Q Ltd. to pay tax on 4 lakh

15. X is a Director of Z Ltd. He had let out office space belonging to him to Z Ltd. for which he was paid ₹ 10 lakh. Who is liable to pay tax on this amount?

(*a*) X

(*b*) Z Ltd.

(*c*) Non-supply. Hence, no tax.

(*d*) Either X or Z Ltd.

16. In which of the following cases is the recipient not liable to pay tax under RCM?

(*a*) Naini, a music composer, allowed Beats Music Company to use copyright in his original compositions.

(*b*) Naini, a wildlife photographer, allowed US Geographic, New York, to use copyright in his original photographs.

(*c*) Naini, a painter, allowed an artistic collections company to use copyright in his original paintings.

(*d*) None of the above

17. Fateh is a famous author. He wrote a literary book and allowed Jagson Publishers, Gurugram, to use the copyright in the book for a period of 5 years against a consideration of ₹ 1 crore. Fateh is not registered under GST. Who is liable to pay tax?

(*a*) Fateh

(*b*) Jagson Publishers

(*c*) Either of the two

(*d*) None of the two

18. Fateh is a famous author. He wrote a literary book and allowed Jagson Publishers, Gurugram, to use the copyright in the book for a period of 5 years against a consideration of ₹ 1 crore. Fateh wants to pay tax under forward charge. Which of the following conditions is not required to be satisfied by Fateh so as to exercise this option.

(*a*) He should file requisite declaration with GST Commissioner.

(*b*) He should not withdraw the option within a period of 2 years from the date of exercise of such option.

(*c*) He should obtain GST registration.

(*d*) He should issue invoice to the publisher containing the prescribed declaration.

19. Delhi University organized a cultural event for which it received sponsorship fees from various entities. In which of the following cases will the recipient not be liable to pay tax under reverse charge basis?

(*a*) ₹ 1 lakh is received from X Ltd.

(*b*) ₹ 5 lakh is received from JK & Co., partnership firm

(*c*) ₹ 3 lakh is received from Z Traders, a soleproprietorship firm

(*d*) ₹ 2 lakh is received from ABC LLP

20. In which of the following cases of supply of security personnel is tax liable to be paid by the recipient under RCM?

(*a*) Supplied by Z & Sons, a sole proprietary concern, to KK Pvt. Ltd., not registered under GST.

(*b*) Supplied by Safe Securities Pvt. Ltd. to Mr. Khan, registered under GST.

(*c*) Supplied by Safe Securities Services, a sole proprietary concern, to Fateh HUF, registered and paying tax as per regular provisions.

(*d*) Supplied by Safe Securities Services, a sole proprietary concern, to the Office of the Ministry of Defence, Government of India, located in Delhi which has taken GST registration only for deducting tax u/s 51.

21. J Pvt. Ltd., registered under GST, hired office space in a commercial building owned by the Government of Rajasthan. It paid rent of ₹ 30,000 per month. Who is liable to pay tax in this case?

(*a*) Government of Rajasthan

(*b*) Yugal Pvt. Ltd.

(*c*) Any of the above

(*d*) None of the above

22. D & Co partnership firm, received the following services from the Government. (A) Express Parcel Post service from the Post Office. (b) Transport of goods by Indian Railways. (C) Security services provided by Police Commissioner for an event organized by the firm in Hyderabad. For which of these services is D & Co liable to pay tax on reverse charge basis?

(*a*) A

(*b*) B

(*c*) C

(*d*) A, B and C

23. Rushee owned a plot of land. 50% land was sold by Rushee to DLF Builders for R 1 crore. Rushee held TDRs which were sold to KK Builders for R 2 crore. 50% land was leased by Rushee to MM Builders for 50 years against upfront payment of R 1.5 crore. All the builders used the land for a construction project as promoters in respect of which tax became payable subsequently in terms of the relevant provisions. On what amount would Rushee be liable to pay tax to the Government?

(*a*) Nil

(*b*) 1 crore

(*c*) 2 crore

(*d*) 3.5 crore

24. Shavi owns several properties which he has let out as follows during the month of January: Residential apartment let out to Mr. A, a salaried individual, on a rent of R 50,000, for use as his residence (supply is exempt from GST); residential building let out to B LLP, registered under GST, on a rent of R 60,000, for use as residence of its staff; commercial showroom let out to Z & Co, registered under GST, on a rent of R 1,50,000; shop let out to Mr. C, a retailer not registered under GST, on a rent of ₹ 20,000. On what amount is tax to be paid by the recipients under RCM?

(*a*) 2,80,000

(*b*) 60,000

(*c*) 2,10,000

(*d*) 2,30,000

25. Rushee earned the following remuneration:

A. R 1 lakh as remuneration from Kotak Life Insurance Company for working as its insurance agent.

B. ₹ 3 lakh from her clients for providing insurance and financial advisory services.

C. R 5 lakh for acting as recovery agent of Jan Dhan NBFC.

D. R 2 lakh for providing recovery agent services to local businessmen.

On what amount is Rushee liable to pay tax under forward charge?

(*a*) 6 lakh (*b*) 5 lakh

(*c*) 11 lakh (*d*) 8 lakh

26. J provided the following services:

A. Direct selling agent of JJ & Co, a partnership firm running the business of money lending.

B. Agent of Mr. C, a Business Facilitator of BCD Bank.

C. Agent of Mr. D, a Business Correspondent of JKL Bank.

In which of these cases is J liable to pay tax under forward charge

(*a*) A, B, C (*b*) B, C

(*c*) A, B (*d*) C, D

27. In which of the following cases is the recipient not liable to pay tax?

1. Yogesh, a director of PQR Pvt. Ltd., supplied services to Suyash;
2. CD LLP provided services by way of sponsorship to PQ Ltd.;
3. Department of Posts provided speed post services to KLM Pvt. Ltd.;
4. Jagan provided services of recovery agent to a NBFC.

(*a*) 2 and 4 (*b*) 1 and 3

(*c*) All the above (*d*) None of the above

28. In which of the following cases is the supplier liable to pay tax under forward charge basis?

(*a*) Services supplied by Arbitral Tribunal to XYZ Ltd.

(*b*) Sponsorship provided by Z Pvt. Ltd. to BD & Co, partnership firm

(*c*) Sponsorship provided by Z Pvt. Ltd. to Q Ltd.

(*d*) Passenger car provided by Rakesh on rent to JK Traders, sole proprietorship

29. FATEH Pvt. Ltd., a Goods Transport Agency registered under GST, provided services of transportation of goods by road. In which of the following cases is FATEH Pvt. Ltd. liable to pay tax?

(*a*) Service is provided to a factory registered under Factories Act and GTA has not exercised the option to pay tax under forward charge

(*c*) Service is provided to a factory registered under Factories Act and GTA has exercised the option to pay tax under forward charge

(*b*) Service is provided to Kamlesh, an unregistered end consumer

(*d*) None of the above

30. Fateh HUF has hired a passenger car from Kavi Travels, a travel agency owned by Kavi. Kavi has charged ₹ 10,000 from Fateh HUF (includes cost of fuel). Who will pay the tax?

(*a*) Fateh HUF will pay tax (*b*) Kavi Travels will pay tax

(*c*) Either of them can pay tax (*d*) Tax is not payable

31. Fateh Pvt. Ltd. has hired a passenger car from Kavi Travels, a travel agency owned by Kavi. Kavi Travels avails full ITC and has issued invoice charging tax @ 12%. Kavi Travels has charged ₹ 10,000 from Fateh Pvt. Ltd. (includes cost of fuel). How will tax be paid in this case?

(*a*) Fateh Pvt. Ltd. will pay tax @ 12%
(*b*) Fateh Pvt. Ltd. will pay tax @ 5%
(*c*) Kavi Travels will pay tax @ 12%
(*d*) Kavi Travels will pay tax @ 5%

32. Fateh Pvt. Ltd. has hired a passenger car from Kavi Travels, a travel agency owned by Kavi. Kavi Travels has not issued invoice charging tax @ 12%. Kavi Travels has charged ₹ 10,000 from Fateh Pvt. Ltd. (includes cost of fuel). How will tax be paid in this case?

(*a*) Fateh Pvt. Ltd. will pay tax @ 12%
(*b*) Fateh Pvt. Ltd. will pay tax @ 5%
(*c*) Kavi Travels will pay tax @ 12%
(*d*) Kavi Travels will pay tax @ 5%

33. GST is payable u/s 9(4) on reverse charge basis on supply of notified category of supply of goods or services:

(*a*) By registered supplier to registered person
(*b*) By registered supplier to unregistered person
(*c*) By unregistered supplier to registered person
(*d*) By unregistered supplier to unregistered person

34. The e-commerce operator is not liable to pay tax u/s 9(5) on which of the following services supplied through it:

(*a*) Transportation of passengers by a radio taxi
(*b*) Restaurant service in a hotel having per unit tariff of Rs 8,000 per day
(*c*) Accommodation in a hotel which is not liable for registration under GST
(*d*) House keeping work by a supplier who is not liable for registration under GST

35. M is engaged in retail trade of computers in Meghalaya. What should be the maximum amount of aggregate turnover in the preceding financial year so that she can opt for composition scheme in the current financial year?

(*a*) 50 lakh
(*b*) 75 lakh
(*c*) 100 lakh
(*d*) 150 lakh

36. Shavi is a dealer of mobile phones in Ghaziabad, Uttar Pradesh. His aggregate turnover is ₹ 10 lakh for FY 2023-24 and ₹ 15 lakh for FY 2024-25. He has not taken GST registration. What will be his tax liability for FY 2024-25 u/s 10?

(*a*) Nil
(*b*) 10,000
(*c*) 15,000
(*d*) 5,000

37. Shavi Traders runs a mobile phone retail shop in Mumbai and a garment retail shop in Pune. Turnover from these shops was ₹ 60 lakh and ₹ 100 lakh, respectively, for FY 2023-24 and K 50 lakh and ₹ 90 lakh, respectively, for FY 2024-25. It wants to pay tax u/s 10 for mobile phone shop and under regular provisions for garment shop. Determine the tax liability for FY 2024-25. Assume regular rate of GST to be 18%. Ignore ITC.

(*a*) 1,40,000
(*b*) 7,00,000
(*c*) 16,70,000
(*d*) 25,20,000

38. Shavi owns an electronics repair shop in Bangalore. His turnover for FY 2023-24 was 30 lakh. It is ₹ 35 lakh for FY 2024-25. He has also provided mobile repair classes during the current year of value ₹ 10 lakh. He wants to pay tax u/s 10. Determine his CGST liability for the FY 2024-25. Assume regular rate on such services to be 18%.

(*a*) 2,70,000 (*b*) 1,35,000

(*c*) 2,10,000 (*d*) 8,10,000

39. In which of the following cases is Z & Co not entitled to avail the benefit of composition scheme

(*a*) Manufacturing garments in Manipur; annual turnover is ₹ 70 lakh in preceding FY

(*b*) Dealer of ice cream products in Punjab; annual turnover is ₹ 140 lakh in preceding FY

(*c*) Running restaurant in Cochin; annual turnover is ₹ 100 lakh in preceding FY

(*d*) Providing architect services in Mumbai; annual turnover is ₹ 60 lakh in preceding FY

40. Kavi is a distributor of paper products, registered in Punjab. Aggregate turnover for FY 2023-24 was ₹ 120 lakh. Turnover for July to September 2024 quarter is K 50 lakh. Out of this ₹ 20 lakh is on account of inter State outward supply. Rest is intra State outward supply. Kavi procured stock of value ₹ 35 lakh from Gujarat during this quarter. He wants to pay tax u/s 10. Determine his tax liability for the quarter. Assume regular rate of GST to be 18%. Ignore ITC.

(*a*) IGST of 9,00,000

(*b*) CGST + SGST of 50,000

(*c*) IGST of 3,60,000; CGST + SGST of 5,40,000

(*d*) IGST of 3,60,000; CGST + SGST of 30,000

41. M, a wholesale dealer in goods, is registered under GST in the State of Uttar Pradesh. During the preceding financial year, he had intra State supplies of ₹ 1.25 crore and had purchased goods from Delhi of ₹ 1.10 crore. Is he eligible to opt for composition levy in the current year₹ He does not make inter-State supplies.

(*a*) Yes (*b*) No

(*c*) In his discretion (*d*) Insufficient information in question

42. ABC & Co, partnership firm, has A, B and C as its partners, who are Chartered Accountants. The firm provides audit services to its clients within the State of Karnataka. Its aggregate turnover was ₹ 60 lakh for FY 2022-23, R 45 lakh for FY 2023- 24 and is expected to be ₹ 55 lakh for FY 2024-25. Can it opt for composition levy u/s 10 for FY 2024-25?

(*a*) No (*b*) Yes, for the entire turnover of K 55 lakh

(*c*) Yes, up to the turnover of ₹ 50 lakh (*d*) Yes, up to the turnover of ₹ 45 lakh

43. K Enterprises, engaged in manufacturing business, has two registered branches, C and D, in Gujarat. Turnover for the preceding financial year is ₹ 30 lakh for C and K 100 lakh for D. For which of the branches would it need to pay tax under composition levy in the current year, if it so wishes?

(*a*) OnlyC (*b*) Only D

(*c*) Both C and D (*d*) C or D, at his discretion

44. J runs a restaurant in Jamnagar, Gujarat, and has opted to pay tax u/s 10 for the FY 2024-25 during which its turnover is ₹ 45 lakh. Determine his liability towards the Gujarat State GST.

(*a*) 22,500 (*b*) 2,25,000

(*c*) 1,35,000 (*d*) 1,12,500

45. Kavi Traders, a sole proprietary concern of Kavi, is availing composition scheme for goods in the State of Haryana. For the current financial year, its turnover crosses ₹ 1.5 crore on 15.12.2024. Kavi Traders shall not be eligible to pay tax under composition levy for at least which period?

(*a*) FY 2024-25

(*b*) FY 2025-26

(*c*) From the day his turnover crosses ₹ 1.5 crore till 31.3.2026

(*d*) From 1.4.2024 till the date his turnover crosses ₹ 1.5 crore

46. B, a trader, is paying tax under the composition scheme. It wishes to collect tax from its customers. On which of the following supplies can it do so?

(*a*) All (*b*) Supplies of notified goods

(*c*) None (*d*) Supplies of notified services

47. R is engaged in trading of goods in Tamil Nadu. Turnover during FY 2023-24 was ₹ 60 lakh. He owns a building which he plans to let out during FY 2024-25 for commercial purposes. He wants to pay tax u/s 10 of CGST Act. What is the value of supply up to which he can let out the building?

(*a*) 50 lakh (*b*) 6 lakh

(*c*) 5 lakh (*d*) No limit

48. Naini is engaged in providing coaching services to students for professional exams in Kota. His turnover for FY 2023- 24 was K 30 lakh. He wants to start providing human resource consultancy to businesses in Rajasthan. He wants your advise as to the maximum value of such services that he can offer during FY 2024-25 if the estimated value of coaching services to be provided during the year is ₹ 35 lakh. He wants to pay tax under the composition scheme for the entire year.

(*a*) 5 lakh (*b*) No limit

(*c*) 3 lakh (*d*) 15 lakh

49. If aggregate turnover of a person availing composition scheme exceeds the specified limit during the year, the option to avail lapses from which day?

(*a*) Day on which aggregate turnover exceeds the limit

(*b*) 1 April of the current FY

(*c*) 1 April of next FY

(*d*) 1 April of the preceding FY

50. Naini Pvt. Ltd. is engaged in manufacturing of crockery products in Kerala and is a composition taxable person for FY 2024- 25. During the month of July 2024, it has taken passenger cars on rent from Kamal & Sons, a sole proprietary concern, which charged ₹ 30,000 from the company. Cost of fuel is included in this consideration and Kamal & Sons has not issued an invoice charging tax @ 12%. Which of the following statements is correct in respect of tax payable on car rental

(*a*) Naini Pvt. Ltd. will pay tax @ 1% of 30,000
(*b*) Naini Pvt. Ltd. will pay tax @ 5% of 30,000
(*c*) Kamal & Sons will pay tax @ 5% of 30,000
(*d*) Naini Pvt. Ltd. will not pay tax on car rental. Tax payable will get assimilated in the composition tax.

51. L Traders has made the following supplies: Inter-State supply of services taxable @ 18%: ₹ 5 lakh; Intra State supplies of services taxable @ Nil rate: ₹ 3 lakh; Intra State supply of goods wholly exempt from tax: ₹ 7 lakh; Intra State supply of alcoholic liquor for human consumption: ₹ 4 lakh. Determine the amount of exempt supplies made by JK Traders.

(*a*) 19 lakh (*b*) 7 lakh
(*c*) 10 lakh (*d*) 14 lakh

52. L Pvt. Ltd. has supplied the following: Alcoholic liquor to consumers: R 10 lakh; warehousing of rice (exempt from GST): ₹ 15 lakh; coaching services to students (taxable @ 18%): R 6 lakh. Determine the value of exempt supplies made by Kamal Pvt. Ltd.

(*a*) 31 lakh (*b*) 15 lakh
(*c*) 25 lakh (*d*) 10 lakh

53. L Ltd. has furnished the following particulars of supplies: Intra-State outward supply of ₹ 10 lakh; inter State exempt outward supply of R 5 lakh; turnover from export of ₹ 15 lakh and payment made for availing services of Gurmeet Goods Transport Agency of ₹ 3 lakh. Compute the aggregate turnover.

(*a*) 33 lakh (*b*) 25 lakh
(*c*) 30 lakh (*d*) 28 lakh

54. L Ltd. has clocked turnover of R 1,65,20,000 from retail trade of leather products during the FY 2023-24. This includes GST @ 18%. It wants to pay tax u/s 10 of the CGST Act, 2017 during FY 2024-25. It has asked you to estimate its tax liability for FY 2024-25 u/s 10 if it expects to clock a turnover of 1,47,50,000 (inclusive of GST @ 18%).

(*a*) 1,47,500 (*b*) 6,25,000
(*c*) 22,50,000 (*d*) 1,25,000

55. BPvt. Ltd. has furnished the following details of supplies during the FY: Intra State inward supplies of R 30 lakh (10% are taxable on reverse charge basis); inter State inward supplies of ₹ 10 lakh; exports of ₹ 5 lakh; inter State outward exempt supplies of R 15 lakh; intra State outward taxable supplies 25 lakh. GST chargeable on the aforesaid supplies ₹ 3 lakh. Compute aggregate turnover.

(*a*) 45 lakh (*b*) 25 lakh
(*c*) 40 lakh (*d*) 30 lakh

56. J Traders has the following particulars of supplies: intra State outward supplies of 11,80,000 (including CGST & SGST @ 9% each); inter State outward supplies of 56,00,000 (including IGST @ 12%); intra State and inter State inward supplies of 75,00,000 (exclusive of GST @ 18%). Compute the aggregate turnover.

(*a*) 67,80,000 (*b*) 60,00,000
(*c*) 1,35,00,000 (*d*) 66,00,000

57. Fateh started his trading business on 1.4.2024 and got registered on 1.6.2024 once his turnover reached the threshold of R 40 lakh. Fie opted to pay tax u/s 10 at the time of applying for registration. His application was granted. The Proper Officer asked him to pay tax on the aforesaid amount of ₹ 40 lakh. Regular rate of GST on supplies made by Fateh is 12%. Is the demand by Proper Officer correct? What amount of GST is Fateh liable to pay on this turnover of ₹ 40 lakh?

(*a*) Yes; 1% of 40 lakh
(*b*) Yes; 12% of 40 lakh
(*c*) Yes; 5% of 40 lakh
(*d*) No; Nil

58. J Pvt. Ltd. has 3 retail stores, each in Delhi, Mumbai and Bangalore, from where it makes intra State sales to its customers. Its turnover during FY 2023-24 was ₹ 60 lakh from each of these branches. It wants to pay tax u/s 10 during the FY 2024-25. Which of these statements is correct?

(*a*) It can pay tax u/s 10 for any two branches as aggregate turnover of R 120 lakh did not exceed ₹ 150 lakh
(*b*) It cannot pay tax u/s 10 for any of the branches as aggregate turnover of ₹ 180 lakh exceeded ₹ 150 lakh
(*c*) It can pay tax u/s 10 for all the branches as turnover for each branch of R 60 lakh did not exceed R 150 lakh
(*d*) None of the above statements is correct

59. Fateh & Co, engaged in retail trade of clothes in Goa, is paying tax u/s 10 of the CGST Act, 2017. Its turnover for FY 2024-25 till 15.12.2023 is R 150 lakh. It issues five invoices of ₹ 10,000 each for sales made on 16.12.2024. Regular rate of GST is 18%. Determine the tax payable in respect of these invoices. Ignore ITC.

(*a*) 9,000
(*b*) 2,500
(*c*) 500
(*d*) Nil

60. Naini started her business of beauty treatment within the city of Dehradun, Uttarakhand, on 1.4.2024. Turnover from her business for Quarter 1 was R 20 lakh, Quarter 2 was ₹ 30 lakh and October was R 20 lakh. Determine the total tax liability of Naini till the end of October 2024 in the manner most beneficial to her. Assume regular rate of GST at 18%. Threshold turnover limit for registration under GST is ₹ 20 lakh.

(*a*) 5,40,000
(*b*) 3,00,000
(*c*) 9,00,000
(*d*) 6,60,000

61. R is a manufacturer who is a composition taxable person. Which of these is he not permitted to do?

(*a*) Issue Bill of Supply instead of Tax Invoice
(*b*) Pay zero tax on exempt supplies
(*c*) Pay tax under RCM, as applicable, on inward supplies
(*d*) Opt out of composition scheme voluntarily

62. Sunder Traders, registered under GST, have decided on 1.9.2024 to opt for composition scheme. What is the earliest date with effect from which Sunder Traders can get covered under the scheme?

(*a*) 1.9.2024
(*b*) 1.4.2024
(*c*) 1.4.2025
(*d*) As decided by the Proper Officer

63. K Technologies wants to opt to pay tax u/s 10. What will change for K Technologies after opt-in?

(*a*) Won't be able to collect tax from recipient (*b*) Won't be able to avail ITC

(*c*) Won't be able to issue tax invoice (*d*) All of the above

64. Ram Traders, availing COMPOSITION SCHEME u/s 10(2A), crossed the aggregate turnover of ₹ 50 lakh and filed intimation for withdrawal from COMPOSITION SCHEME on 5.11.2024 indicating the date of withdrawal as 1.11.2024. What will be the effective date of withdrawal?

(*a*) 1.4.2024 (*b*) 5.11.2024

(*c*) 1.4.2025 (*d*) 1.11.2024

65. A Pvt. Ltd. is availing Composition scheme u/s 10(l)/(2) since 1.4.2023. It has 3 branches in Ludhiana, Patna and Delhi. It wants to voluntarily withdraw from Composition scheme in respect of its Patna branch for which it has filed application indicating the date of withdrawal as 15.11.2024. What is the effect of such application?

(*a*) Withdrawal from COMPOSITION SCHEME for Patna branch w.e.f.

(*b*) Withdrawal from COMPOSITION SCHEME for all branches w.e.f.15.11.2024 15.11.2024

(*c*) No withdrawal from COMPOSITION SCHEME since application is filed only for one branch

(*d*) Withdrawal from COMPOSITION SCHEME for all branches w.e.f. 1.4.2025

Answer Key

1. (*d*)	**2.** (*c*)	**3.** (*a*)	**4.** (*a*)	**5.** (*a*)	**6.** (*c*)	**7.** (*a*)	**8.** (*c*)	**9.** (*b*)	**10.** (*d*)
11. (*b*)	**12.** (*c*)	**13.** (*d*)	**14.** (*d*)	**15.** (*a*)	**16.** (*c*)	**17.** (*b*)	**18.** (*b*)	**19.** (*c*)	**20.** (*b*)
21. (*b*)	**22.** (*c*)	**23.** (*a*)	**24.** (*b*)	**25.** (*b*)	**26.** (*c*)	**27.** (*b*)	**28.** (*d*)	**29.** (*c*)	**30.** (*b*)
31. (*c*)	**32.** (*b*)	**33.** (*c*)	**34.** (*b*)	**35.** (*b*)	**36.** (*a*)	**37.** (*d*)	**38.** (*b*)	**39.** (*d*)	**40.** (*c*)
41. (*a*)	**42.** (*c*)	**43.** (*c*)	**44.** (*d*)	**45.** (*c*)	**46.** (*c*)	**47.** (*b*)	**48.** (*d*)	**49.** (*a*)	**50.** (*b*)
51. (*d*)	**52.** (*c*)	**53.** (*c*)	**54.** (*d*)	**55.** (*a*)	**56.** (*b*)	**57.** (*d*)	**58.** (*b*)	**59.** (*a*)	**60.** (*a*)
61. (*b*)	**62.** (*c*)	**63.** (*d*)	**64.** (*d*)	**65.** (*b*)					

04 CHAPTER

Exemptions from GST

MULTIPLE CHOICE QUESTIONS

1. Mr. X, a registered GTA paying tax @ 5% provided freight service to Mr. Y, unregistered individual amounting to ₹ 5,000. Ascertain the amount of tax liability and the person liable.

(*a*) ₹ 250, Mr. X
(*b*) ₹ 250, Mr. Y
(*c*) Exempt
(*d*) None of the above

2. Which of the following when provided to government are exempt?

(*i*) Supply of goods
(*ii*) Pure supply of services
(*iii*) Composite supply of goods & services, where value of goods is less than 25%
(*iv*) Composite supply of goods & services, where value of services is less than 25%

(*a*) Only (*ii*)
(*b*) Both (*ii*) & (*iii*)
(*c*) Both (*i*) & (*iv*)
(*d*) Both (*ii*) & (*iv*)

3. Service by a hotel, inn, guest house, club or campsite by whatever name called, for residential or lodging purposes having _____ of a unit of accommodation below ____ per day or equivalent is exempt.

(*a*) Value of supply, ₹ 1500
(*b*) Declared tariff, ₹ 1000
(*c*) Declared Tariff, ₹ 1500
(*d*) Value of supply, ₹ 1000

4. Service by an artist by way of a performance in folk or classical art forms, where the consideration charged is up to ___ is exempt.

(*a*) ₹ 1.50 lakhs
(*b*) ₹ 2 lakhs
(*c*) ₹ 1.75 lakhs
(*d*) ₹ 2.5 lakhs

5. Aggregate turnover of Resident welfare Association is ₹ 30,00,000 with monthly maintenance charge per person is ₹ 9,000. Determine the taxablity?

(*a*) ₹ 9,000 is exempted
(*b*) ₹ 7,500 is exempted, ₹ 1,500 taxable
(*c*) ₹ 9,000 is taxable
(*d*) ₹ 4,000 is taxable and ₹ 4,000 is exempt

6. Services of life insurance business scheme such as Life micro-insurance product as approved by the Insurance Regulatory & Development Authority, having maximum amount of cover of _____ is exempt.

(*a*) ₹ 50,000 (*b*) ₹ 1,00,000

(*c*) ₹ 1,50,000 (*d*) ₹ 2,00,000

7. Which of the following service(s) provided to an educational institution - public school is (are) exempt from GST?

(*i*) Services relating to admission to such institution

(*ii*) Supply on online educational journals

(*iii*) Transport of students

(*iv*) All the above

(*a*) (iv) (*b*) Both (*i*) & (*ii*)

(*c*) Both (*ii*) & (*iii*) (*d*) Both (*i*) & (*iii*)

8. Which of the following service(s) is (/are) exempt under GST?

(*i*) Packing & warehousing of jaggery

(*ii*) Food supplied by hospitals to visitors of patients

(*iii*) Services by private ITI, in case of designated trades, relating to admission

(*iv*) Outsourced catering services provided by Schools

(*a*) (*i*) & (*ii*) (*b*) (*ii*), (*iii*) & (*iv*)

(*c*) (*iii*) & (*iv*) (*d*) (*i*), (*ii*), (*iii*) & (*iv*)

9. Services by way of right to admission to a theatrical performance is exempt where consideration is not more than _____.

(*a*) ₹ 250 (*b*) ₹ 500

(*c*) ₹ 1,000 (*d*) ₹ 1,500

10. Services by an old age home run by a trust to residents aged 60 years or more, is exempt if consideration is up to _____.

(*a*) ₹ 25,000 per annum (including boarding & lodging)

(*b*) ₹ 25,000 per month (including boarding & lodging)

(*c*) ₹ 25,000 per annum (excluding boarding & lodging)

(*d*) ₹ 25,000 per month (excluding boarding & lodging)

11. Intra-state supply of services by way of grant of license to explore petroleum crude on consideration paid to Central Government is _____.

(*a*) Exempt Supply (*b*) Taxable Supply

(*c*) Zero rated supply (*d*) Outside ambit of GST

12. Suyash Trust, not registered under Income Tax Act, has provided the following services: public awareness programs on HIV prevention (value ₹ 3,40,000); advertisement in its monthly journal (value ₹ 6,30,000); meditation camps for general public (value ₹ 5,10,000). Compute the value of taxable supplies.

(*a*) Nil
(*b*) 6,30,000
(*c*) 11,40,000
(*d*) 14,80,000

13. Sarvgyan Trust is registered u/s 12AA of the Income Tax Act. It carries on charitable and religious activities. It has provided the following particulars of receipts for the month of January: Care of persons with severe disability (₹ 1,00,000); charges for meditation camp (₹ 2,00,000); skill development for prisoners lodged in jails (₹ 3,00,000); light and sound entertainment show organized in its premises (₹ 4,00,000). Compute the value of taxable supplies for the month of January,

(*a*) Nil
(*b*) 4,00,000
(*c*) 6,00,000
(*d*) 10,00,000

14. Shri Nanak Trust is registered u/s 10(23C)(v) of the Income Tax Act, 1961. It owns and manages a Gurdwara in the city of Chandigarh. It has furnished the following particulars: Donations received from devotees for performing a religious ceremony (₹ 1,20,000); rights granted to BKC & Sons to collect parking fee in the parking area of the Gurdwara (₹ 2,00,000); advertisement charges collected from manufacturers of spiritual products for displaying their banners in the premises 6,00,000); modern kitchen equipment donated by Mr. G for preparing food for devotees in the community kitchen with a request to keep his identity anonymous (value ₹ 3,00,000); pilgrimage organized for the devotees to the Hemkund Sahib (2,50,000). Compute the value of taxable supplies.

(*a*) Nil
(*b*) 13,50,000
(*c*) 11,00,000
(*d*) 10,50,000

15. Mahakaal Trust, registered u/s 12AA of the Income Tax Act, owns and manages the Maha Shiva Temple in Varanasi. It has provided the following particulars: Donations received from devotees for performing Abhishek ceremony (₹ 1,50,000); fees for allowing photography inside temple premises (₹ 1,20,000); renting of rooms inside temple premises to devotees 2,00,000 @ ₹ 500 per day per room); renting of rooms in a guest house owned by the Trust 10 kms away from the premises (₹ 3,00,000 @ ₹ 2,000 per day per room); renting of open lawn in the temple premises for private function (₹ 60,000 @ 15,000 per day); renting of souvenir shop inside temple premises to Mr. PL (₹ 27,000 @ ₹ 9,000 per month); renting of shop outside temple premises in the city centre 45,000 @ ₹ 9,000 per month). Compute the value of taxable supplies.

(*a*) 5,25,000
(*b*) 4,80,000
(*c*) 3,60,000
(*d*) Nil

16. Jaggi provided following services during the year: A: Testing of crops grown in fields by farmers for detection of pests; B: Supply of labour for harvesting crops; C: Storage of crops after they are collected from the farms. Which of the services are exempt?

(*a*) All
(*b*) Only A, C
(*c*) Only B, C
(*d*) Only A, B

17. Kamya has provided the following services during the month of September: Letting of warehouse owned by her to Mr. PL for storing vegetables 50,000); storing crops grown by farmers in the warehouse owned by her (₹ 40,000); ripening, packing and labelling of fruits (₹ 40,000). Compute the value of taxable supplies made by her.

(*a*) 1,00,000 (*b*) 1,30,000

(*c*) Nil (*d*) 50,000

18. The Haryana Agricultural Produce Marketing Committee facilitates sales made by farmers of their agricultural produce. For this, it has charged fees of ₹ 50 lakh for the month of December. It has also charged rent of ₹ 10 lakh for letting out of shops to various traders for commercial use. What is the value of taxable supplies made by the Committee?

(*a*) Nil (*b*) 10 lakh

(*c*) 50 lakh (*d*) 60 lakh

19. Which of the following services provided to Kidzee, a pre-school, by XYZ Pvt. Ltd., are exempt from GST?

(*a*) Cleaning services in school

(*b*) Online educational periodicals

(*c*) Security services for event held outside school

(*d*) Repair and maintenance services

20. Which of the following services provided by GG Pvt. Ltd. to Shine Academy, a private coaching centre, are exempt?

(*a*) Transportation of students from residence to centre

(*b*) Cleaning services in the centre and back

(*c*) Catering service for students and staff

(*d*) None of the above

21. Caramel School, providing education up to Class XII, has charged the following amounts during the month of December: Tuition fees from students ₹ 10 lakh; transport fees from students ₹ 3 lakh; meal charges from students ₹ 1 lakh; activity charges from students ₹ 1 lakh; administrative charges from students ₹ 2 lakh; entrance fees from children applying for entrance examination for admission ₹ 3 lakh. Compute the value of taxable supplies.

(*a*) Nil (*b*) 17 lakh

(*c*) 10 lakh (*d*) 20 lakh

22. GS Services Pvt. Ltd. has provided the following particulars of services provided during the month of April: Transportation of students, faculty and staff of JK College of Commerce (JKCC) (offering degree courses)(₹ 6 lakh); catering services to Prime Higher Secondary School (₹ 3 lakh); house keeping service in the premises of Mount pre-school (₹ 2 lakh); security services to Rakesh Academy (a private coaching centre) (₹ 3 lakh); supply of online educational periodicals to JKCC (₹ 50,000). Determine the value of taxable supplies.

(*a*) Nil (*b*) 9,00,000

(*c*) 3,00,000 (*d*) 8,00,000

23. Tanya is pursuing the following educational courses: 2 year MBA program from IIM Lucknow (fees ₹ 10 lakh); diploma in business analytics from ABC Academy, a private coaching institute (fees ₹ 50,000); 1 year program in business consulting leading to a degree recognised in Canada (fees ₹ 15 lakh). Determine the value of services not exempt. All service providers are registered under GST.

(*a*) Nil
(*b*) 15,00,000
(*c*) 15,50,000
(*d*) 50,000

24. The Gujarat State Education Board (GSEB) has furnished the following particulars to you: Fees charged by GSEB from students for conduct of entrance examinations ₹ 10 lakh; fees charged from GSEB for providing result publication services ₹ 3 lakh; fees charged from GSEB for providing services of printing admit card and question papers ₹ 6 lakh; fees charged by GSEB for accreditation awarded to schools ₹ 9 lakh. Determine value of input and output services in the aggregate on which GST is exempt.

(*a*) 28 lakh
(*b*) 10 lakh
(*c*) 9 lakh
(*d*) 19 lakh

25. Virat Charitable Trust, registered u/s 12AA of the Income Tax Act, provides education services. It has shared the following particulars of charges collected during the month of May: public awareness programs on preventive health (R 6 lakh); evening school for skill development of senior citizens (above 65 years of age) residing in villages (₹ 3 lakh); cricket training for school going children (R 4 lakh); fees from students studying in Virat Public School (a higher secondary school) (₹ 25 lakh); public library (₹ 1 lakh from lending of books). Determine the value of taxable supplies.

(*a*) Nil
(*b*) 1,00,000
(*c*) 5,00,000
(*d*) 11,00,000

26. Jaya has incurred the following medical expenditure: Treatment of her pet cat by Dr. X, a veterinary doctor, in his clinic j3! 10,000); preservation of stem cells of her new born daughter by Life Care Cord Blood Bank 75,000); consultation taken from Mr. Z, a registered medical practitioner in naturopathy 3,000); dietary consultation taken from Mrs. Y, a home-maker turned famous YouTuber on the subject of home-based remedies (K 5,000); cosmetic surgery done from BKC Nursing Home to improve her looks (K 50,000). Determine the value of taxable supplies made to her. All suppliers are registered under GST.

(*a*) Nil
(*b*) 78,000
(*c*) 75,000
(*d*) 1,30,000

27. Jaiprakash Nursing Home provided the following services: Food outsourced from BK Caterers and supplied to inhouse patients on the advise of nutritionist (value ₹ 3,50,000); food outsourced from BK Caterers and supplied to visitors in the in- house food court (value ₹ 5,00,000); display of advertisement of pharmaceutical companies in the reception area (value ₹ 5,00,000). Determine the taxable value of supplies made by Jaiprakash Nursing Home.

(*a*) 5,00,000
(*b*) 15,00,000
(*c*) 10,00,000
(*d*) 13,50,000

28. Radhe Shyam Trust, registered u/s 12AA of the Income Tax Act, has provided the following health related services during the month of July: care and counselling of terminally ill patients (₹ 50,000); public awareness programs on preventive health (₹ 30,000); yoga camp on how to remain fit and healthy through meditation (₹ 1,20,000); ambulance services for accident victims (R 10,000); treatment of patients in ayurvedic care centre by registered ayurveda practitioners (₹ 2,00,000); donations received from ayurveda product companies against which the trust has displayed the name of the companies along with their products at various events organized by the trust (₹ 1,00,000). Determine the value of taxable supplies.

(*a*) Nil (*b*) 1,00,000

(*c*) 2,20,000 (*d*) 2,50,000

29. Surabhi, an employee of a private limited company, has availed the following services from the Government: Express parcel post (₹ 10,000); transport of motor car by railways to her brother staying in another city (Rs 15,000); birth certificate for her new born child (₹ 2,500). Determine the value of taxable supplies provided to her.

(*a*) Nil (*b*) 10,000

(*c*) 25,000 (*d*) 27,500

30. BCD & Co, a partnership firm, has availed the following services from the Government: Book post service of Post Office (₹ 60,000); collection of electricity bills by Post Office (commission charged 5,000); transport of goods to customers by Railways (freight ₹ 20,000); warehouse hired from the local authority on a monthly rent of ₹ 5,000; security services availed from local police (₹ 15,000). Determine the value of taxable supplies made to the firm. Turnover of the firm for the preceding FY is ₹ 10 lakh. Registration threshold of turnover is ₹ 20 lakh.

(*a*) Nil (*b*) 30,000

(*c*) 35,000 (*d*) 25,000

31. KK Pvt. Ltd., registered under GST, was awarded two contracts by the city municipality during the month of April. Contract A was for providing engineering consultancy in relation to construction of roads (consideration ₹ 10 lakh). Contract B was for maintenance of street lighting on city roads (consideration ₹ 20 lakh out of which K 4 lakh was attributable towards value of spare parts to be supplied). Determine the amount of GST that KK Pvt. Ltd. will charge assuming rate of GST at 18%.

(*a*) Nil (*b*) 1,80,000

(*c*) 3,60,000 (*d*) 5,40,000

32. B Pvt. Ltd. gives electrically operated passenger vehicles to the local authority. This service is exempt if the capacity of such vehicles is:

(*a*) > 12 passengers (*b*) > 12 passengers

(*c*) < 12 passengers (*d*) < 12 passengers

33. Pallavi has made the following payments: Documents mailed by express parcel post of Post Office (₹ 6,000); letters mailed through local Post Office by ordinary post in envelopes weighing less than 10 grams (₹ 3,000); documents mailed by DTDC courier (₹ 5,000); flight from Mumbai to

Bagdogra and back by economy class (₹ 20,000); air-conditioned mini-bus hired for a vacation trip to Goa with relatives (₹ 50,000); travel by non-A/C local public bus in Mumbai (₹ 4,000). Compute the value of taxable supplies made to Pallavi.

(*a*) Nil
(*b*) 64,000
(*c*) 61,000
(*d*) 88,000

34. Rishi has undertaken the following travel services: Flight from Bangalore to Chennai (₹ 4,000); travel from Bangalore to Mysore in air-conditioned Karnataka Roadways bus (₹ 3,000); travel by Rajdhani Express in 2-AC coach (₹ 5,000); travel in luxury cruise ship from Mumbai to Goa (₹ 15,000); commuting in metered cab in Bangalore (₹ 3,000). Compute the value of taxable supplies made to Rishi.

(*a*) Nil
(*b*) 27,000
(*c*) 24,000
(*d*) 30,000

35. Ricky resides in Bagdogra. He hired an auto rickshaw (₹ 200) to go to the Bagdogra airport from where he boarded a flight to Mumbai in economy class (₹ 4,000). He took a metered cab (₹ 300) from the Mumbai airport to go to the Metro Station from where he boarded the metro (₹ 100). He got off the metro and took the air conditioned local bus (₹ 150) to go to the railway station. He took the train to Goa and travelled in non-airconditioned second class (₹ 500). He boarded a cruise ,liner from Goa to Mumbai (₹ 3,000). Finally, he took a radio taxi (₹ 300) from the Mumbai Port to the Airport and took a flight back to Bagdogra in business class (₹ 3,000). Compute the value of taxable supplies made to Ricky.

(*a*) Nil
(*b*) 10,450
(*c*) 6,450
(*d*) 6,950

36. Roady Travel Agency is a tour operator who has provided tour operator service to Shiny, a foreign tourist. The tour is performed for 5 days in India and 7 days outside India (in Nepal). Total consideration charged is K 1,50,000. Determine the taxable value of service.

(*a*) 62,500
(*b*) 87,500
(*c*) 50,000
(*d*) 75,000

37. Transportation done by JKP & Sons of which of the following goods by rail from Kolkata to Patna, is not exempt.

(*a*) Defence equipment
(*b*) Potatoes
(*c*) Jaggery
(*d*) Flour

38. Rohit runs a Goods Transport Agency. He has provided the following services: Transported motor-cycles for Speed Pvt. Ltd. (freight ₹ 40,000); transported food grains for Agro Pvt. Ltd. in a single carriage to Mr. D (freight ₹ 1,200); transported electrical fittings for Electro Ltd. (freight ₹ 6,000); transported rice for JJ Pvt. Ltd. (freight K 5,000). Compute amount of tax on the aforesaid supplies payable by Rohit if he has exercised the option to pay tax under forward charge @ 12%. Ignore ITC.

(*a*) Nil
(*b*) 5,520
(*c*) 4,800
(*d*) 2,000

39. Shubham, a salaried individual, has shifted his residence to Delhi to Mumbai. For this purpose, he has availed service of Guru Goods Transport Agency to transport his household goods from Delhi to Mumbai by road against a consideration of ₹ 30,000. The GTA pays tax under forward charge. Determine the amount of tax that will be charged from Shubham ₹_____.

(*a*) Nil
(*b*) 1,500
(*c*) 3,600
(*d*) 5,400

40. Mohit owns a goods tempo which he has given on rent of ₹ 20,000 to KK Pvt. Ltd., a goods transport agency. KK Pvt. Ltd. has, in turn, used the tempo to provide service of transport of furniture to the Road Transport Office of the State Government which has taken GST registration only for deducting GST and not for making any taxable supply. KK Pvt. Ltd. has charged ₹ 40,000 for this purpose. Compute the amount of GST chargeable on these supplies by Mohit and KK Pvt. Ltd. Assume GST rate of 12%.

(*a*) Nil
(*b*) Nil by Mohit; 4,800 by KK Pvt. Ltd.
(*c*) 2,400 by Mohit; Nil by KK Pvt. Ltd.
(*d*) 2,400 by Mohit; 4,800 by KK Pvt. Ltd.

41. Dhanlakshmi Bank has provided the following particulars of its receipts: Interest on consumer loans 50 lakh); loan processing charges 5 lakh); commission on extending bank guarantee 20 lakh); interest on credit card dues 15 lakh); charges for non-maintenance of minimum account balances 10 lakh); penal interest on overdue loan repayments 15 lakh); repayment of principal amount of loans 200 lakh). Compute the value of taxable supplies.

(*a*) Nil
(*b*) 55 lakh
(*c*) 50 lakh
(*d*) 65 lakh

42. Sudhanshu purchased a refrigerator from Sukesh Traders, a sole proprietorship firm, for ₹ 60,000. He paid K 10,000 as upfront payment and agreed to pay the balance within 2 months. On failure to pay the balance within time, he had to pay ₹5,000 as interest for delayed payment as per the agreement. What is the amount of interest liable to tax in this case ₹_____.

(*a*) Nil
(*b*) 5,000
(*c*) 6,000
(*d*) 7,000

43. MQ LLP is a business correspondent of JKG Bank. It has earned fees of ₹ 15 lakh for services in respect of accounts in rural branches and fees of ₹ 30 lakh in respect of accounts in urban branches. Compute amount of GST assuming rate of 18%.

(*a*) Nil
(*b*) 5.40 lakh payable under forward charge
(*c*) 5.40 payable under reverse charge
(*d*) 8.10 lakh payable under forward charge

44. Raman has earned ₹ 10 lakh as the business facilitator of XYZ Insurance Company working in rural areas and K 20 lakh as the business correspondent of PQR Insurance Company working in urban areas. Compute the tax on. these services assuming a rate of 18%.

(*a*) Nil
(*b*) 1.8 laskh
(*c*) 3.6 lakh
(*d*) 5.4 lakh

45. Yogesh has let out his residential flat in Gruh Housing Society to Mr. PL (unregistered) foruseas residence at a rent of ₹ 30 lakh per annum. Is Yogesh liable to pay GST on rent ₹

(*a*) Yes

(*b*) No, as GST is levied on reverse charge basis

(*c*) No, as Yogesh is an individual

(*d*) No, as the service is exempt from GST

46. Ravi, a businessman (unregistered), has provided the following details of expenditure for the month of June: Rent ofhousing apartment used as residence 20,000); rent of residential flat used as office 30,000); rent of shop used in business (₹ 40,000). Compute the value of taxable supplies made to Ravi.

(*a*) Nil

(*b*) 30,000

(*c*) 40,000

(*d*) 70,000

47. Ujala purchased a plot of land in Aurangabad from Mr. PL for ₹ 20 lakh and got a house constructed by BD Builders on the plot for self-residence. BD Builders only provided labour service and charged a total consideration of ₹ 5 lakh from Ujala. After house got constructed, she got some repair work done from M/s PQR & Sons for a consideration of ₹ 3 lakh. As part of repair work, M/s PQR & Sons also provided the required material. Compute value of taxable supplies made to Ujala.

(*a*) Nil

(*b*) 3 lakh

(*c*) 8 lakh

(*d*) 28 lakh

48. Lisa is registered under GST having turnover of ₹ 30 lakh in the preceding FY and ₹ 35 lakh in the current FY. He has provided the following particulars: He operates a souvenir shop within the complex of St. Peters Church, Bangalore (registered u/s 10(23C)(v) of the Income Tax Act), for which he pays rent of ₹ 10,000 per month. He owns a building that he has let out to a charitable trust, registered u/s 12AA of the Income Tax Act, for running its office on a monthly rent of ₹ 20,000. He has set up his office in a premises let out by the State Government on a rent of ₹ 10,000 per month. He owns the Dens Inn where he charges ₹ 800 per day per room for boarding and lodging (total tariff charged ₹ 8,00,000). Determine the value of supplies for the year on which Lisa is required to pay tax either under forward or reverse charge.

(*a*) Nil

(*b*) 1,20,000

(*c*) 3,60,000

(*d*) 11,60,000

49. Which of the following services provided by Mr. Z to the Yamuna Cricket Club, a private club in Delhi, is not exempt from GST?

(*a*) Player

(*b*) Pitch curator

(*c*) Umpire

(*d*) All the above

50. Virat has provided services as Kabaddi Team Coach to the Sports Authority of India for participation in the Kabaddi championship organized by MKG Ltd., a multi brand sports goods company, against which he has received remuneration of ₹ 1 lakh. He has also played the role of selector for the National Games organised by the Indian Olympic Association for which he has received remuneration of ₹ 2 lakh. What is the taxable value of services provided by Virat ₹_____.

(*a*) Nil
(*b*) 1 lakh
(*c*) 2 lakh
(*d*) 3 lakh

51. M is a renowned artist. She provided the following services during the year: Performed in a modern dance show on New Year eve and charged ₹ 1.25 lakh; performed in a folk music concert and charged ₹ 1.75 lakh; performed in a Bharatnatyam dance program and charged ₹ 1 lakh. Determine the value of taxable supply.

(*a*) Nil
(*b*) 4,00,000
(*c*) 1,25,000
(*d*) 3,00,000

52. R enjoyed her vacation by visiting the following places: Dance drama in Kamani Auditorium (ticket ₹ 700); Nehru Planetarium (ticket ₹ 500); Delhi Zoo (ticket ₹ 200); wildlife sanctuary (ticket ₹ 1,000). Determine the value of taxable services supplied to her.

(*a*) Nil
(*b*) 700
(*c*) 1,700
(*d*) 2,400

53. Guri, a pensioner, has taken legal help from Mr. PL, an advocate, practicing in the Jodhpur District Court, in relation to a property inheritance dispute with his relatives. Mr. PL has asked Guri to pay him ₹ 1,18,000 (inclusive of GST @ 18%) for his services. How much should Guri pay to Mr. PL in accordance with law ₹_____.

(*a*) Nil
(*b*) 18,000
(*c*) 1,00,000
(*d*) 1,18,000

54. PKN LLP is engaged in retail business with turnover running into crores since the last several years. It has asked Mr. H, an Advocate, to represent its case under the contract law in the Bombay High Court. Mr. H has, in turn, taken advise in relating to this case, from KK & Co., a partnership firm of advocates. The firm has charged ₹ 50,000 from Mr. H who has, in turn, charged ₹ 1,00,000 from PKN LLP. Determine the amount of GST on these transactions assuming rate of 18%. Assume the threshold limit of turnover for registration as ₹ 20 lakh.

(*a*) Nil
(*b*) 18,000 payable by Mr. H under forward charge
(*c*) 18,000 payable by PKN LLP under reverse charge
(*d*) 9,000 payable by Mr. H under reverse charge

55. The Arbitral Tribunal, set up under the Arbitration & Conciliation Act, 1996, has resolved a dispute pertaining to MM Pvt. Ltd. (not registered under GST as its turnover has been below the registration threshold) through arbitration and charged ₹ 30,000 for such service. Which of the following statements is correct ₹ _____.

(*a*) Tax is not payable

(*b*) Tax is payable by MM Pvt. Ltd. under reverse charge

(*c*) Tax is payable by Arbitral Tribunal under forward charge

(*d*) None of the above

56. Mr. H is a Senior Advocate practicing in the Supreme Court. He has provided the following particulars: Legal advice pertaining to a personal matter of Mr. PL, a retired army officer (fees charged ₹ 3 lakh); legal advice provided to Mr. RP, an advocate (fees charged ₹ 50,000; turnover of Mr. RP for preceding FY is ₹ 10 lakh); legal advice provided to BCD & Co, a partnership firm of advocates (fees charged K 1 lakh; turnover of the firm for preceding FY is ₹ 35 lakh); representation service before the Supreme Court on behalf of the Central Government (fees charged K 5 lakh). Compute the value of taxable services provided by Mr. Harpreet if the GST registration threshold is ₹ 20 lakh.

(*a*) Nil

(*b*) 1,00,000

(*c*) 1,50,000

(*d*) 4,50,000

Answer Key

1. (*c*)	**2.** (*b*)	**3.** (*d*)	**4.** (*a*)	**5.** (*c*)	**6.** (*d*)	**7.** (*c*)	**8.** (*c*)	**9.** (*b*)	**10.** (*b*)
11. (*a*)	**12.** (*d*)	**13.** (*b*)	**14.** (*d*)	**15.** (*a*)	**16.** (*a*)	**17.** (*d*)	**18.** (*b*)	**19.** (*a*)	**20.** (*d*)
21. (*a*)	**22.** (*b*)	**23.** (*c*)	**24.** (*d*)	**25.** (*a*)	**26.** (*d*)	**27.** (*c*)	**28.** (*b*)	**29.** (*c*)	**30.** (*d*)
31. (*a*)	**32.** (*a*)	**33.** (*c*)	**34.** (*b*)	**35.** (*c*)	**36.** (*d*)	**37.** (*c*)	**38.** (*b*)	**39.** (*b*)	**40.** (*a*)
41. (*c*)	**42.** (*b*)	**43.** (*b*)	**44.** (*c*)	**45.** (*d*)	**46.** (*d*)	**47.** (*b*)	**48.** (*d*)	**49.** (*d*)	**50.** (*d*)
51. (*d*)	**52.** (*b*)	**53.** (*c*)	**54.** (*c*)	**55.** (*a*)	**56.** (*b*)				

05 CHAPTER

Place of Supply

MULTIPLE CHOICE QUESTIONS

1. Faraq Spices Pvt. Ltd., located and registered under GST in the State of Assam, sells Exotic Spices from its showroom to M/s Indulge Cafe (located and registered under GST in the State of Tamil Nadu). M/s Indulge Cafe requested to deliver to Mr. Amar Shetty at Patna, Bihar. Faraq Spices Pvt. Ltd. sends the goods with a proper e-way bill to Patna through a transporter who made the delivery to Mr. Amar Shetty. Determine the place of supply of goods sold by Faraq Spices Pvt. Ltd. to M/s Indulge Cafe in the above case.

(*a*) Assam
(*b*) Tamil Nadu
(*c*) Bihar
(*d*) Either Tamil Nadu or Bihar, at the option of the recipient

2. M/s The Design Shop, located and registered under GST in Chennai, Tamil Nadu, provided Interior Designing services to ITC Welcome Hotels India Ltd., located and registered under GST in Noida, Uttar Pradesh, for its hotel to be constructed on land situated in Dubai.

Determine the place of supply of architectural services provided by M/s The Design Shop to ITC Welcome Hotels India Ltd..

(*a*) Chennai, Tamil Nadu
(*b*) Noida, Uttar Pradesh
(*c*) Dubai
(*d*) Either Uttar Pradesh or Dubai, at the option of the recipient

3. M/s Moon Star Stationeries, located and registered under GST in Punjab, supplied Stationeries to Mr. Laxmi Khurana, an unregistered person, located in Rajasthan. Mr. Laxmi Khurana booked the courier himself with Parcels & Courier (P) Ltd., registered under GST in West Bengal for delivery in Rajasthan. Parcels & Courier (P) Ltd. picked up the goods from Punjab handed over by M/s Moon Star Stationeries and delivered the courier in Rajasthan while passing through the State of Haryana. Determine the place of supply of service provided by Parcels & Courier (P) Ltd. to Mr. Laxmi Khurana:

(*a*) Punjab
(*b*) Andhra Pradesh
(*c*) Rajasthan
(*d*) Pune, Maharashtra

4. Ms. Mayuri, an unregistered person residing in Mapusa, Goa, went to Guntur, Andhra Pradesh for seeking admission of her child - Mr. Jay - in CA Intermediate. Ms. Mayuri got the demand draft generated at AMD Bank Ltd., located and registered under GST in Bhuvnagiri, Telangana against cash, for depositing the registration fee to the ICAI. Ms. Mayuri does not have a bank account in AMD Bank Ltd. and the bank doesn't have any policy of KYC requirements (name, address and other identity verification policy) for customers requiring demand draft and not having account with any of its branch in India. Determine the place of supply of service provided by AMD Bank Ltd., Telangana to Ms. Mayuri.

(*a*) Goa

(*b*) Telangana

(*c*) Either Goa or Telangana, at the option of the recipient

(*d*) Andhra Pradesh

5. Lucky Singh, a resident of Noida and an unregistered person, U.P. (working in a private firm), went to Himachal Pradesh for a family vacation via Delhi-Chandigarh-Himachal Pradesh in his own car. After entering Chandigarh, his car broke down due to some technical issue. He called 'ONROARDS' - an emergency roadside car assistance company (registered under GST in Delhi) to repair the car. The car was repaired by the staff of 'ONROARDS'. 'ONROARDS' does not have policy to maintain a record of the addresses of the persons taking the car assistance service. The value of supply amounted to 50,000 (being labour charges 40,000 and spares 10,000). The bill was supposed to be generated online though the server, but due to some technical issue, it was not so generated.

Determine the place of supply in the given case.

(*a*) Delhi

(*b*) Chandigarh

(*c*) Noida, U.P.

(*d*) Himachal Pradesh

6. Charan Events, an event management firm registered in Chennai provides service of organizing promotional events on behalf of Agalya Textiles, Hyderabad (unregistered) in Chennai, Vizag, Delhi, Kolkata and Patna. Determine the place of supply.

(*a*) Tamil Nadu

(*b*) Hyderabad, Telangana

(*c*) Any one of the states where the event is organized, at the option of recipient.

(*d*) Place of supply to determine on proportionate basis.

7. M/s Glam Naturally is registered in Kerala it sends an employee from Pune as make-up artist to Mr. Suresh Babu, an Actor based in Andhra Pradesh, to a movie shooting in Rajasthan. Determine the place of Supply provided by M/s Glam Naturally to Mr. Suresh Babu.

(*a*) Kerala

(*b*) Andhra Pradesh

(*c*) Rajasthan

(*d*) Pune, Maharashtra

8. CA Harini, a registered person in Pondicherry is travelling to Andaman & Nicobar Island on a vacation from Chennai Port (Tamil Nadu) in a Cordelia Cruise. She purchases an Antique Clock in M/s Shop in Sea, a registered gift shop located inside the cruise during her travel.

- Determine the place of supply provided by Ms Shop in sea to CA Harini.

(*a*) Pondicherry
(*b*) Andaman & Nicobar
(*c*) Tamil Nadu
(*d*) Either Andaman & Nicobar or Pondicherry, at the option of the recipient

9. Rohini of Delhi sells goods of value 10,000 to Mohini of Ghaziabad, Uttar Pradesh (registered). Goods are transported by Rohini to the premises of Mohini by using the transportation services of JKG Transports of Gurugram, Haryana. Rate of GST is 18%. Calculate the GST payable on supply.
(*a*) CGST of 900 and SGST of 900
(*b*) CGST of 900 and UTGST of 900
(*c*) IGST of 1,800
(*d*) CGST of 1800

10. Jagat of Mumbai sells a warehouse building of value ₹ 10 lakh to Rajat of Bangalore (registered). Jagat also sells a weighbridge of value ₹ 1 lakh installed in the warehouse building to Rajat via a separate contract. The warehouse building is located in Mumbai. Rate of GST is 18%. Calculate the GST payable on supply.
(*a*) CGST of 9,000 and SGST of 9,000
(*b*) CGST of 9,000 and UTGST of 9,000
(*c*) IGST of 18,000
(*d*) SGST of 18,000

11. Where goods are assembled or installed at the site by the supplier, the place of supply is:
(*a*) Principal place of business of supplier
(*b*) Principal place of business of recipient
(*c*) Place of such installation or assembly
(*d*) Location where movement of goods begins for delivery to the recipient

12. Raj of Chennai sold a heavy equipment of value ₹ 10 lakh to Mahi of Hyderabad. The equipment is required to be assembled and installed in the factory of Mahi being set up at Chennai. Determine the GST payable. Rate of GST is 18%.
(*a*) IGST of 1,80,000
(*b*) CGST of 1,80,000
(*c*) CGST & SGST of 90,000 each
(*d*) SGST of 1,80,000

13. Where goods are supplied on board a conveyance, the place of supply is:
(*a*) Location where goods are sold
(*b*) Location where goods are taken on board
(*c*) Location of the supplier
(*d*) Location where goods are taken off board

14. A of Bhopal sold goods to B of Patna. Goods were sold and delivered to B in Patna. Thereafter, B onboarded a train from Patna to Mumbai and carried the goods with him for sale. He sold the goods during the journey to C, a customer, who onboarded the train at Kalyan. Determine the place of supply between A & B and B & C. A and B are registered.
(*a*) Patna, Mumbai
(*b*) Patna, Kalyan
(*c*) Bhopal, Patna
(*d*) Patna, Patna

15. Where service is supplied to an unregistered person whose address is available on the records of the supplier, the place of supply is:
(*a*) Location of recipient
(*b*) Location of supplier
(*c*) Location where service is performed
(*d*) Location where payment is made

16. Raghav is a business consultant based out of Raipur and registered in Chhattisgarh. He provided advisory services to Raman of Gandhinagar, Gujarat. Raman is not registered under GST. Raman did not provide his address to Raghav. Determine the place of supply and the nature of supply.

(*a*) Gandhinagar, intra-State
(*b*) Raipur, intra-State
(*c*) Gandhinagar, inter-State
(*d*) Raipur, inter-State

17. Y Ltd. of Delhi wants to purchase an immovable property as an investment in real estate market. It avails real estate market study services from Mr. Z, a noted expert, who is based out of Bangalore. On the basis of report submitted by Mr. Z, Y Ltd. acquires a building in Hyderabad. What is the place of supply between Mr. Z and Y Ltd.₹ Y Ltd. and Mr. Z are registered.

(*a*) Delhi
(*b*) Bangalore
(*c*) Hyderabad
(*d*) None of these

18. Red Hotels has charged a sum of ₹ 20,000 from Ms. C of Delhi for stay in its two properties located in Mumbai and Bangalore. She stayed for 3N/4D in Mumbai and 2N/3D in Bangalore. The area of both the properties is in the ratio of 1:3. The total time spent by her is 80 hours in Mumbai hotel and 60 hours in Bangalore hotel. What will be the place of supply and the value of supply attributable to such places as per Rule 4 of IGST Rules ₹ _____.

(*a*) Mumbai 5,000; Karnataka 15,000
(*b*) Mumbai 12,000; Karnataka 8,000
(*c*) Delhi 20,000
(*d*) Mumbai 11,429; Karnataka 8,571

19. In which of the following cases of provision of services is the place of supply not the location where the services are actually performed ₹ _____.

(*a*) Personal grooming
(*b*) Plastic surgery
(*c*) Legal representation
(*d*) Restaurant service

20. Dr. D of Jaipur goes to KLK Hospital, Bangalore to perform plastic surgery on Mr. M of Chennai. Determine the place of supply.

(*a*) Jaipur
(*b*) Bangalore
(*c*) Chennai
(*d*) Any of these can be chosen

21. Mohit, a student residing in Delhi, has enrolled with Jagan Institute, Noida for receiving training on communication skills. Training fee is ₹ 20,000. Determine the place of supply and GST payable. Rate of GST is 18%.

(*a*) Noida; CGST and SGST of 1,800 each
(*b*) Delhi; CGST and SGST of 1,800 each
(*c*) Noida; IGST of 3,600
(*d*) Delhi; IGST of 3,600

22. UB Sports of Bangalore organizes a sporting event in Delhi. Raghav, a resident of Gurugram, and Raghu, a resident of Delhi, visit the show after paying admission fee of ₹ 3,000 each. Determine the place of supply.

(*a*) Bangalore for Raghav and Raghu
(*b*) Gurugram for Raghav; Delhi for Raghu
(*c*) Delhi for Raghav and Raghu
(*d*) None of these

23. J Ltd. of Coimbatore, an event management company registered in Tamil Nadu, organized an award function in Dubai for K Ltd. of Chennai, registered in Tamil Nadu. Determine the place of supply and the nature of GST payable.

(*a*) Coimbatore; CGST and SGST
(*b*) Dubai; IGST
(*c*) Chennai; IGST
(*d*) Chennai; CGST and SGST

24. Red Events Pvt. Ltd. of Delhi organized an exhibition for Kapil of Vizag who is not registered under GST. Exhibition was held in Pune. Determine the place of supply and the nature of GST payable.

(*a*) Pune; IGST
(*b*) Chennai; CGST and SGST
(*c*) Vizag; IGST
(*d*) Delhi; CGST and SGST

25. In case of prepaid travel voucher given for future use (point of embarkation not known at the time of issue) to an unregistered person, what is the place of supply where address of such person does not exist on record of service provider?

(*a*) Location of supplier
(*b*) Location of recipient
(*c*) Place of embarkation, when it happens
(*d*) Place of disembarkation, when it happens

26. Madhuri of Chennai (unregistered) travelled by air from Bangalore to Delhi. Determine the place of supply.

(*a*) Chennai
(*b*) Bangalore
(*c*) Delhi
(*d*) Any of these

27. Raghav of Mumbai (registered in Maharashtra) purchased return tickets for travel by air from Delhi to Bangalore. He performed the onward journey on 5 October and return journey on 6 October. Determine the place of supply for onward and return journeys.

(*a*) Delhi; Bangalore
(*b*) Bangalore; Delhi
(*c*) Delhi for both the journeys
(*d*) Mumbai for both the journeys

28. Govind of Warangal uses post paid mobile connection services of Super Telephone Ltd., Kolkata. The bill becomes due for payment on 15th of every month. His Warangal address is registered as the billing address in the records of Super Telephone Ltd. He travelled to Bangalore from 10th to 20th June and made online payment of the mobile bill on 15th June from the hotel he was staying in. Determine the place of supply.

(*a*) Warangal
(*b*) Kolkata
(*c*) Bangalore
(*d*) None of these

29. Rajiv, residing in Delhi buys a health insurance policy for his mother, residing in Kota, from Risk Free Insurance, registered in Chennai. The address of Kota has been submitted to the insurance company for its records. While Rajiv is an employee, his mother is a homemaker. Determine the place of supply.

(*a*) Kota
(*b*) Delhi
(*c*) Chennai
(*d*) None of these

30. The Central Government has given an order to place advertisement of its scheme in the 20th edition of My India magazine which will be distributed in the States of Delhi and Uttar Pradesh. Estimated readership in these States is 1.5 lakh and 3.5 lakh, respectively. Amount payable for this service is a total of ₹ 5 lakh being W. 3 lakh for publication in Delhi and ₹ 2 lakh for publication in Uttar Pradesh. Determine the place of supply and value of supply attributable to such places as per Rule 3 of IGST Rules.

(*a*) Delhi and UP: 1.5 lakh and 3.5 lakh
(*b*) Delhi and UP; 2.5 lakh and 2.5 lakh
(*c*) Delhi and UP; 3 lakh and 2 lakh
(*d*) None of these

31. The Government has placed an order for running its advertisement on My News TV Channel during the second week of July 2024. The channel beams its signal in the States of Karnataka, Orissa and Tamil Nadu. Population of these States is in the ratio of 3:2:4. As per data published by BARC, the viewership of this channel in these States during the last week of June 2024 is in the ratio of 1:1:1. This ratio is 1:1.5:2 in the second week of July 2024. Determine the place of supply and value of supply attributable to such places as per Rule 3 of IGST Rules.

(*a*) Karnataka, Orissa, Tamil Nadu; 3:2:4
(*b*) Karnataka, Orissa, Tamil Nadu; 1:1:1
(*c*) Karnataka, Orissa, Tamil Nadu; 1:1.5:2
(*d*) None of these

Answer Key

1. (*b*)	**2.** (*b*)	**3.** (*a*)	**4.** (*b*)	**5.** (*a*)	**6.** (*d*)	**7.** (*c*)	**8.** (*c*)	**9.** (*c*)	**10.** (*a*)
11. (*c*)	**12.** (*c*)	**13.** (*b*)	**14.** (*d*)	**15.** (*a*)	**16.** (*b*)	**17.** (*a*)	**18.** (*b*)	**19.** (*c*)	**20.** (*b*)
21. (*a*)	**22.** (*c*)	**23.** (*d*)	**24.** (*a*)	**25.** (*a*)	**26.** (*b*)	**27.** (*d*)	**28.** (*a*)	**29.** (*a*)	**30.** (*c*)
31. (*b*)									

06 CHAPTER

Time of Supply

MULTIPLE CHOICE QUESTIONS

1. Mr. K supplied goods on 04-10-23. Invoice was issued on 27-10-23 and payment was received by cheque & banked in the same day on 15-09-23 but got credited in bank a/c on 20-09-23. Determine the time of supply?

(*a*) 27-09-23 (*b*) 04-10-23

(*c*) 15-09-23 (*d*) 20-10-23

2. AB ltd sent goods on approval for sale or return basis to C Ltd. In this case, invoice should be issued _____.

(*a*) On removal of goods (*b*) Before or at time of supply

(*c*) 6 months from date of removal (*d*) (*b*) or (*c*) whichever is earlier.

3. A has supplied goods to M/s. B Ltd, on which tax is payable under RCM and invoice was issued on 03-10-23.

Date on which goods received - 30-09-23. Date on which payment has been entered in recipient's books - 05-10-23.

Date on which payment got debited in bank a/c - 08-10-23. Determine the time of supply.

(*a*) 05-10-23 (*b*) 08-10-23

(*c*) 30-09-23 (*d*) 03-10-23

4. Time of supply in case of voucher where the supply is identifiable is?

(*a*) Date of issue of voucher (*b*) Date of redemption of the voucher

(*c*) Earlier of (*a*) or (*b*) (*d*) Later of (*a*) or (*b*)

5. What is the time of supply of service if invoice is not issued within 30 days from the date of supply of service?

(*i*) Date on issue of invoice

(*ii*) Date of receipt of payment

(*iii*) Date of provision of service

(*a*) Earlier of (*ii*) or (*iii*) (*b*) Earlier of (*i*) or (*ii*)

(*c*) Later of (*i*) or (*ii*) (*d*) Earlier of (*i*) or (*iii*)

6. In case goods are sent or taken on approval for sale or return, tax invoice needs to be issued latest by which date?

(*a*) Date of supply
(*b*) 6 months from the date of removal
(*c*) Later of (*a*) or (*b*)
(d) Earlier of (*a*) or (*b*)

7. In case of supply of goods involving movement of goods, tax invoice needs to be issued latest by which date?

(*a*) Delivery of goods to recipient
(*b*) Receipt of payment by supplier
(*c*) Removal of goods for supply to recipient
(*d*) Entry of payment in books of recipient

8. Yuvi received 100% advance on 1 April for supply of goods to Bhavithra. Yuvi removed the goods from his warehouse on 15 April and issued the invoice on 10 April. Determine the time of supply. Tax is payable under forward charge.

(*a*) 10 April
(*b*) 1 April
(*c*) 15 April
(*d*) 31st day from 10 April

9. Madhav received order on 1 May for supply of goods to Raghav. He received 30% advance on the date of order. He prepared and packaged the goods and brought them to his warehouse on 10 May. Goods were dispatched from warehouse on 15 May (along with the invoice of same date) and received by Raghav on 20 May. Raghav issued the cheque for the balance amount which was credited in the bank account of Madhav on 30 May. Determine the time of supply. Tax is payable under forward charge.

(*a*) 20 May
(*b*) 1 May for 30% value; 30 May for 70% value
(*c*) 30 May
(*d*) 15 May

10. Jagan Mobile Store sold 10 mobile phones of value of ₹ 2 lakh on 10 May. Phones were delivered to the customers at the store immediately after they made the payment by credit card. Invoice was generated and handed over to the customers with the phone. The store had purchased these phones from the distributor on 1 May. The date of manufacture printed on the packaging of these phones was 15 April. Determine the time of supply for sale of mobile phones by Jagan Mobile Store.

(*a*) 31st day from 10 May
(*b*) 1 May
(*c*) 10 May
(*d*) 15 April

11. B Ltd. bagged the order for supply of machinery to C Ltd. against 100% advance received on 1 July. B Ltd. procured the parts of machinery on 15 July. Assembling, installation, testing and approval of the machine got completed on 30 July at the factory site of C Ltd. B Ltd. issued the invoice on 10 August. Determine the time of supply.

(*a*) 1 July
(*b*) 30 July
(*c*) 10 August
(*d*) 15 July

12. J Ltd. supplies gas by pipeline to K Ltd. on a continuing basis. For the supply made during the month of July, J Ltd. issued the statement to K Ltd. on 5 August. Invoice was issued on 10 August. K Ltd. made payment on 12 August which got credited in the bank account of J Ltd. on 15 August. Determine the time of supply.

(*a*) 10 August
(*b*) 15 August
(*c*) 5 August
(*d*) 1 August

13. Jagan sent goods to Magan on 10 September on approval for sale or return. The goods were received by Magan in his store on 15 September. Magan indicated his acceptance and sold the goods on 10 December and made the payment on 25 December which was received by Jagan on 31 December. Jagan issued the invoice on 5 January. Determine time of supply.

(*a*) 25 December
(*b*) 10 September
(*c*) 6 months from 10 September
(*d*) 10 December

14. Roshan dispatched goods to Samuel on 15 June on approval for sale or return. The goods were received by Samuel in his store on 25 June. He sold the goods on 10 February and made the payment on 25 February which was received by Roshan on 27 February. Roshan issued the invoice on 15 February. Determine the time of supply.

(*a*) 15 June
(*b*) 14 December
(*c*) 10 February
(*d*) 15 February

15. Which of these events is considered while determining the time of supply of goods taxable under reverse charge?

(*a*) Last date to issue invoice by supplier
(*b*) Date of removal of goods by supplier
(*c*) 31st day from date of issue of invoice by supplier
(*d*) Date of receipt of payment by supplier

16. C Ltd. supplied goods to D Ltd. on which tax is payable under RCM. C Ltd. issued the invoice on 1 June. D Ltd. received the goods on 30 June. D Ltd. made the payment which was debited in its bank account on 15 June (entered in its books of account on 12 June). Determine the time of supply.

(*a*) 12 June
(*b*) l June
(*c*) 30 June
(*d*) 2 July

17. B Ltd. received order from C Ltd. on 1 September for supply of goods for a total consideration of ₹ 1 lakh. C Ltd. paid 20% advance on the date of order. B Ltd. prepared the goods and sent them to its warehouse on 15 September from where these were dispatched for delivery on 20 September along with the invoice of same date. Goods were received in the warehouse of C Ltd. on 25 September. C Ltd. made the balance payment on 30 September. Tax is payable under RCM. Determine the time of supply.

(*a*) 1 September for 20,000; 20 September for 80,000
(*b*) 20 September
(*c*) 21 October
(*d*) 1 September for 20,000; 25 September for 80,000

18. If a supplier of services receives amount in excess of the amount indicated in the tax invoice, he can opt to take the time of supply in respect of such excess, as the date of issue of invoice in relation to such amount. This relief is available only if the excess amount is:

(*a*) Less than K 1,000
(*b*) More than ₹ 1,000
(*c*) Up to ₹ 1,000
(*d*) Equal to ₹ 1,000

19. Krishna has provided maintenance services to C Ltd. continuing for a period of 4 months. As per the contract, payment of instalment becomes due on 10th of every month. Krishna has, however, received the payment on 15th of every month which was made by C Ltd. on 14th of every month. When should Krishna issue tax invoice?

(*a*) On completion of work
(*b*) On or before 14th of the month
(*c*) On or before 15th of the month
(*d*) On or before 10th of the month

20. Shobhana provided architect services to PQ Pvt. Ltd. Provision of service got completed on 15 June. She received 100% advance on 1 June. Shobhana issued invoice on 25 July. Determine the time of supply of services.

(*a*) 15 June
(*b*) 1 June
(*c*) 25 July
(*d*) 31st day from 25 July

21. Mahendra entered into an agreement on 1 January with B Ltd. to provide web design services. He received 25% advance on 15 January being the date of start of the work. The work got completed on 10 February and Mahendra issued the invoice on 12 February. B Ltd. issued the cheque for the balance amount on 25 February which got credited in the bank account of Mahendra on 5 March (he entered the payment in his books of account on 1 March). Determine time of supply.

(*a*) 12 February
(*b*) 15 January for advance; 1 March for balance
(*c*) 10 February
(*d*) 15 January for advance; 12 February for balance

22. Yogesh owns a warehouse. He offered the services of warehousing of cereals to Mahesh for a period of 15 days starting 1 July for a consideration of K 20,000. He issued the invoice on 20 July pursuant to which Mahesh made the payment on 25 July which Yogesh received on 28 July. Determine the time of supply.

(*a*) 15 July
(*b*) l July
(*c*) 20 July
(*d*) Service not liable to tax

23. Super Housing Society approached Keshav on 15 October to provide 'cleaning and sanitation services in the society.' Keshav accordingly provided the services. However, he did not issue an invoice. The society made payment in cash. Details regarding provision of service and receipt of payment could not be found from the records maintained by Keshav. However, the society had shown the receipt of service on 10 November in its books of account. Determine the time of supply.

(*a*) 10 November
(*b*) 15 October
(*c*) Tax not leviable as time of supply cannot be determined
(*d*) None of the above

24. David, an artist, booked Surmandal auditorium for music concert on 15 November for a total consideration of ₹ 1 lakh by paying 20% advance on the same day. The concert was held on 1 December for which the auditorium issued the invoice on 15 January. David made the balance payment on 20 January. Payments by David were received by Surmandal auditorium on the same day. Determine the time of supply.

(*a*) 15 November for advance; 15 January for balance
(*b*) 15 November for entire amount
(*c*) 15 November for advance; 1 December for balance
(*d*) 15 January for entire amount

25. Shine Drycleaners provided dry cleaning services to Sakshi on 10 February for which it issued invoice of ₹ 5,000 on 15 February. Sakshi made payment of ₹ 5,200 in cash on 20 February. Sakshi again availed these services from Shine Drycleaners on 15 March for which invoice was issued for ₹ 2,000 on 20 March. Sakshi made payment of ₹ 1,800 in cash on the same day. Determine the time of supply. All amounts represent the value of services. Ignore GST.
(*a*) 15 February for 5,000; 20 March for 2,000
(*b*) 15 February for 5,200; 20 March for 1,800
(*c*) 10 February for 5,000; 15 March for 2,000
(*d*) 10 February for 5,200; 15 March for 1,800

26. K Ltd. has provided construction services to Z Ltd. The work would take 5 months to complete. As per the contract, 20% payment becomes due on 5th of each month. K Ltd. has issued invoice on 3rd of each month pursuant to which Z Ltd. Has made payment on 7th of each month which has been received by K Ltd. after 2 days. Determine the time of supply.
(*a*) 5th of each month
(*b*) 7th of each month
(*c*) 3rd of each month
(*d*) 9th of each month

27. C & Co. entered into a contract with Mr. Raju for provision of continuous supply of service for a total consideration of ₹ 5 lakh. The work commenced on 1 April and got completed on 15 July. There is no written agreement regarding due dates of payment. However, Mr. Raju made payment of 50% on 15 May and 50% on 20 July based on mutual understanding. C & Co received these payments the next day and issued the invoice on that day. Determine the time of supply.
(*a*) 15 July
(*b*) 15 May for 50% and 20 July for 50%
(*c*) 16 May for 50% and 21 July for 50%
(*d*) 30 April

28. Subhash entered into a contract with Manish for continuous supply of services by way of scientific research and development spanning across several months divided into 5 phases. The contract was entered into on 1 September with the stipulation that 20% payment would be made upon completion of each phase. The third phase got completed on 10 December for which Subhash issued the invoice on 15 December and received the payment on 20 December. Determine the time of supply for the third phase.
(*a*) 1 September
(*b*) 15 December
(*c*) 10 December
(*d*) 20 December

29. Roland Ltd. received legal services from Mr. Harsh, a senior advocate, for a consideration of ₹ 3 lakh. ®Mr. Harsh provided the services on 1 July and issued the invoice on 15 July. Roland Ltd. made the payment entry in its books on 16 August (payment got debited in its bank account on 20 August). Turnover of Roland Ltd. for the preceding FY was ₹ 50 lakh. What is the time of supply?
(*a*) 15 July
(*b*) 14 September
(*c*) 20 August
(*d*) 16 August

30. Raju owns a truck. He transported goods of Q Pvt. Ltd. from Delhi to Patna. Raju did not issue consignment note. The goods were picked up on 1 March and delivered on 5 March. Q Pvt. Ltd. made the payment on 5 March which was received by Raju on 6 March. Determine the time of supply.

(*a*) 1 March
(*b*) 6 March
(*c*) 5 March
(*d*) Supply not liable to tax

31. Mohit Goods Transport Agency transported goods of Q Ltd. from Mumbai to Pune. The truck departed from Mumbai on 5 August and reached Pune on 6 August. Mohit GTA issued the invoice on 10 August. Q Ltd. made the payment on 14 August which Mohit received on 16 August. Mohit GTA pays tax under forward charge. Determine the time of supply.

(*a*) 10 August
(*b*) 14 August
(*c*) 6 August
(*d*) 10 October

32. Mohit Goods Transport Agency transported goods of Q Ltd. from Mumbai to Pune. The truck departed from Mumbai on 5 August and reached Pune on 6 August. Mohit GTA issued the invoice on 10 August. Q Ltd. made entry of the payment in its books of account on 14 August which got debited in its bank account on 16 August. Mohit received the payment on 17 August. Tax is payable under reverse charge. Determine the time of supply.

(*a*) 10 August
(*b*) 14 August
(*c*) 6 August
(*d*) 10 October

33. Z Ltd. entered into a deal with Max Sports Club on 1 January to sponsor its sports event being held on 10 January for a consideration of K 5 lakh. Z Ltd. made the payment on 7 January which was received by Max Sports Club on 8 January. Invoice was issued by the club on 15 January. Determine the time of supply.

(*a*) 17 March
(*b*) 15 February
(*c*) 7 January
(*d*) 10 January

34. BCD & Co provided services of recovery agent to Mega NBFC. Services were provided on 5 December for which the invoice was issued on 15 December. Mega NBFC made the payment on 20 February which was received by BCD & Co on 25 February. Determine the time of supply.

(*a*) 15 December
(*b*) 14 February
(*c*) 20 February
(*d*) 25 February

35. Raju availed tax preparation services from TaxPoint, an online tax services portal. The service was provided on 1 May. Raju made a payment of ₹ 25,000 on 15 May. As a part of customer loyalty program, TaxPoint issued a voucher on 20 May which could be used by Raju to avail tax advisory services for himself or his family. Raju redeemed the voucher for availing tax advisory service for his spouse on 10 June. Determine the time of supply in respect of the supply of voucher.

(*a*) 15 May
(*b*) 20 May
(*c*) 10 June
(*d*) No tax liability as time of supply indeterminable

36. As part of the New Year Bumper Offer, Big Mall issued a gift voucher on purchase of goods worth ₹ 1 lakh. The gift voucher could be redeemed for purchase of any product from the Mall. Rakhi purchased goods worth ₹ 1.5 lakh on 10 November. Consequently, she was issued the voucher on 15 November. She redeemed the voucher against purchase of garments on 15 December. Determine the time of supply in respect of the supply of voucher.

(*a*) 10 November
(*b*) 15 November
(*c*) 15 December
(*d*) None of the above

37. X supplied goods to Y for a consideration of ₹ 50,000. However, it is not possible to determine the time of supply as per section 12(2) in absence of required information. Under the GST law, X is required to file monthly return. What is the time of supply.

(*a*) Date on which return is filed
(*b*) Date on which return is to be filed
(*c*) Date on which tax is to be paid
(*d*) Date on which tax is paid

38. Mangal supplied goods to Bhagat for a consideration of ₹ 2 lakh. He dispatched the goods from his warehouse on 15 October and issued the invoice on 25 October. The goods were delivered to Bhagat on 28 October. As per the agreement, the payment was to be made within 15 days of delivery of goods, failing which a late fees would be levied at the rate of ₹ 200 per day of delay. Bhagat made the payment, along with late fees, on 22 November through net banking which was credited in the bank account of Mangal on the same day. Determine the time of supply.

(*a*) 15 October for 2,02,000
(*b*) 15 October for 2,00,000; 22 November for 2,000
(*c*) 22 November for 2,02,000
(*d*) 25 October for 2,00,000; 22 November for 2,000

39. C Ltd. supplied goods to D Ltd. on 15 April for which the invoice was issued on 20 April for ₹ 1 lakh. Due date of payment is 30 April. D Ltd. wishes to make the payment on 31 May. However, as per the terms of the contract, it will have to pay interest of ₹ 5,000 for delay in payment. D Ltd. pays ₹ 1 lakh on 31 May. It delays the payment of interest which is finally waived off by C Ltd. on 15 July after negotiations. Determine the time of supply in respect of the amount of interest.

(*a*) Interest is exempt from tax
(*b*) Interest is not taxable as it is waived off
(*c*) 31 May
(*d*) 15 July

Answer Key

1. (*c*)	**2.** (*d*)	**3.** (*c*)	**4.** (*a*)	**5.** (*a*)	**6.** (*d*)	**7.** (*c*)	**8.** (*a*)	**9.** (*d*)	**10.** (*c*)
11. (*b*)	**12.** (*c*)	**13.** (*d*)	**14.** (*b*)	**15.** (*c*)	**16.** (*a*)	**17.** (*d*)	**18.** (*c*)	**19.** (*d*)	**20.** (*b*)
21. (*d*)	**22.** (*d*)	**23.** (*a*)	**24.** (*c*)	**25.** (*a*)	**26.** (*c*)	**27.** (*c*)	**28.** (*c*)	**29.** (*d*)	**30.** (*d*)
31. (*a*)	**32.** (*b*)	**33.** (*c*)	**34.** (*b*)	**35.** (*b*)	**36.** (*c*)	**37.** (*b*)	**38.** (*b*)	**39.** (*b*)	

07 CHAPTER

Value of Supply

MULTIPLE CHOICE QUESTIONS

1. Whole price of 1MT cement sold by A Ltd. in the normal course of business is ₹ 7,000. Price of 1 MT cement sold by A Ltd. to B Ltd. is ₹ 6,000. Value of supply, where A Ltd. and B Ltd. are not related person, is _____.

(*a*) ₹ 7,000 (*b*) ₹ 6,000

(*c*) ₹ 1,000 (*d*) None of the above

2. Compute taxable value as per Section 15(2). Value of supply - ₹ 1,00,000 [Exclusive of other information] Other information:

A. Excise - ₹ 5,000

B. Commission - ₹ 2,500

C. Subsidies - ₹ 80,000 (only 20% of it is linked to price)

(*a*) ₹ 1,23,500 (*b*) ₹ 1,87,500

(*c*) ₹ 1,85,000 (*d*) ₹ 1,05,000

3. Mr. X wholesale dealer, provide a additional discount to his customer which was not known at the time of supply. This discount will be _____ in the value of supply.

(*a*) Excluded (*b*) Included

(*c*) Partially Included (*d*) None of the above

4. X sold a mobile phone to Y for ₹ 20,000 (against the MRP of ₹ 25,000). Y made the payment in cash after 10 days. Notional interest for 10 days at market rate comes to ₹ 100. Determine the value of supply.

(*a*) 25,000 (*b*) 20,000

(*c*) 20,100 (*d*) 25,100

5. Y provided goods of value ₹ 5 lakh to Z for doing the job work of painting and polishing. Z charged 10,000 for the job work. After completing the work, Z returned the goods to Y. What is the value of supply of job work ₹ Rate of GST is 12%.

(*a*) 10,000 (*b*) 5,00,000

(*c*) 5,10,000 (*d*) 11,200

6. B sold a residential building to C for ₹ 20 lakh on 1.4.2024. From this date, C let out the building to D (not registered under GST) on a monthly rent of ₹ 10,000 for use as his residence for the rest of the year. Determine the value of supplies.

(*a*) 20,00,000 (*b*) 1,20,000

(*c*) No taxable supply (*d*) 21,20,000

7. Sukhbir Trust has organized a magic show. Entry ticket is priced at K 1,000 plus entertainment tax of ₹ 100. Rate of GST is 18%. Determine the amount of GST to be charged.

(*a*) 198 (*b*) 180

(*c*) 18 (*d*) 168

8. Y Ltd. has sold goods to Z Ltd. for ₹ 1 crore. It has also collected TCS u/s 206C(1H) of the Income Tax Act to the extent of ₹ 5,000. Rate of GST is 18%. Determine the amount of GST on the supply.

(*a*) 18,00,900 (*b*) 15,25,424

(*c*) 18,00,000 (*d*) None of the above

9. Monu supplied goods to Sonu at a price of K 60,000. The goods were imported on which basic customs duty (BCD) of ₹ 6,000 was paid. Monu has charged BCD to Sonu separately. Calculate the value of supply.

(*a*) 6,000 (*b*) 60,000

(*c*) 66,000 (*d*) None of the above

10. J has sold goods to K for ₹ 40,000, exclusive of GST @ 18% and inclusive of municipal taxes of K ₹ 1,000. Determine the value of supply.

(*a*) 41,000 (*b*) 40,000

(*c*) 47,200 (*d*) 48,380

11. C supplied goods to D for which D made a payment of ₹ 59,000, inclusive of GST @ 18%. What is the value of supply ₹_____.

(*a*) 9,000 (*b*) 50,000

(*c*) 59,000 (*d*) 69,620

12. Shubh Pvt. Ltd. of Delhi sold goods to Manav of Bangalore. Price of goods is ₹ 1,00,000. As per the contract, Shubh Pvt. Ltd. needs to deliver the goods to the doorstep of Manav. Shubh Pvt. Ltd. incurred ₹ 5,000 on account of freight and ₹ 1,000 on account of transit insurance and charged these expenses to Manav. Compute the GST on supply. Rate of GST is 5% on goods, 12% on freight and 18% on insurance. All amounts are exclusive of GST.

(*a*) IGST of 5,780 (*b*) SGST of 2,650; CGST of 2,650

(*c*) SGST of 2,890; CGST of 2,890 (*d*) IGST of 5,300

13. CC Ltd. of Pune sold goods to DD Ltd. of Mumbai for K 3,00,000 on ex-factory basis. DD Ltd. picked up the goods from the factory of CC Ltd. and incurred freight of ₹ 10,000 and insurance of ₹ 2,000 for the purpose of transporting the goods to its own depot. Calculate the value of supply made by CC Ltd. to DD Ltd.

(*a*) 3,00,000 (*b*) 3,10,000
(*c*) 3,02,000 (*d*) 3,12,000

14. Q Ltd. of Patna supplied goods to Subhash of Chandigarh. Price of goods is ₹ 1,00,000. As per the agreement, Subhash was to take delivery of goods from the warehouse of Q Ltd. in Patna. Subhash took the delivery and incurred transportation expenses of ₹ 10,000. Calculate the GST that Subhash is required to pay or bear as recipient of these supplies. Rate of GST is 18% on goods and 12% on transportation (taxable on forward charge basis).

(*a*) 19,800 (*b*) 13,200
(*c*) 19,200 (*d*) 18,000

15. LM Ltd. appointed Raghav as its agent. Raghav procured purchase order for 100 kg of material from JK Ltd. The material is priced at ₹ 1,000 per kg. LM Ltd. dispatched the material to JK Ltd. charging ₹ 900 per kg. It requested LM Ltd. to pay ₹ 100 per kg directly to Raghav. Calculate the value of supply.

(*a*) 10,000 (*b*) 1,00,000
(*c*) 90,000 (*d*) None of the above

16. KK Ltd. purchased goods from BB Ltd. for ₹ 10 lakh on 1.5.2024 for which invoice was issued on 15.5.2024 with stipulation for payment within 15 days of receipt of invoice. On default, the agreement provided for payment of interest at the agreed rate BB Ltd. made the payment of ₹ 10 lakh on 10.7.2024 along with interest of R 10,000. Calculate the GST on supply assuming rate of 12% on goods. Amounts are exclusive of GST.

(*a*) 1,21,200 (*b*) 1,20,000
(*c*) 1,200 (*d*) Nil

17. KK Ltd. purchased goods from BB Ltd. for R 10 lakh on 1.5.2024 for which invoice was issued on 15.5.2024 with stipulation for payment within 15 days of receipt of invoice. On default, the agreement provided for payment of interest at the agreed rate BB Ltd. made the payment of ₹ 10 lakh on 10.7.2024 and did not pay interest. Subsequently, pursuant to negotiations, KK Ltd. waived off the interest on 15.7.2024. Calculate the GST on supply assuming GST rate of 12% on goods.

(*a*) 1,21,200 (*b*) 1,20,000
(*c*) 1,200 (*d*) Nil

18. Keyur purchased goods from Mayur for ₹ 6,00,000 which were delivered on 1 July. Payment was to be made within 15 days of delivery failing which late fees of ₹ 1,000 would need to be paid. In order to ensure timely payment, Mayur took a loan of ₹ 5 lakh from Bank of India on 5 July and made full payment to Keyur on 10 July. The bank charged ₹ 5,000 as documentation charges. Mayur repaid the loan to the bank on 10 December along with interest of ₹ 6,000. Calculate the GST on various supplies received by Mayur. Assume rate of GST at 18%. Amounts are exclusive of GST.

(*a*) 1,09,260 (*b*) 1,08,000
(*c*) 1,08,180 (*d*) 1,08,900

19. Surabhi has appointed Tashi as her agent who has guaranteed timely payment to Surabhi. Surabhi supplies goods to Kapil for ₹ 1,00,000 using the services of Tashi. Invoice is issued by Tashi in the name of Surabhi. To ensure realization of payment, Tashi has extended a short-term loan to Kapil on which she has charged interest of ₹ 3,000. Determine the value of taxable supplies received by Kapil. Amounts are exclusive of GST.

(*a*) Nil
(*b*) 3,000
(*c*) 1,00,000
(*d*) 1,03,000

20. Kumar has appointed Ripal as his agent who has guaranteed timely payment to Kumar. Goods are supplied to Rahul for ₹ 1,00,000 in respect of which invoice has been issued by Ripal in his own name. Further, Ripal has extended a short-term loan to Rahul on which he has charged interest of ₹ 3,000. Determine the value of taxable supplies received by Rahul.

(*a*) Nil
(*b*) 3,000
(*c*) 1,00,000
(*d*) 1,03,000

21. Mohan Institute provides training on soft skills to start up entrepreneurs. Published fees for the course is ₹ 10,000 per month. However, it is subsidized to the extent of ₹ 1,000 by Shiksha NGO and ₹ 2,000 by the State Government. As a result, the Institute charges ₹ 7,000 per student per month. The Institute is training 100 people. The institute has also received a blanket subsidy of ₹ 1,50,000 from Birla Ltd. Determine the value of supply per month per student.

(*a*) 10,000
(*b*) 8,000
(*c*) 9,000
(*d*) 8,500

22. Dell is offering a 10% discount on all laptops sold during the month of April. Juhi purchased a laptop priced at ₹ 40,000 on 15 April. The invoice recorded amount of discount. Calculate the amount of GST on purchase of laptop. GST rate is 18%.

(*a*) Nil
(*b*) 6,480
(*c*) 7,200
(*d*) None of the above

23. Varun sold a machine to Sahil for ₹ 1,00,000 and charged GST @ 18% thereon in the invoice. Later, Sahil claimed before Varun that similar machine is available in the market for ₹ 90,000. In order to maintain price competitiveness, Varun agreed to match the price in the market and offer discount of ₹ 10,000. How much GST should Sahil be charged for the machine?

(*a*) Nil
(*b*) 16,200
(*c*) 18,000
(*d*) None of the above

24. C Ltd. sells goods of list price K 10,000 per unit and gives a general trade discount of 10%. It announced on 15.9.2024 that it would provide an additional discount of 5% on list price for all purchases made during October 2024 if they exceed 100 units. Upon finalization of purchase data in November 2024, the purchases made by D Ltd. from C Ltd. were calculated at 120 units Calculate the value of supply made by C Ltd. to D Ltd.. D Ltd. has reversed the ITC attributable to the additional discount.

(*a*) 10,00,000
(*b*) 10,80,000
(*c*) 11,40,000
(*d*) 10,20,000

25. J Ltd. sold 100 units of goods to K Ltd. on 1.6.2024 at a price of K 1,000 per unit and issued invoice. At the time of supply, it was agreed to provide a 5% discount if payment is made within 45 days of supply. In view of an urgent need of funds, J Ltd. announced an additional discount of 7% if the payment was made within 15 days of supply. This announcement was made on 10.6.2024 in response to which K Ltd. made the payment on 12.6.2024 and availed 12% discount. K Ltd. did not avail ITC. Calculate the value of supply.

(*a*) 1,00,000 (*b*) 95,000

(*c*) 88,000 (*d*) None of the above

26. B Ltd. supplied goods of value ₹ 50 lakh to C Ltd. during the calendar year 2024. Considering the stellar performance by C Ltd., B Ltd. announced a special discount of 5% on all purchases made by C Ltd. during 2024. The announcement was made on 15.2.2025 once the annual performance data for all the dealers was collated. B Ltd. issued a credit note for the same. Calculate the value of supply made by B Ltd. to C Ltd. during the year 2024.

(*a*) 45,00,000 (*b*) 47,50,000

(*c*) 50,00,000 (*d*) None of the above

27. Q Ltd. sold a machine to V Ltd. for ₹ 10,00,000. In addition, it charged the following amounts from V Ltd.: Municipal taxes on such sale amounting to ₹ 1,000 and packing charges ₹ 5,000. It collected ₹ 1,000 as TCS under the Income Tax Act and deposited it in the account of the Central Government. Under the agreement, Q Ltd. was to deliver the machine to the warehouse of V Ltd. However, V Ltd. made payment of ₹ 10,000 directly to the goods transport agency (Q Ltd. had not included this amount in the price). Q Ltd. provided a trade discount of 5% on the list price at the time of supply. Rate of GST is 18%. Calculate the value of supply.

(*a*) 10,00,000 (*b*) 9,66,000

(*c*) 9,67,000 (*d*) 9,50,000

28. Johar sold furniture to Vrinda for a price of ₹ 10,000 (exclusive of taxes and discount) on 15.5.2024 and issued invoice. He incurred testing expenses of ₹ 1,000 which he charged additionally. Few days later, he discovered that Vrinda is a friend of one of his relatives. Hence, he offered a special discount of ₹ 4,000 to Vrinda on 25.5.2024 as a goodwill gesture and refunded the said amount. Calculate the value of supply. Rate of GST is 12%.

(*a*) 10,000 (*b*) 7,000

(*c*) 11,000 (*d*) 8,260

29. G Ltd. sold an industrial equipment to J Ltd. whose MRP was ₹ 5,00,000. Delivery was on ex-factory basis. G Ltd. incurred testing and packing expenses of ₹ 10,000 which was charged additionally. J Ltd. got the equipment collected from the warehouse of G Ltd. and incurred ₹ 15,000 towards freight and K 2,000 on account of loading and unloading. As per the terms, 20% payment was to be made upon delivery and the balance within 45 days. While J Ltd. made 20% payment on delivery, it paid the balance after 50 days due to which it had to pay ₹ 5,000 as late fees. The amount of MRP stated above is after adjustment of subsidy from the State Government of ₹ 1,00,000. G Ltd.

sold the equipment to J Ltd. at a 10% trade discount which was recorded in the invoice. Calculate the value of supply. Amounts are exclusive of GST.

(*a*) 4,60,000 (*b*) 4,82,000

(*c*) 4,55,000 (*d*) 4,65,000

30. Bharat sold an air conditioner to Sharad for a net price of ₹ 40,000 after making adjustment of following: Festival discount of ₹ 2,000, packing charges ₹ 500 and freight ₹ 600. Bharat undertook to deliver the air conditioner to the doorstep of Sharad. After delivery, Sharad paid ₹ 1,000 to the technician for installation. Sharad took a consumer loan from Gold NBFC for purchase of the air conditioner. He repaid the loan after a period of six months along with interest of ₹ 3,000. Calculate the value of supply of air conditioner. Amounts are exclusive of GST.

(*a*) 40,000 (*b*) 41,100

(*c*) 44,000 (*d*) 39,100

31. Kamal has let out a shop to Ketan on a monthly rent of ₹ 50,000. He additionally recovers.₹ 5,000 towards the house tax levied by the local authority. Kamal undertook minor repairs to the house in respect of which Ketan paid ₹ 10,000 directly 'to the contractor. The rent agreement stipulates a late fees of ₹ 1,000 if the rent due for a month is not paid by 10th of the next month. For the relevant month, Ketan became liable to pay the late fees but it was waived off by Kamal. Calculate the value of supply. All amounts are exclusive of GST.

(*a*) 66,000 (*b*) 55,000

(*c*) 65,000 (*d*) 60,000

Answer Key

1. (*b*)	**2.** (*a*)	**3.** (*b*)	**4.** (*b*)	**5.** (*a*)	**6.** (*c*)	**7.** (*a*)	**8.** (*c*)	**9.** (*c*)	**10.** (*b*)
11. (*b*)	**12.** (*d*)	**13.** (*a*)	**14.** (*c*)	**15.** (*b*)	**16.** (*a*)	**17.** (*b*)	**18.** (*d*)	**19.** (*c*)	**20.** (*d*)
21. (*b*)	**22.** (*b*)	**23.** (*c*)	**24.** (*d*)	**25.** (*b*)	**26.** (*c*)	**27.** (*b*)	**28.** (*c*)	**29.** (*d*)	**30.** (*a*)
31. (*c*)									

08 CHAPTER

Input Tax Credit

MULTIPLE CHOICE QUESTIONS

1. What is the time limit for taking input tax credit?

(*a*) 1 year from the date of invoice

(*b*) 30th November of succeeding financial year/date of filing annual return whichever is earlier

(*c*) 180 days from the date of invoice

(*d*) No time limit prescribed

2. B Ltd, receives inward supply from Q Ltd. On 17th August, 2023. B Ltd has filed its annual return on 10th November, 2023. Due date to claim ITC is _____.

(*a*) 20th October, 2023

(*b*) 10th November, 2023

(*c*) 30th December, 2023

(*d*) 31st December, 2023

3. Aqua Ltd. received an invoice for an amount of ₹ 5,00,000 against rent a cab-services rendered for transportation of employees from Chennai to Ooty for official purposes. The amount of ITC that can be claimed by Aqua Ltd. is _____. (Applicable rate of GST is 18%)

(*a*) ₹ 90,000

(*b*) ₹ 45,000

(*c*) ₹ 40,000

(*d*) Nil

4. Input tax credit on capital goods shall be claimed after reducing the tax paid by _____ percentage points per _____ from the date of invoice.

(*a*) 10, quarter

(*b*) 10, month

(*c*) 5, quarter

(*d*) 5, month

5. Mr Ajay a registered supplier receives from various suppliers 50 invoices valuing ₹ 6 Lakhs out of which 40 invoices have been uploaded in GSTR-2A by supplier involving GST of ₹ 5 lakh during the month of November 2022. Calculate eligible Input tax credit

(*a*) ₹ 6 Lakhs

(*b*) ₹ 5.6 Lakhs

(*c*) ₹ 4.8 Lakhs

(*d*) ₹ 5 Lakhs

6. If the entire amount of ITC claimed relating to inputs held in stock exceeds _____, the declaration needs to be certified by a practicing Chartered Accountant or a Cost Accountant.

(*a*) ₹ 2 Lakhs

(*b*) ₹ 10 Lakhs

(*c*) ₹ 2 Crores

(*d*) ₹ 5 Lakhs

7. Which of the following is not a blocked credit under Section 17(5)?

(*a*) Credit on Motor vehicles for imparting training

(*b*) Credit on food & Beverages

(*c*) Credit on stolen goods

(*d*) Credit on works contract service

8. In case of demerger, ITC _____ as per the demerger scheme.

(*a*) Will be apportioned in the ratio of value of equity of new unit as per the demerger scheme.

(*b*) Will be apportioned in the ratio of value of assets of new unit as per the demerger scheme

(*c*) Will be apportioned in the ratio of value of capital employed of new unit as per the demerger scheme.

(*d*) Will not be apportioned at all.

9. Heera, a manufacturer, purchased goods during January 2025, chargeable at 18% GST, for use in his business. The status of usage of these goods is as follows: Goods used in manufacturing during March 2025 ₹ 1,00,000; goods used in trial runs during January 2025 ₹ 20,000; goods held in stock as on 31 March 2025 ₹ 40,000; goods contained in finished stock as on 31 March 2025 ₹ 60,000; goods sent to residence during January 2025 for use by family members ₹ 30,000. Determine the ITC that Heera can avail for the month of January 2025?

(*a*) 3,600 (*b*) 39,600

(*c*) 9,000 (*d*) 12,000

10. During September 2024, B purchased goods from C (GST paid ₹ 10,000, invoice received on 15.9.2024); from D (GST paid ₹ 15,000; invoice received on 15.10.2024); from E (GST paid ₹ 20,000; invoice missing); from F (GST paid ₹ 25,000; invoice received but does not contain the minimum required particulars). Determine the amount of ITC that B can avail for September 2024.

(*a*) 10,000 (*b*) 25,000

(*c*) 45,000 (*d*) 70,000

11. During the month of May, C Ltd. has procured goods and services from various vendors against a total of 50 invoices involving a total GST of ₹ 1,00,000. 10 vendors have furnished details of 45 invoices (involving GST of ₹ 80,000) in their GSTR- 1 and these details have been communicated to C Ltd. in GSTR-2B. Such details have not been furnished in respect of other invoices. Determine the amount of ITC that C Ltd. take for the month of May.

(*a*) 81,000 (*b*) 80,000

(*c*) 82,000 (*d*) 84,000

12. D & Co purchased goods from Mr. Z during June against 2 invoices involving GST of K 30,000 and ₹ 10,000, respectively. Mr. Z furnished details of first invoice in his GSTR-1 of June and details of second invoice in his GSTR-1 of July. Both GSTR-l's were furnished on their due dates. The details were communicated to D & Co in their GSTR-2B for the respective tax periods. Determine the amount of ITC that D & Co can take.

(*a*) Only 30,000 for June (*b*) 40,000 for June

(*c*) 30,000 for June and 10,000 for July (*d*) 40,000 for July

13. K Ltd. contracts with Q Ltd. for supply of 100 kg of chemicals @ ₹ 1,000 per kg. Invoice is received and payment is made on 10 June. 25 kg of chemicals are received on 5th of each month, starting from July. Rate of GST is 18%. When can K Ltd. avail ITC? Assume all other conditions for availing ITC are fulfilled.

(*a*) 18,000 in June
(*b*) 4,500 each in July, August, September, October
(*c*) 18,000 in July
(*d*) 18,000 in October

14. Jacob purchased goods from Kamal for K 2,00,000 (excluding GST). Purchase order was issued on 20.10.2024, goods were delivered on 5.11.2024 and invoice was issued on 15.11.2024. Jacob paid 25% of the amount on 25.11.2024 but withheld the balance payment on account of a dispute. Fie finally paid the balance amount on 10.4.2025. Rate of GST is 18%. When can Jacob avail ITC?

(*a*) 36.000 in April 2025
(*b*) 9,000 in November 2024, 27,000 in April 2025
(*c*) 36.000 in November 2024
(*d*) 9,000 in November 2024, balance ITC lapses

15. B purchased goods from C for ₹ 1,00,000 (plus GST @ 18%). Goods were delivered on 20.11.2024 (invoice issued on the date). However, on account of a dispute, he made the payment only on 15.7.2025. Determine the tax implications.

(*a*) Avail ITC of 18,000 in November 2024
(*b*) Avail ITC of 18,000 in November 2024, reverse it in GSTR-3B of June 2025; re-avail in July 2025
(*c*) Avail ITC of 18,000 only in July 2025
(*d*) Avail ITC of 18,000 in November 2024 and reverse it in GSTR-3B of June 2025; can't be re-availed

16. Z Ltd. purchased a pollution control device for ₹ 10 lakh (GST (5) 18%) from C Ltd. In which of the following situations Ltd. not be allowed to claim ITC of ₹ 1.8 lakh?

(*a*) It did not capitalize the value in books of account
(*b*) It claimed depreciation under IT Act on ₹ 10 lakh
(*c*) It claimed depreciation under IT Act on ₹ 11.8 lakh
(*d*) None of the above

17. Y sold goods to Z for ₹ 50,000 in respect of which he issued invoice on 15.3.2025. In terms of the agreement, Y had to carry out further work on the goods for which he issued a debit note for ₹ 5,000 on 31.3.2025. Determine the time limit by when Z can avail ITC in this respect if Z filed his annual return for FY 2023-25 on 15.11.2025.

(*a*) 30.11.2025
(*b*) 31.12.2025
(*c*) 15.11.2025
(*d*) 31.3.2025

18. C Pvt. Ltd. is engaged in manufacturing of taxable as well as exempt goods. It purchased a machinery for ₹ 10,00,000 (plus GST @ 18%) on 15 July and capitalized the full amount, including GST, for claiming depreciation under Income Tax Act. Turnover during July was ₹ 5,00,000 and ₹ 10,00,000 for taxable and exempt goods, respectively. Determine the amount of ITC that C Pvt. Ltd. can avail on the purchase of machinery.

(*a*) Nil
(*b*) 1,80,000
(*c*) 60,000
(*d*) 1,80,000 less prescribed percentage points

19. GG Pvt. Ltd. manufactures and sells Product I (taxable @ 12%) and Product II (exported to African countries without payment of tax). It has used goods and services of value ₹ 5,00,000 (taxable @ 12%) in making supplies. Determine the amount of ITC that GG Pvt. Ltd. can avail.

(*a*) Only ITC attributable to taxable supplies (*b*) Only ITC attributable to exports

(*c*) 60,000 (*d*) Nil

20. Kanta is a folk dance performing artist who charges ₹ 50,000 per performance. During the month of January, she has used inputs and input services of value ₹ 30,000 (GST paid @ 12%) for the purpose of preparing and rendering the performances. Rate of GST on artist is 18%. Determine the tax payable by Kanta for the month of January.

(*a*) Nil (*b*) Refund of 3,600

(*c*) 9,000 (*d*) 5,400

21. D Pvt. Ltd. has purchased a conveyance. In which of the following cases is D Pvt. Ltd. not entitled to take ITC?

(*a*) Maruti Dezire car for further sale to customer

(*b*) Wagon R car for use as taxi to transport passengers

(*c*) 25 cc scooter for use by delivery boy

(*d*) Bus of seating capacity 50 where depreciationis claimed under Income Tax Act on entire value including GST component

22. Wow Pvt. Ltd. has incurred the following expenditure: Mini bus for transporting employees between residence and factory (bus can accommodate a maximum of 13 passengers excluding driver; GST paid ₹ 1,00,000); car, with seating capacity of 8 persons, for use by its officials for business purpose (GST paid ₹ 1,50,000); car, with seating capacity of 5 persons, used for imparting training on driving (GST paid ₹ 90,000); special purpose vehicle, with seating capacity of 2 persons, adapted for use only in the factory (GST paid ₹ 3,00,000). Compute the amount of eligible ITC.

(*a*) Nil (*b*) 3,90,000

(*c*) 4,90,000 (*d*) 6,40,000

23. ITC is blocked in respect of which of the following services?

(*a*) Insurance premium for cars manufactured by D Ltd., a car manufacturer

(*b*) Repair of cars used by a motor driving school for training on driving

(*c*) R Hiring of Honda City car by C Ltd. for official use of its CFO

(*d*) Servicing of cars used as taxi for transportation of passengers

24. ITC is blocked in which of the following cases?

(*a*) Beverages procured for being served complimentary to customers

(*b*) Sub-contracting of outdoor catering by an outdoor caterer

(*c*) Free canteen facility for factory workers as required by Factories Act

(*d*) Health insurance cover for employees as per State law

25. JK Ltd. has provided the following particulars for the month of March: Availed outdoor catering services from C & Co for its business conference (GST paid ₹ 15,000); procured food and beverages for its free in-office canteen used by employees (GST paid ₹ 20,000); premium for health insurance

cover provided to senior employees in accordance with the terms of employment (GST paid ₹ 25,000); membership of health club taken for its directors (GST paid K 15,000); package tour on vacation booked with a travel agency for its top performing employees (GST paid ₹ 40,000). None of the services is obligatory under any law. Compute the amount of eligible ITC.

(*a*) 35,000 (*b*) 55,000

(*c*) 40,000 (*d*) Nil

26. PQR Ltd., engaged in trading business, availed outdoor catering services from Chetan, a caterer, for its business event against a consideration of ₹ 1,00,000. To provide the services effectively, Chetan procured food and beverages from Madan, another caterer, for ₹ 40,000. Compute the amount of eligible ITC. Assume rate of GST to be 18%.

(*a*) 18,000 for PQR Ltd.; 7,200 for Chetan (*b*) 18,000 for PQR Ltd.; Nil for Chetan

(*c*) Nil for PQR Ltd.; 7,200 for Chetan (*d*) Nil for PQR Ltd.; Nil for Chetan

27. G Ltd. has provided the following information for the month of August: Works contract service availed for construction of factory building (GST paid ₹ 15,00,000); repair and maintenance for office building (GST paid ₹ 1,00,000); works contract service for construction of pipelines laid outside factory premises (GST paid ₹ 70,000); works contract service for construction of manufacturing apparatus and its ground structural support (GST paid ₹ 1,20,000 of which 30% was towards the structural support); works contract service for construction of heavy machinery fixed to earth (GST paid ₹ 50,000). Except for repair and maintenance, all expenses were capitalized. Depreciation under Income Tax Act was not claimed on the tax component, except in case of heavy machinery. Determine the amount of eligible ITC.

(*a*) 1,20,000 (*b*) 2,20,000

(*c*) 1,84,000 (*d*) 2,70,000

28. JK & Co, works contractor, has executed the following works contracts during the month of August: Reconstruction of warehouse belonging to Q Pvt. Ltd. (Q Pvt. Ltd. has capitalized the expense in its books of account); alterations to the office building belonging to J Pvt. Ltd. (J Pvt. Ltd. has booked the expense to its Profit & Loss account). JK & Co has sub-contracted both the contracts to MK & Co, another works contractor. Determine eligibility of ITC.

(*a*) Eligible for JK & Co; blocked for Q Pvt. Ltd. and J Pvt. Ltd.

(*b*) Blocked for all

(*c*) Eligible for JK & Co and J Pvt. Ltd.; blocked for Q Pvt. Ltd.

(*d*) Eligible for J Pvt. Ltd.; blocked for JK & Coand Q Pvt. Ltd.

29. Rakhi has commenced her business. For the purpose of construction of her new office, she has procured material from J, architect services from K, engineering services from L and labour from M (aggregate GST paid ₹ 1,20,000). She has also procured spare parts and engineering services from V for fabrication of a heavy-duty machinery fixed to earth (GST paid ₹ 60,000). Determine the eligible ITC.

(*a*) Nil (*b*) 60,000

(*c*) 1,20,000 (*d*) 1,80,000

30. Y Ltd. is a car manufacturer. It has paid GST on various purchases made/services availed by it during the month of January, as follows: General insurance on cars manufactured by it (GST paid ₹ 4,00,000); buses purchased for transportation of its employees between residence and factory/office (seating capacity 40; GST ₹ 5,00,000); life insurance and health insurance taken for employees (obligatory under law; GST ₹ 3,00,000); outdoor catering by Chetan & Co during New Year fair organised for employees (GST ₹ 1,00,000). Compute the amount of ineligible ITC.

(*a*) Nil
(*b*) 1,00,000
(*c*) 41,00,000
(*d*) 4,00,000

31. Gajendra, a retail trader registered under GST, has availed the following services of KC & Co Chartered Accountants: audit of accounts ₹ 50,000; tax audit ₹ 20,000; filing of income tax return of his spouse ₹ 10,000; consultancy on personal finance ₹ 5,000, business compliance under local laws ₹ 15,000. Applicable rate of GST is 18%. Determine the amount of ITC available to Gajendra on these expenditure.

(*a*) Nil
(*b*) 18,000
(*c*) 15,300
(*d*) 16,200

32. Chaman, a trader, has received the following goods/services during the month of June: goods purchased from registered suppliers ₹ 3,00,000 (goods of value ₹ 20,000 destroyed in fire), services availed from unregistered suppliers ₹ 1,00,000, goods purchased from registered supplier paying tax under composition scheme ₹ 1,50,000, interior designing service availed for residence ₹ 50,000. Compute the eligible ITC. Rate of GST is 18%.

(*a*) Nil
(*b*) 54,000
(*c*) 68,400
(*d*) 50,400

33. K Store sold a computer for ₹ 25,000 (50% discount on the list price of ₹ 50,000). It also sold a television set for ₹ 50,000 but later revised the price to ₹ 40,000 and issued a commercial credit note to the buyer. K Store had purchased the computer for ₹ 20,000 and television set for ₹ 30,000. Determine the ITC available. Rate of GST is 18%.

(*a*) 9,000
(*b*) 6,120
(*c*) 11,700
(*d*) Nil

34. Kirti is not registered under GST. Aggregate turnover from his business exceeded the registration threshold on 15.10.2024. He applied for registration on 20.10.2024 which was granted on 25.10.2024 with effect from 15.10.2024. As on 14.10.2024, he had inputs held in stock of ₹ 3,00,000 (GST paid 54,000; date of invoice 1.12.2023 for 40% of inputs and 1.10.2023 for balance) and capital goods (GST paid ₹ 1,00,000; date of invoice 10.6.2024. Determine the ITC to which Kirti is entitled.

(*a*) Nil
(*b*) 54,000
(*c*) 21,600
(*d*) 1,21,600

35. Shaman is not registered under GST as he is not liable to be registered since turnover from his business is below the registration threshold. However, he decides to apply for voluntary registration on 1.7.2024 which is granted on 5.7.2024. He has inputs contained in finished goods held in stock as on 30.6.2024 of value ₹ 1,00,000 (GST paid ₹ 12,000; date of invoice 31.3.2024) and capital goods of value ₹ 5,00,000 (GST paid ₹ 90,000; date of invoice 12.1.2024). He purchased inputs for ₹ 30,000 on 5.7.2024 (GST paid R 5,400). Determine the ITC to which Shaman is entitled.

(*a*) Nil
(*b*) 1,02,000
(*c*) 17,400
(*d*) 12,000

36. BG & Co is covered under the composition scheme. The aggregate turnover from business exceeded the limit u/s 10 of ₹ 1.5 crore. Consequently, it became liable to pay tax under the regular provisions from 20.9.2024. As on 19.9.2024, it held inputs in stock purchased on 15.7.2023 (GST paid ₹ 50,000), inputs contained in finished goods held in stock which were purchased on 1.2.2024 (GST paid ₹ 60,000) and plant and machinery purchased on 10.3.2024 (GST paid ₹ 1,00,000). Invoices were issued on the date of purchase. Determine the amount of ITC that BG & Co is entitled to.

(*a*) Nil
(*b*) 1,50,000
(*c*) 1,95,000
(*d*) 1,45,000

37. Mr. KK is registered under GST and engaged in supply of exempt goods. The exemption is withdrawn from 1.1.2025. On the immediately preceding day, Mr. KK held inputs (held in stock and contained in finished goods) purchased on 15.12.2023 (GST paid ₹ 2,50,000) and capital goods purchased on 15.1.2024 for ₹ 11,80,000 (inclusive of GST @ 18%). Invoices were issued on the date of purchase. Determine the amount of ITC that Mr. KK can claim.

(*a*) Nil
(*b*) 2,50,000
(*c*) 1,44,000
(*d*) 3,94,000

38. Mr. DD is a registered taxpayer paying tax under the regular provisions. He exercised the option to pay tax under the composition scheme from 1.4.2024. As on 31.3.2024, he held raw material in stock purchased on 10.9.2023 (GST paid ₹ 35.000), Machine A purchased on 15.7.2021 (GST paid ₹ 60,000) and Machine B purchased on 10.11.2018 (GST paid ₹ 50.000). Determine the ITC liable to be reversed.

(*a*) Nil
(*b*) 62,000
(*c*) 27,000
(*d*) 68,000

39. Mr.JJ purchased a machine for ₹ 10,00,000 (plus GST paid @ 18%) on 1.4.2024 and claimed ITC in the same month. Invoice was issued on the same date. He sold the machine for ₹ 4,00,000 (plus GST @ 18%) on 15.1.2025. Determine the ITC to be reversed.

(*a*) Nil
(*b*) 72,000
(*c*) 1,44,000
(*d*) 1,80,000

Answer Key

1. (*b*)	**2.** (*b*)	**3.** (*d*)	**4.** (*c*)	**5.** (*d*)	**6.** (*a*)	**7.** (*a*)	**8.** (*b*)	**9.** (*b*)	**10.** (*b*)
11. (*c*)	**12.** (*d*)	**13.** (*c*)	**14.** (*c*)	**15.** (*b*)	**16.** (*c*)	**17.** (*c*)	**18.** (*a*)	**19.** (*c*)	**20.** (*a*)
21. (*d*)	**22.** (*c*)	**23.** (*c*)	**24.** (*a*)	**25.** (*d*)	**26.** (*c*)	**27.** (*b*)	**28.** (*c*)	**29.** (*b*)	**30.** (*b*)
31. (*c*)	**32.** (*d*)	**33.** (*a*)	**34.** (*c*)	**35.** (*c*)	**36.** (*d*)	**37.** (*c*)	**38.** (*d*)	**39.** (*c*)	

09 CHAPTER

Registration

MULTIPLE CHOICE QUESTIONS

1. Which of the following persons do not require compulsory registration under Sec. 24 of the CGST Act, 2017?

(*i*) CTP making intra-state supply of handicraft goods up to ₹ 20 lakhs

(*ii*) CTP making inter-state supply of handicraft goods/products up to ₹ 20 lakhs

(*iii*) Persons making inter-state supply of taxable goods up to ₹ 20 lakhs

(*iv*) Persons making inter-state supply of taxable services up to ₹ 20 lakhs

(*a*) (*i*) & (i*ii*)
(b) (*ii*) & (i*v*)
(*c*) (*ii*) & (i*ii*)
(d) (*i*) & (i*v*)

2. Definition of 'Registered person' under the CGST Act, 2017 does not include _____.

(*a*) Casual Taxable Person
(*b*) Non-Resident Taxable person
(*c*) Person having Unique Identity Number
(*d*) All the above

3. Casual taxable Person shall be liable to register:

(*a*) Within 15 days of commencement of business

(*b*) Atleast 5 days prior to the commencement of business

(*c*) 10 days before winding up of the business

(*d*) Atleast 15 days prior to the commencement of business

4. GSTIN contains _____.

(*a*) Service tax Registration Number
(*b*) PAN
(*c*) TIN
(*d*) CIN

5. What is the maximum validity of the registration certificate granted to the Nonresident taxable Person?

(*a*) 90 days
(*b*) 135 days
(*c*) 180 days
(*d*) 120 days

6. Mr. X became liable to register on 5th Jan, 2024 and applied for registration on 28th Jan, 2024. He received the registration certificate bearing grant of registration on 24th Feb, 2024. The effective date of registration is _____.

(*a*) 5th Jan, 2024 (*b*) 28th Jan, 2024

(*c*) 5th Feb, 2024 (*d*) 24th Feb, 2024

7. Who among the following is liable to get registered under CGST Act, 2017?

(*i*) Persons engaged exclusively in the business of supply of goods or services or both, which are not liable for GST

(*ii*) Persons exclusively engaged in the business of supply of goods or services or both, which are exempted under GST

(*iii*) Persons making only reverse charge supplies

(*iv*) Job-workers engaged in the inter-state supply of services in relation to the jewellery.

(*a*) (*i*), (i*ii*) & (i*v*) (*b*) (*iii*) and (*iv*)

(*c*) (*ii*), (i*ii*) and (i*v*) (*d*) All the above

8. Which among the following is not an appropriate reason based on which the Proper Officer may cancel the GST registration of a person?

(*a*) The registered person has not furnished returns for a continuous period of 6 months

(*b*) The registered person obtained the registration by means of fraud.

(*c*) The registered person who has taken voluntary registration has not commenced the business within 3 months from the date of such registration.

(*d*) None of the above

9. Jagriti, supplying goods from Mumbai, has furnished the following particulars: Supplies to customers in Mumbai (taxable) ₹ 1,00,000; supplies to customers in Pune (exempt) ₹ 2,00,000; purchase of stock-in-trade from Nagpur (taxable) ₹ 1,50,000; supplies to customers in Ahmedabad (taxable) ₹ 1,20,000. Compute the aggregate turnover.

(*a*) 5,70,000 (*b*) 3,00,000

(*c*) 4,20,000 (*d*) 4,50,000

10. Sukhbir is a service provider based out of Delhi. He has furnished the following particulars: supply of services to customers in Kolkata (taxable at Nil rate) K 10,00,000; purchase of furniture and fixtures for office from a dealer in Chandigarh (taxable) ₹ 3,00,000; purchase of goods (taxable under RCM) K 2,50,000; supply of services to customers in Delhi (exempt) ₹ 7,90,000. Compute the aggregate turnover.

(*a*) 20,90,000 (*b*) 17,90,000

(*c*) 20,40,000 (*d*) 17,00,000

11. Salman is engaged in trading business. He has furnished the following particulars: Trading in machine oil (purchase ₹ 15,00,000; sale ₹ 20,00,000); trading in high speed diesel (purchase ₹ 25,00,000; sale ₹ 35,00,000); export of goods to Europe ₹ 15,00,000. Compute the aggregate turnover.

(*a*) 70,00,000 (*b*) 20,00,000

(*c*) 55,00,000 (*d*) 35,00,000

12. Q. Pvt. Ltd. has its head office in Patna and a branch office in Varanasi. Further, it holds 99% shares in V Pvt. Ltd. It has furnished the following particulars: Sales from head office ₹ 25,00,000; sales from the branch office on own account of ₹ 10,00,000 and as agent of Z Ltd. ₹ 6,00,000; sales of V Pvt. Ltd. ₹ 30,00,000. Compute the aggregate turnover.

(*a*) 35,00,000 (*b*) 71,00,000

(*c*) 25,00,000 (*d*) 41,00,000

13. JK & Co. Chartered Accountants, is engaged in providing audit services within the State of Kerala. Its turnover for FY 2023-24 was ₹ 10 lakh. For FY 2024-25, its turnover crossed ₹ 10 lakh on 1.9.2024 and 20 lakh on 1.3.2025. When does JK & Co become liable to get registered?

(*a*) 1.4.2024 (*b*) 1.9.2024

(*c*) 1.3.2025 (*d*) Not required to get registered

14. Suhail of Tripura is engaged in providing services to his clients located in various States. In which of the following scenarios is Suhail liable to get registered?

(*a*) Services are exempt and turnover is ₹ 38 lakh

(*b*) Services are taxable and turnover is ₹ 12 lakh

(*c*) Services are taxable and turnover is ₹ 10 lakh

(*d*) Services are exempt and turnover is K 9 lakh

15. JJ Traders supplies interior decoration items in the State of Tamil Nadu and is registered there. It plans to participate in a month-long interior expo to be held in Bangalore and expects to make supplies of ₹ 1 lakh in the expo. Is JJ Traders required to get registered in Karnataka?

(*a*) No, as it is already registered in Tamil Nadu

(*b*) No, as turnover of 1 lakh is below registration limit

(*c*) No, as it will not makeinter State supplies from Karnataka

(*d*) Yes, as it is a casual taxable person

16. Mandeep of Telangana started his business during June and made the following supplies during the month: Supplies of taxable goods in Telangana of ₹ 15 lakh; supplies of exempt goods in Telangana of ₹ 2 lakh; supplies of taxable goods to Maharashtra of ₹ 2 lakh. Determine if he is required to obtain registration?

(*a*) No, as he is making exempt supplies (*b*) Yes, as ATO exceeds ₹ 10 lakh

(*c*) No, as ATO does not exceed ₹ 20 lakh (*d*) Yes, as he is making inter State supplies

17. Juhi of Jharkhand is an artisan supplying products made the following cases is Juhi not required to get registered?

(*a*) Supplies handbags (notified handicraft goods) and turnover is ₹ 15 lakh

(*b*) Supplies carved wood products (notified) and turnover is ₹ 26 lakh

(*c*) Supplies musical instruments (notified) made 75% with help of machinery and 25% using hand and turnover is ₹ 15 lakh

(*d*) Supplies handcrafted candles (notified handicraft goods) and turnover is ₹ 10 lakh but she does not generate e-way bill

18. Felix Goods Transport Agency exclusive provides goods transport services in the State of Chhattisgarh. It has not exercised the option to pay tax under forward charge. Its turnover is ₹ 60 lakh. KLM Pvt. Ltd. makes taxable supply of goods in the State of Chhattisgarh and its turnover is ₹ 15 lakh. It has availed services of Felix GTA for which it has made a payment of ₹ 50,000, exclusive of GST. Determine who is liable to get registered?

(*a*) Neither Felix GTA nor KLM Pvt. Ltd. (*b*) Only Felix GTA

(*c*) Only KLM Pvt. Ltd. (*d*) Both Felix GTA and KLM Pvt. Ltd.

19. JK & Co of Chennai commenced its business of making intra State supplies of computers on 1 June. Its turnover exceeded ₹ 10 lakh on 1 August, ₹ 20 lakh on 1 October and ₹ 40 lakh on 1 December. By what date does it need to apply for registration?

(*a*) 1 July (*b*) 31 August

(*c*) 31 October (*d*) 31 December

20. Gurpreet Goods Transport Agency exclusively provides goods transport services in the State of Rajasthan. GST is payable @ 12%. Its aggregate turnover is ₹ 21 lakh. Z Pvt. Ltd. makes taxable supply of goods in the State of Rajasthan and its turnover is ₹ 35 lakh. It availed services of Gurpreet GTA for which it made a payment of ₹ 1 lakh. Determine who is liable to get registered?

(*a*) Neither Gurpreet GTA nor Z Pvt. Ltd. (*b*) Only Gurpreet GTA

(*c*) Only Z Pvt. Ltd. (*d*) Both Gurpreet GTA and Z Pvt. Ltd.

21. B has appointed C as his agent. C supplies goods on behalf of B and turnover in this respect is ₹ 5 lakh. C does not make any other supply. In which of the following cases is C liable to get registered?

(*a*) Supply is taxable and B is registered

(*b*) Supply is taxable but B is not registered (and also not liable to be registered)

(*c*) Supply is not taxable and B Is registered

(*d*) Supply is not taxable and B is not registered (and also not liable to be registered)

22. The embassy of a foreign country has been granted a UIN. Which of the following statements is not correct?

(*a*) UIN holder is a taxable person

(*b*) UIN holder cannot apply for cancellation of registration

(*c*) UIN holder cannot apply for revocation of cancellation of registration

(*d*) UIN is applicable to the whole of India

23. Jagtap runs his footwear business through three branches in Punjab situated in Amritsar, Ludhiana and Barnala. He is exploring the following options for GST registration: A. Obtain single registration for Punjab declaring any one branch as PPoB and the other two branches as APoB. B. Obtain separate registration for each branch. C. Obtain one registration for any one branch and a common registration for the other two branches. Which of the aforesaid options are available to Jagtap?

(*a*) None of the options (*b*) All options

(*c*) A and B (*d*) B and C

24. Z Pvt. Ltd. is engaged in supply of electronic items. It has Head Office and Branch 1 in Karnataka and Branch 2 in Goa. It has obtained single registration each in Karnataka and Goa. It has supplied goods from Head Office to Branch 1 and from Head Office to Branch 2 without consideration. Is tax payable on these supplies?

(*a*) Yes, on both the supplies

(*b*) No, on none of the supplies

(*c*) Yes, only on supply from Head Office to Branch 1

(*d*) Yes, only on supply from Head Office to Branch 2

25. Mr. Z submitted the application for registration on 1 June. As the application was found to be deficient, the proper officer issued a notice on 5 June to which Mr. Z furnished the reply on 10 June. The proper officer failed to take any action within the next 7 working days. Which of the following statements is correct?

(*a*) Application is deemed to be approved

(*b*) Application is deemed to be rejected

(*c*) Application needs to be submitted again

(*d*) None of the above

26. Pursuant to a survey, the proper officer has found that Mr. C and Mr. D had failed to apply for registration. Hence, he has suo motu registered both of them on a temporary basis and registration has been granted on 1 August vide order of the same date. While Mr. C has accepted the order, Mr. D has decided to appeal. The appeal of Mr. D has been rejected and the order in appeal has been issued on 15 September. Which of the following statements is correct?

(*a*) Mr. C should submit the application for registration within 90 days from 1 August and GSTIN will be effective from 1 August

(*b*) Mr. D should submit the application for registration within 90 days from 1 August and GSTIN will be effective from 1 August

(*c*) Mr. D should apply for registration within 30 days from 15 September and GSTIN will be effective from 15 September

(*d*) Mr. C should apply for registration within 30 days from 1 August and GSTIN will be effective from 1 August

27. Mr. Y applied for GST registration on 1 May and was granted registration on 10 May. He, however, did not furnish details of bank account while applying for registration. The details of outward supplies in GSTR-1 have been furnished on 5 June. What is the date latest by when Mr. Y needs to furnish his bank account details?

(*a*) 9 June

(*b*) 10 May

(*c*) 5 June (*b*efore furnishing GSTR-1)

(d) 1 May

28. What is the time limit for proper officer to approve the grant of registration if the application is found to be in order and no further authentication check is required?

(*a*) 7 days from date of submission of application

(*b*) 30 working days from date of submission of application

(*c*) 7 working days from date of submission of application

(*d*) 30 days from date of submission of application

29. Under which default for 2 consecutive tax periods can the proper officer proceed to cancel registration?

(*a*) Non furnishing of returns by a taxpayer filing monthly GSTR-3B

(*b*) Not commencing business by a person who has taken voluntary registration

(*c*) Non furnishing of returns by a taxpayer filing quarterly GSTR-3B

(*d*) Violation of ITC provisions

30. Kashi & Co of Tamil Nadu is engaged in intra State taxable supply of goods. It commenced business on 1 April and its aggregate turnover exceeded ₹ 40 lakh on 1 September. It applied for registration on 10 September and was granted registration on 20 September. Registration is effective from which date?

(*a*) 1 September

(*b*) 1 October

(*c*) 20 September

(*d*) 10 September

31. Rakesh, registered in the State of Karnataka as a supplier of goods, is participating in a business exhibition being held in Maharashtra for 10 days starting from 15 June. He has estimated the net tax liability for this period to be ₹ 20,000. Which of the following statements is not correct?

(*a*) Rakesh should have a PAN number for GST registration

(*b*) He should apply for registration within 5 days from 15 June

(*c*) He should deposit ₹ 20,000 while submitting application for registration

(*d*) He can make taxable supplies only after the certificate of registration is issued

32. KK & Co obtained GST registration on 1 January. However, it failed to furnish GST returns for the next 6 months. Consequently, the proper officer cancelled its registration on 28 July. The order was served on 31 July. KK & Co wishes to revoke the cancellation. Determine the date (without any extension) up to which KK & Co can file application for revocation.

(*a*) 26 October

(*b*) 29 October

(*c*) 29 September

(*d*) Cannot file

33. Consequent to failure of Mr. G to file returns, proper officer cancelled the registration with effect from 1 March vide his order dated 1 October. Mr. G submitted application for revocation of cancellation on 5 November pursuant to which the proper officer revoked the cancellation vide his order dated 25 November. Which of the following is Mr. G required to do?

(*a*) Furnish returns in default before submitting application for revocation

(*b*) Furnish returns for the period from 1 March to 25 November within 30 days from 25 November

(*c*) Furnish returns for the period from 1 March to 5 November within 30 days from 5 November within 30 days from 25 November

(*d*) Furnish returns for the period from 1 March to 25 November latest by 25 November

34. Registration of Mr. Z has been cancelled with effect from 1 July. His tax dues pertaining to the period till the date of cancellation amount to ₹ 1,00,000 out of which ₹ 70,000 was determined in proceedings during the month of June and the rest have been determined in proceedings during

the month of July. Mr. Z has been asked to clear his tax dues. What is the extent to which he is liable to clear such dues after cancellation of registration?

(*a*) 70,000
(*b*) 30,000
(*c*) 1,00,000
(*d*) Nil

35. Consequent to failure of Mr. G to file returns, proper officer cancelled registration w.e.f. 1 October vide his order of the same date. Mr. G submitted application for revocation of cancellation on 5 November pursuant to which the proper officer revoked the cancellation vide his order dated 25 November. Which of the following is Mr. G not required to do?

(*a*) Furnish returns in default before submitting application for revocation.
(*b*) Pay all dues (tax, interest, etc.) in respect of such returns.
(*c*) Furnish returns for the period from 1 October to 25 November within 30 days from 25 November.
(*d*) Furnish returns for the period from 1 October to 25 November latest by 25 November.

Answer Key

1. (*b*)	**2.** (*c*)	**3.** (*b*)	**4.** (*b*)	**5.** (*a*)	**6.** (*a*)	**7.** (*b*)	**8.** (*c*)	**9.** (*c*)	**10.** (*b*)
11. (*a*)	**12.** (*d*)	**13.** (*c*)	**14.** (*b*)	**15.** (*d*)	**16.** (*d*)	**17.** (*a*)	**18.** (*c*)	**19.** (*d*)	**20.** (*b*)
21. (*a*)	**22.** (*a*)	**23.** (*c*)	**24.** (*d*)	**25.** (*a*)	**26.** (*a*)	**27.** (*c*)	**28.** (*c*)	**29.** (*c*)	**30.** (*a*)
31. (*b*)	**32.** (*b*)	**33.** (*b*)	**34.** (*c*)	**35.** (*d*)					

CHAPTER 10

Tax Invoice; Credit and Debit Notes

MULTIPLE CHOICE QUESTIONS

1. When is a bill of supply issued?

(*a*) Composite supply of goods, services or both.

(*b*) Exempted supply of goods, services or both.

(*c*) Taxable supply of goods, services or both.

(*d*) None of the above.

2. A tax invoice may not be issued to unregistered recipient if the value of goods, services or both supplied is lesser than _____?

(*a*) It always has to be issued.

(*b*) ₹ 100

(*c*) ₹ 200

(*d*) ₹ 500

3. When both taxable and exempted supply is made, _____ should be issued?

(*a*) Bill of supply

(*b*) Invoice

(*c*) Invoice separately for the taxable portion and Bill of Supply for the exempted portion.

(*d*) Invoice-cum-bill of supply.

4. ABC Ltd. has supplied taxable goods to PQR Ltd. Since some of the goods are damaged, they are returned back to ABC Ltd. The document to be issued in this case is _____.

(*a*) ABC Ltd. should issue credit note.

(*b*) ABC Ltd. should issue debit note.

(*c*) PQR Ltd. should issue credit note.

(*d*) PQR Ltd. should issue debit note.

5. Great Pvt. Ltd. has sold electronic items to the local distributor and has prepared 3 copies of tax invoice. Which of the following is correct in respect of the tax invoice?

(*a*) It should keep triplicate copy with self

(*b*) It should keep original copy with self

(*c*) It should give triplicate copy to recipient

(*d*) It should give triplicate copy to transporter

6. Manav, a Chartered Accountant in practice and registered under GST, has provided tax consulting services to Mr. C for which payment was credited in his account maintained with Bank of India. Which of the following is correct in respect of the tax invoice issued for such supply?

(*a*) He should prepare only one copy of tax invoice and

(*b*) He should prepare two copies of tax invoice and give the original to Mr. C

(*c*) He should prepare three copies of tax invoice and give it to Mr. C

(*d*) He should prepare two copies of tax invoice and give the duplicate to Mr. C

7. Which of the following registered persons need to generate an e-invoice?

(*a*) Y Ltd. making B2B sales and having ATO of ₹ 17 crore in the preceding FY

(*b*) Rahim Goods Transport Agency having ATO of ₹34 crore in the preceding FY

(*c*) SEZ unit of C Ltd. having turnover of ₹ 30 crore in the preceding FY (C Ltd. does not have any other unit)

(*d*) K Ltd. Making B2B sales and having ATO of not more than ₹ 5 crore ever since it commenced business

8. D Ltd., registered under GST, is engaged in making B2B supplies. Its ATO has never been less than ₹ 45 crore in any preceding FY. Which of these documents issued by D Ltd. are not required to be reported on the Invoice Registration Portal?

(*a*) Tax invoice (*b*) Debit note

(*c*) Credit note (*d*) Bill of supply

9. Which of the following supplies are covered by the e-invoicing provisions?

(*a*) B2C supplies (*b*) Wholly exempt supplies

(*c*) Export supplies (*d*) Import transactions

10. B Ltd. and C Ltd. are registered under GST and make taxable supplies. Both companies commenced business five years back. While B Ltd. supplies goods to registered persons, C Ltd. supplies goods to unregistered persons. ATO of B Ltd. has not exceeded ₹ 5 crore in any FY and turnover of C Ltd. has never gone below R 5 crore in any FY. Which person is required to generate e-invoices?

(*a*) B Ltd. (*b*) C Ltd.

(*c*) B Ltd. and C Ltd. (*d*) None

11. Q & Co commenced business of supply of industrial goods on 1 April within the State of Tripura. Its turnover exceeded ₹ 10 lakh on 1 June and ₹ 20 lakh on 1 August. It applied for registration on 20 June and was granted registration on 25 June. Can Q & Co revise the tax invoices already issued during the period while it was not registered?

(*a*) No, it cannot issue revised tax invoices

(*b*) Yes, it can issue revised tax invoices for theperiod 1 April to 25 June

(*c*) Yes, it can issue revised tax invoices for the period 1 June to 25 June

(*d*) Yes, it can issue revised tax invoices for theperiod 1 April to 20 June

12. Rahul is registered under GST and runs a grocery store. He does not want to issue individual tax invoices to customers as the unit sale value is very less. Which of the following conditions should be satisfied for Rahul to dispense with the requirement to issue tax invoice to a customer?

(*a*) Customer should be unregistered (*b*) Customer should not ask for invoice

(*c*) Value of supply should be less than ₹ 200 (*d*) All the above

13. Bansal Store is registered under GST and supplies stationery items on retail basis. In which of the following cases of supply, is Bansal Store not required to issue individual tax invoice to the customer?

(*a*) Madhavi (registered) has purchased items of value ₹ 100 and needs an invoice

(*b*) Suniti (unregistered) has purchased items of value ₹ 150 and has asked for a tax invoice

(*c*) Vatsal (unregistered) has purchased items of ₹ 190 and does not need an invoice

(*d*) Krishna (unregistered) has purchased items of value ₹ 210 and does not need an invoice

14. Mohan is a composition taxpayer supplying goods. Which of the following particulars does he need to include in the bills of supply issued by him?

(*a*) Value of supply, taking into account discount or abatement, if any

(*b*) Taxable value of supply

(*c*) Rate of tax

(*d*) Amount of tax charged

15. Kanchan, registered under GST, has supplied taxable as well as exempted goods to Mohit, registered under GST. Which of the following documents can Kanchan issue in respect of the supply?

(*a*) A single invoice-cum-bill of supply

(*b*) A single tax invoice

(*c*) Tax invoice for taxable supply and bill of supply for exempt supply

(*d*) A single bill of supply

16. Rahul, registered under GST, has supplied taxable as well as exempted goods to Yogesh, an unregistered person. Which of the following documents can Rahul issue in respect of the supply?

(*a*) A single invoice-cum-bill of supply

(*b*) A single tax invoice

(*c*) A single bill of supply

(*d*) Either single tax invoice or single bill of supply as per his choice

17. MKG Pvt. Ltd., a registered person, received advance of ₹ 50 lakh in respect of supply of services due to take place in the near future. However, at the time of such receipt, rate of tax as well as the nature of supply is not determinable. What position should MKG Pvt. Ltd. take for the purpose of payment of tax?

(*a*) No tax liability arises till the rate of tax and nature of supply are finalized

(*b*) IGST @ 18%

(*c*) CGST @ 9% and SGST @ 9%

(*d*) Ascertain tax rate and nature of supply on best estimate basis

18. XYZ & Co, a registered person, received advance of ₹ 10 lakh in respect of supply of services to be affected in due course. However, before the supply could take place and tax invoice could be issued, the contract was cancelled. What should XYZ & Co do to square off the transaction?

(*a*) Issue a refund voucher

(*b*) Issue a credit note

(*c*) First issue a tax invoice and then issue a credit note

(*d*) Cannot do anything

19. Sarang is a renowned photographer not registered under GST. He has permitted use of his original photographic work by Entertain Pvt. Ltd., a media production company registered under GST, against payment of ₹ 10 lakh. Which of the following statements is correct?

(*a*) Sarang to issue invoice and receipt voucher

(*b*) Sarang to issue invoice, Entertain Pvt. Ltd. to issue payment voucher

(*c*) Entertain Pvt. Ltd. to issue invoice and payment voucher

(*d*) Sarang to issue receipt voucher, Entertain Pvt. Ltd. to issue invoice

20. Sahil Goods Transport Agency provides goods transportation services by road. It has sought your advise in respect of the document it should issue in respect of such services. Which of the following statements is correct?

(*a*) It should issue a receipt voucher

(*b*) It should issue a bill of supply

(*c*) It should issue a tax invoice

(*d*) It shouldissue a tax invoice having dynamic QR code

21. Roady Pvt. Ltd. is registered under GST and provides passenger transportation services. Which of the following statements is correct?

(*a*) It should issue tax invoices having QR code with Invoice Registration Number (IRN) embedded

(*b*) A ticket will serve as the tax invoice

(*c*) The ticket should contain address of the passenger

(*d*) The ticket should be serially numbered

22. Y & Co, registered under GST, wants to send goods to Z & Co on sale or approval basis. The goods will be transported in a truck and the consignment value of goods is K 25,000. Which of the following statements is correct?

(*a*) Delivery challan need not be declared in e-way bill

(*b*) Delivery challan should have a dynamic QR code

(*c*) Tax invoice should be sent along with the delivery challan

(*d*) There is no need to issue a delivery challan

23. BG Pvt. Ltd. is transporting a heavy machinery to Y Ltd. under a delivery challan. The machinery will be transported in a completely knocked down condition. Which of the following statements is not correct?

(*a*) Complete invoice should be issued before dispatch of

(*b*) Original invoice should be sent along with the first consignment

(*c*) Each consignment should be accompanied by copy of delivery challan along with duly certified copy of invoice

(*d*) All the above

24. Rohit, registered under GST, sold goods to Mohit of value ₹ 1,00,000 (plus 12% GST) in April 2024 and issued the tax invoice. Due to defect in the goods, Mohit returned goods of 30% value to Rohit in the same month pursuant to which Rohit immediately issued a credit note. Determine the GST liability of Rohit for the month of April 2024.

(*a*) 8,400 (*b*) 12,000

(*c*) 3,600 (*d*) 9,400

25. Zubain, registered under GST, supplied services to Kashi on 15 March 2025 and issued a tax invoice declaring value of supply of ₹ 50,000 plus GST @ 18%. There was a dispute regarding the quality of services. It was agreed on 10.12.2025 that Zubain would issue a credit note to Kashi. Zubain plans to file the annual return for FY 2024-25 on 31.12.2025. Which of the following statements is correct?

(*a*) Zubain can issue credit note and declare it in the return to claim reduction of tax liability.

(*b*) Zubain can neither issue credit note nor declare it in the return to claim reduction of tax liability.

(*c*) Zubain can issue credit note but cannot declare it in the return to claim reduction of tax liability

(*d*) Zubain needs to issue a refund voucher and claim reduction of tax liability.

Answer Key

1. (*b*)	**2.** (*c*)	**3.** (*d*)	**4.** (*a*)	**5.** (*a*)	**6.** (*b*)	**7.** (*a*)	**8.** (*d*)	**9.** (*c*)	**10.** (*d*)
11. (*c*)	**12.** (*d*)	**13.** (*c*)	**14.** (*a*)	**15.** (*c*)	**16.** (*a*)	**17.** (*b*)	**18.** (*a*)	**19.** (*c*)	**20.** (*c*)
21. (*b*)	**22.** (*a*)	**23.** (*b*)	**24.** (*a*)	**25.** (*c*)					

CHAPTER 11

Accounts and Records

MULTIPLE CHOICE QUESTIONS

1. S is a retail trader, registered under GST. Which of the following accounts is he not required to maintain?

(*a*) Stock of goods
(*b*) ITC availed
(*c*) Output tax payable and paid
(*d*) Production or manufacture of goods

2. M is a registered supplier of services. Which of the following accounts is he required to keep and maintain?

(*a*) Details of services supplied
(*b*) Quantitative details of goods used in provision of services
(*c*) Details of input services utilized
(*d*) All the above

3. M is an electronic goods dealer paying tax under composition scheme. Which of the following records is he not required to keep and maintain?

(*a*) Goods written off
(*b*) Balance of finished goods
(*c*) Goods distributed as gifts and free samples
(*d*) All the above

4. S is a manufacturer of toys. Fie needs to maintain production accounts.

(*a*) Daily
(*b*) Weekly
(*c*) Monthly
(*d*) Quarterly

5. S is a retail trader having Showroom 1, 2 and 3 in Delhi. She is registered in Delhi and has declared Showroom 1 as the principal place of business. At which showroom is she required to keep the accounts and records?

(*a*) All accounts and records only at Showroom 1
(*b*) All accounts and records at any Showroom of her choice
(*c*) Accounts relating to each Showroom at such place
(*d*) At Showroom where Sukanya usually sits

6. S is a registered service provider. She has enquired about the mode in which she needs to keep and maintain accounts and records. Please advise her.

(*a*) Manually or electronically or both

(*b*) Manually as well as electronically

(*c*) Either manually or electronically but not both

(*d*) Only manually

7. M is a registered manufacturer of spare parts. She wants to know the period till when she needs to retain the account for manufacture of goods for the month of June 2021. She filed the annual return for FY 2021-22 on 15.12.2022. Please advise her.

(*a*) 31.3.2028 (*b*) 31.12.2028

(*c*) 15.12.2028 (*d*) 31.12.2022

8. S filed an appeal against denial of exemption for services supplied by him during the FY 2020-21. The appeal was finally disposed on 15.5.2026. He wants to know the period till when he needs to retain the books of account and other records pertaining to the subject matter of the appeal?

(*a*) 15.5.2027 (*b*) 15.5.2026

(*c*) 31.12.2027 (*d*) 31.3.2027

9. W & Co is unregistered. It needs to maintain records of consigner, consignee and other relevant details of goods where it is (A) owner of a warehouse, (B) operator of a godown, (C) owner or operator of any other place' used for storage of goods, (D) transporter.

(*a*) A or B or C or D (*b*) Only A or B

(*c*) Only A or B or C (*d*) Only D

10. Pannu Goods Transport Agency wants to know the records that it needs to maintain under the GST law out of the following; (A) Goods transported; (B) Goods delivered; (C) Goods storetj in transit by the agency; (D) GSTIN of registered consigner and consignee for each branch.

(*a*) Only A and B (*b*) Only D

(*c*) Only A, B and C (*d*) All the above

Answer Key

1. (*d*)	**2.** (*d*)	**3.** (*d*)	**4.** (*c*)	**5.** (*c*)	**6.** (*a*)	**7.** (*b*)	**8.** (*c*)	**9.** (*a*)	**10.** (*d*)

CHAPTER 12

E-Way Bill

MULTIPLE CHOICE QUESTIONS

1. An e-way bill can be cancelled _____ in case goods are not transported.

(*a*) Within 12 hours of generation of the E-way bill.
(*b*) Within 24 hours of generation of the E-way bill.
(*c*) Within 16 hours of generation of the E-way bill.
(*d*) Within 18 hours of generation of the E-way bill.

2. E-way bill is mandatory where there is movement of goods of consignment value exceeding _____.

(*a*) ₹ 10,000
(*b*) ₹ 50,000
(*c*) ₹ 1,00,000
(*d*) None of the above

3. E-way bill is required to be generated even if the consignment value is less than ₹ 50,000 in the following case:

(*a*) Goods transported from the place of consignor to the place of transporter
(*b*) Goods transported are transit cargo from or to Nepal or Bhutan
(*c*) Inter- state supply of handicraft goods by casual taxable person
(*d*) None of the above

4. The validity of E-way bill in the case of multi model shipment upto 20km is

(*a*) One day
(*b*) One additional day
(*c*) 2 days
(*d*) None of the above

5. The threshold limit of consignment value for generation of e-way bill is:

(*a*) 25,000
(*b*) 50,000
(*c*) 1,00,000
(*d*) Nil

6. Mr. C of Kanpur (registered) has sold goods to Mr. D of Patna, a consumer. Mr. C will hand over the goods to Jagat Transporter for transportation and has given an authorization to Jagat Transporter to furnish Part A of Form GST EWB-01. Who can furnish Part A as per GST Rules?

(*a*) Only Mr. C
(*b*) Only Jagat Transporter
(*c*) Mr. C or Jagat Transporter
(*d*) Neither Mr. C nor Jagat Transporter

7. Mr. X (registered wholesaler) has sold goods to Mr. Y (registered retailer) who, in turn, has sold these goods to Mr. Z (unregistered consumer). Mr. Y has instructed Mr. X to deliver the goods directly to Mr. Z. Consignment value of goods is Rs. 78,000.Who is required to generate e-way bill?

(*a*) One EWB by Mr. X
(*b*) One EWB by Mr. Y
(*c*) One EWB, either by Mr. X or Mr.Y
(*d*) Separate EWBs by Mr. X and Mr. Y

8. Mr. K of Kanpur (registered supplier) furnished information in Part A of Form EWB-01 on 1 May and handed over the goods to the transporter for furnishing information in Part B. How many days are available to the transporter to update the details in Part B?

(*a*) 10 days
(*b*) 15 days
(*c*) 30 days
(*d*) No time limit

9. Mr. M of Mangalore (registered supplier) has handed over the goods (consignment value ₹ 90,000) to Railways for transportation to the consignee located in Bangalore. Which of the following statements is not correct?

(*a*) E-way bill needs to be generated by Mr. M
(*b*) Part B information can befurnished even after commencement of movement of goods
(*c*) E-way bill needs to be carried along with the goods while in transit
(*d*) Railways cannot deliver the goods unless e-way bill is produced at the time of delivery

10. The transporter has generated the e-way bill for transportation of goods from Chennai to Mumbai by road. The goods will be transported using multiple vehicles. Which of the following statements is correct?

(*a*) New e-way bill should be generated for every change in vehicle
(*b*) Validity of e-way bill will be re-calculated whenever the vehicle changes
(*c*) Vehicles cannot be changed during transportation accompanied by an e-way bill
(*d*) One e-way bill needs to be issued and Part B updated upon every change of vehicle

11. Suman Transporter has generated the e-way bill and is carrying the consignment being sent by Mr. A to Mr. B. Mid-way during the journey, the goods need to be handed over to Jagat Transporter for further movement. Which of the following statements is correct?

(*a*) A fresh e-way bill needs to be issued upon change in transporter
(*b*) Suman Transporter or Mr. A/Mr. B (who furnished Part A) can assign the e-way bill to Jagat Transporter
(*c*) E-way bill can be assigned to Jagat Transporter even if he does not have a GSTIN or TRANSIN
(*d*) Transporter cannot be changed during a journey mapped to an e-way bill

12. Yuva Transporter is carrying 10 consignments in Truck A and 6 consignments in Truck B. All consignments belong to Mr. B (registered supplier) who is sending goods to various consignees and the value of each consignment exceeds ₹ 50,000. Which of the following statements is correct?

(*a*) Yuva Transporter can generate and carry a consolidated EWB each for Truck A and Truck B instead of carrying multiple EWBs

(*b*) Yuva Transporter can generate and carry a single consolidated EWB for Trucks A and B instead of carrying multiple EWBs

(*c*) Yuva Transporter can generate and carry a consolidated EWB each for Truck A and Truck B without the need to generate multiple EWBs

(*d*) Yuva Transporter can generate and carry a consolidated EWB each for Truck A and Truck B and this can be done anytime during the trip

13. Jasmeet Transporter is carrying 15 consignments of value ₹ 1,00,000 each in a single conveyance, each being sent by Mr. F to Mr. G. Mr. F has issued tax invoice separately for each consignment. All consignments are being transported in a single conveyance. Which of the following statements is correct?

(*a*) One EWB needs to be generated for all invoices

(*b*) EWB needs to be generated for each invoice after which a consolidated EWB can be prepared

(*c*) Consolidated EWB cannot be generated as value of each consignment is > ₹ 50,000

(*d*) None of the above

14. JJ Pvt. Ltd. generated an e-way bill on 15 June at 16:00 hrs for movement of over dimensional cargo for a distance of 90 kms. When will the validity of e-way bill expire?

(*a*) 16:00 hrs of 16 June

(*b*) 16:00 hrs of 20 June

(*c*) Midnight of 20-21 June

(*d*) Midnight of 16-17 June

15. DD Ltd. has generated an e-way bill for transportation of computers by road for a distance of 1,679 kms. For how many days is the e-way bill valid?

(*a*) 9 days

(*b*) 8 days

(*c*) 83 days

(*d*) 84 days

16. Sumit Transporter is carrying a goods consignment in his conveyance after generating an e-way bill the validity period of which has expired before reaching destination. Which of the following statements is correct?

(*a*) Validity period cannot be extended

(*b*) Validity period can be extended by transporter in circumstances of exceptional nature, within 8 hours of expiry

(*c*) Validity period can be extended by the consignor or consignee but not by transporter

(*d*) Validity period cannot be extended after it has expired

17. In which of the following cases of transportation of goods, is e-way bill not required to be generated?

(*a*) Used household goods

(*b*) Books exempt from tax

(*c*) Stationery (taxable @ 12%) of consignment value ₹ 34,000

(*d*) All the above

18. XYZ & Co wants to transport goods from its factory to the weighbridge for weighment. Which of the following conditions should be fulfilled in order to dispense with the need to generate e-way bill?

(*a*) Distance from factory to weighbridge should not exceed 20 kms

(*b*) Movement of goods should be accompanied by a delivery challan

(*c*) (*a*) and (b)

(*d*) Neither (*a*) nor (b)

19. Mr. A (registered) wants to transport a goods consignment of value ₹ 1,50,000 to Mr. B who has purchased the goods from Mr. A. In which of the following situations will the e-way generation facility be blocked?

(*a*) Mr. A pays tax under regular scheme and he has not furnished GSTR-3B for any 2 tax periods

(*b*) Mr. A is a composition taxpayer and he has not furnished statement for payment of self-assessed tax for any 2 quarters

(*c*) Mr. A pays tax under regular scheme and he has not furnished monthly GSTR-1 for any 1 month

(*d*) Registration of Mr. A has been suspended

20. Mr. Z, registered trader, has purchased goods of value ₹ 3 lakh from Mr. Y, registered manufacturer. Further, Mr. Z has sold goods of value ₹ 75,000 to Mr. X, an unregistered consumer. The goods covered under these transactions need to be transported from Mr. Y to Mr. Z and from Mr. Z to Mr. X for which e-way bill needs to be issued by Mr. Y and Mr. Z, respectively. Mr. Y has been regular in all his GST compliances. However, Mr. Z has not filed his GSTR-3B for the last 2 months. Who is permitted to issue e-way bill?

(*a*) Only Mr. Z

(*b*) Only Mr. Y

(*c*) Both Mr. Z and Mr. Y

(*d*) Neither Mr. Z nor Mr. Y

Answer Key

1. (*b*)	**2.** (*b*)	**3.** (*c*)	**4.** (*a*)	**5.** (*b*)	**6.** (*c*)	**7.** (*c*)	**8.** (*b*)	**9.** (*c*)	**10.** (*d*)
11. (*b*)	**12.** (*a*)	**13.** (*b*)	**14.** (*c*)	**15.** (*a*)	**16.** (*b*)	**17.** (*d*)	**18.** (*c*)	**19.** (*d*)	**20.** (*b*)

13 CHAPTER

Payment of Tax

MULTIPLE CHOICE QUESTIONS

1. Happy & Co. defaulted in making payment of ₹ 80,000 for month of September 2023. The same is paid along with November month return. Calculate Interest?

(*a*) ₹ 2,400 (*b*) ₹ 2,368

(*c*) ₹ 3,156 (*d*) ₹ 2,406

2. Can Cash deposit paid for one minor head of a major head transferred to another minor head of different major head. If so, mention Form no.

(*a*) No (*b*) Yes, Form PMT-06

(*c*) Yes, Form PMT-09 (*d*) Claim refund of same as erroneous deposit

3. Default & Co made outward supplies of ₹ 5,00,000. Input services and Inputs purchased eligible for credit amounts to ₹ 3,00,000. All supplies are taxable @18%. It defaulted in filing return and remitting GST and complied after 2 months. On what portion of amount interest is charged u/s 50(1)

(*a*) ₹ 90,000 (*b*) ₹ 54,000

(*c*) ₹ 36,000 (*d*) ₹ 48,000

4. In case a registered taxable person's turnover consists of the following:-

- 40 Lakhs exempt supply
- 10 Lakhs Taxable supply

How much percentage of his electronic credit ledger can he use for discharging his output tax liability?

(*a*) 90% (*b*) 100%

(*c*) 99% (*d*) 95%

5. According to Rule 86B in case of a registered taxable persons whose:-

- taxable supply is 90 lakhs (other than zero rated and exempt supply) and
- electronic credit ledger balance is 60 lakhs

Then what is the maximum amount of his electronic credit ledger can he use to discharge his liability?

(*a*) 59.4 Lakhs; (*b*) 60 Lakhs;

(*c*) 59 Lakhs; (*d*) 55 Lakhs

6. Mahesh needs to pay his output tax liability of ₹ 20,000. Which of the following options does he have?

(*a*) Can pay through electronic cash ledger only when balance in electronic cash ledger is exhausted

(*b*) Can pay through electronic credit ledger only when balance in electronic credit ledger is exhausted

(*c*) Can pay either through electronic credit ledger or electronic cash ledger or both

(*d*) Can pay only through electronic cash ledger

7. Sukesh needs to pay late fees of ₹ 2,000 and interest of ₹ 1,500. Which of the following options does he have?

(*a*) Fie can pay late fees and interest through either electronic cash or credit ledger

(*b*) Fie can pay late fees and interest through electronic cash ledger

(*c*) Fie can pay late fees through electronic cash ledger and interest through either electronic cash or credit ledger

(*d*) He can pay late fees and interest through electronic credit ledger

8. Sukanya wants to make a deposit of ₹ 20,000 in the electronic cash ledger. Which of the following options is not available?

(*a*) Payment by internet banking

(*b*) Payment by credit card

(*c*) Payment by cheque over the counter

(*d*) Payment by NEFT

9. Shamita wants to deposit ₹ 1,000 in the electronic cash ledger through NEFT mode. She has been told about the » following steps in the process: (A) Communication of Challan Identification Number by the authorized bank; (B) Credit of amount deposited to the electronic cash ledger; (C) Generation of Common Portal Identification Number; (D) Generation of Mandate Form. She wants to know the correct sequence of these steps. Please advise.

(*a*) D, A, B, C

(*b*) C, D, A, B

(*c*) A, B, C, D

(*d*) C, A, D, B

10. Madhavi wants to make a deposit in the electronic cash ledger for payment of penalty of ₹ 5,000 under IGST. She wants to know what combination of major and minor head should she submit in the challan?

(*a*) Major head penalty; minor head IGST

(*b*) Major head IGST; no need to fill in minor head

(*c*) Major head IGST; minor head penalty

(*d*) Combination of any head

11. Sushil needs to pay interest of ₹ 2,500 on account of IGST. He finds that he has a balance of ₹ 6,000 under the head IGST - tax. Can he make the payment?

(*a*) Yes

(*b*) No

12. YZ & Co needs to pay CGST-Tax of ₹ 5,000. It finds that it only has a balance of K 3,000 under the head CGST- Interest. What is the most cash efficient option available to YZ & Co?

(*a*) Transfer 3,000 from CGST - Interest to CGST – Tax

(*b*) Deposit 5,000 under CGST – Tax

(*c*) Deposit 5,000 under CGST – Tax and claim refund of 3,000 under CGST - Interest

(*d*) It cannot make the payment

13. Electronic credit ledger can be used to make which of the following payments under GST?

(*a*) Tax payable under RCM

(*b*) Penalty

(*c*) Output tax

(*d*) Interest

14. Z Pvt. Ltd needs to pay ₹ 6,000 as tax under RCM on account of IGST. The balance in electronic credit ledger is ₹ 4,000. The balance in electronic cash ledger is only ₹ 1,000 under the minor head Tax' under major head 'IGST'. it plans to deposit ₹ 1.000 in the electronic credit ledger and then make the payment of ₹ 5,000 through electronic credit ledger and ₹ 1,000 through electronic cash ledger. Can Z Pvt. Ltd. follow this approach?

(*a*) Yes

(*b*) No

15. ABC & Co needs to make payment of interest under IGST of ₹ 5,000. It has a balance of R 3,000 in the electronic cash ledger under the head IGST - Tax. It also has a balance of ₹ 15,000 in the electronic credit ledger. Advise ABC & Co on the most cash efficient approach.

(*a*) Pay 5,000 through credit ledger

(*b*) Pay 2,000 through credit ledger and 3,000 through cash ledger

(*c*) Deposit 5,000 in cash ledger under IGST - Interest and claim refund of 3,000 under IGST-Tax

(*d*) Transfer 3,000 from IGST -Tax to IGST - Interest and further deposit 2,000 under IGST - Interest in cash ledger

16. Supriya has made payment of output tax through the electronic credit ledger. She has also paid tax under RCM, interest under IGST and penalty under CGST/SGST from the electronic cash ledger. She is of the opinion that not all of these amounts will be credited to her electronic liability register. Advise her as to which of the aforesaid payments will be credited to her electronic liability register.

(*a*) Only output tax

(*b*) Only output tax and tax paid under RCM

(*c*) All payments except penalty

(*d*) All payments

17. Raku has filed his return for which he has self-assessed the tax liability of ₹ 60,000. He has also received a demand for payment of tax of ₹ 10,000 and interest of K 2,000. He has paid tax of ₹ 40,000 through the electronic credit ledger and ₹ 20,000through the electronic cash ledger. Determine the amount that will be debited to his electronic liability register.

(*a*) 72,000

(*b*) 12,000

(*c*) 70,000

(*d*) 52,000

18. Shubham has the following GST liabilities pending payment: (A) Self-assessed tax related to return of May (previous tax period); (B) demand determined by the proper officer u/s 73; (C) self-assessed tax related to return of June (current tax period). What is the order in which Shubham must discharge these liabilities?

(*a*) B, A, C
(*b*) A, B, C
(*c*) C, B, A
(*d*) A, C, B

19. Z Ltd. filed its GSTR-3B for the month of July 2024 on the due date of 20.8.2024 and paid the self-assessed tax of ₹ 1,00,000 on this date. ₹ 60,000 was paid through electronic credit ledger and the rest through electronic cash ledger. Calculate the interest chargeable u/s 50.

(*a*) Nil
(*b*) 1,500
(*c*) 600
(*d*) 18,000

20. BCD Pvt. Ltd. filed its GSTR-3B for the month of July 2024 on 10.9.2024 as against the due date of 20.8.2024. It paid the self-assessed tax of ₹ 1,00,000 on the date of filing the return. ₹ 60,000 was paid through electronic credit ledger and the rest through electronic cash ledger. Calculate the interest chargeable u/s 50.

(*a*) Nil
(*b*) 414
(*c*) 1,036
(*d*) 621

21. JKL 8t Co filed its GSTR-3B for the month of May 2024 on the due date of 20.6.2024. Subsequently, it was realized that the tax for the aforesaid tax period was short paid by ₹ 50,000. It cleared the short payment while filing the GSTR-3B for the month of July 2023 on 20.8.2024. ₹ 20,000 was paid through electronic credit ledger and the rest through electronic cash ledger. Calculate the interest chargeable u/s 50.

(*a*) 602
(*b*) 902
(*c*) 1,504
(*d*) Nil

Answer Key

1. (*b*)	**2.** (*c*)	**3.** (*c*)	**4.** (*c*)	**5.** (*a*)	**6.** (*c*)	**7.** (*b*)	**8.** (*c*)	**9.** (*b*)	**10.** (*c*)
11. (*b*)	**12.** (*a*)	**13.** (*c*)	**14.** (*b*)	**15.** (*d*)	**16.** (*d*)	**17.** (*a*)	**18.** (*d*)	**19.** (*a*)	**20.** (*b*)
21. (*c*)									

CHAPTER 14

TDS and TCS

MULTIPLE CHOICE QUESTIONS

1. Analyze the transactions mentioned below-

(*i*) Mr. Aakash has provided construction services to Service Foundation for ₹ 3,58,400/- (*i*nclusive of ₹ 38,400/- GST) under a contract in October, 2024. Mr. Aakash, is registered under GST. Being a registered supplier, Service Foundation deducted TDS of supplier.

(*ii*) M/s. Praveen bags, is registered under GST in Kerala. It sells leather bags across India through e-commerce operator Fling. The Fling is also registered with Kerala GST Authority as TCS collector and collected TCS @ 1% (0.5% CGST + 0.5% SGST) on supplies made through it. M/s. Praveen bags made sales of ₹ 4,50,000/- and received sales returns of ₹ 88,304/- in the month of October, 2024. Sales are inclusive of tax. Leather handbags are taxable @ 18% GST. Fling, collected TCS of ₹ 3,065/- from M/s Praveen bags.

Which of the transactions are in compliance with section 51 or section 52 of CGST Act?

(*a*) Only (*i*)
(b) Only (i*i*)
(*c*) Both (*i*) and (i*i*)
(d) Neither (*i*) nor (*ii*)

2. Which one of the following statements is true w.r.t. accounts and records under GST laws?

(*a*) All accounts and records are to be retained for 5 years.
(*b*) Stock record is to be maintained by all registered dealers except the dealers registered under composition scheme.
(*c*) Stock record is to be maintained by all registered dealers including composition dealers.
(*d*) Monthly production records are to be maintained by all dealers except the dealers who have taken option for composition

3. Which of the following statements are true

(*i*) Every e-commerce operator is required to collect tax on behalf of the actual supplier.
(*ii*) There is no onus of filing any monthly & annual statements by ECO.

(*a*) (*i*) & (i*i*)
(b) (*i*)
(*c*) (*ii*)
(d) None of the above statements are true.

4. What is net value of taxable supplies?

(*a*) Aggregate value of all the supplies of goods and/or services made during any month by all registered taxable persons through the ecommerce operator.

(*b*) Aggregate value of taxable supplies of goods and/or services made during any month by all registered taxable persons through the ecommerce operator reduced by value of taxable supplies returned to the suppliers during the said month.

(*c*) Aggregate value of taxable supplies of goods and/or services, excluding the services notified u/s 9(5) made during any month by all registered persons through the ecommerce operator reduced by the aggregate value of taxable supplies returned to the suppliers during the said month.

(*d*) Aggregate value of all the supplies of goods and/or services, excluding the services notified u/s 9(5) made during any month by a registered taxable person.

5. Which of the following entities is required to deduct TDS u/s 51 if the other conditions for deduction are satisfied?

(*a*) M & Sons, a sole proprietorship
(*b*) Municipal Corporation of Delhi
(*c*) ABC & Co, a partnership firm
(*d*) A Pvt. Ltd. having 100% private shareholding

6. A Government agency has received services from a supplier. The agency will need to deduct TDS u/s 51, subject to satisfaction of the other conditions for deduction, where the supplier is:

(*a*) A composition taxpayer
(*b*) Supplying only exempted goods
(*c*) Supplying only exempted services
(*d*) Unregistered

7. The local authority of Mumbai has entered into 3 contracts with Mr. K of Pune for supply of taxable goods of value ₹ 1 lakh each. Rate of GST is 18%. Determine the total amount to be deducted as TDS u/s 51 from the payments made under these contracts.

(*a*) Nil
(*b*) 3,000
(*c*) 6,000
(*d*) 4,000

8. The Health Department of the Government of UP has made payments of ₹ 30,000 and ₹ 50,000 to X of Delhi for supply of taxable goods under a contract of value ₹ 3 lakh (inclusive of GST @ 12%). Amounts of payments given are excluding GST. Determine the amount of TDS to be deducted by the Health Department, if any.

(*a*) Nil
(*b*) 800 CGST and 800 SGST
(*c*) 1,600 IGST
(*d*) 6,000 IGST

9. The Finance Department of the Government of Delhi has received supplies of value ₹ 3 lakh for taxable goods (rate of GST is 18%) and of value ₹ 4 lakh for exempted services supplied by AB Ltd. of Mumbai, under a contract. The values are excluding GST. Determine the net amount payable by the Finance Department to AB Ltd. in respect of such contract.

(*a*) 7,00,000
(*b*) 7,54,000
(*c*) 7,40,000
(*d*) 7,48,000

10. J Ltd. of Chennai, a public sector undertaking, is making payment to U Pvt. Ltd. of Delhi for renovation of its office building in Delhi. The value of contract is ₹ 10 lakh. Rate of GST is 18%. Determine the net amount that J Ltd. will need to pay to U Pvt. Ltd. under the contract.

(*a*) 10,00,000
(*b*) 11,70,000
(*c*) 11,60,000
(*d*) 11,80,000

11. The Sanitation Department of the Government of UP has procured taxable services under a contract of value ₹ 6 lakh (excluding GST @ 18%) from AB & Co of Kanpur, not registered under GST. Determine the amount of TDS that will need to be deducted u/s 51 while making payment under the contract.

(*a*) Nil
(*b*) 6,000
(*c*) 12,000
(*d*) 1,08,000

12. B Ltd. of Mumbai, a public sector undertaking, has supplied taxable goods to the Finance Department of the Government of Maharashtra under a contract of value ₹ 20 lakh. Rate of GST is 12%. Determine the total payment that B Ltd. will receive from the Finance Department for supplies made under the contract.

(*a*) 20,00,000
(*b*) 22,20,000
(*c*) 22,40,000
(*d*) 22,00,000

13. Arrange the following in the correct sequence of occurrence:

(A) Deductee claims credit of TDS in his electronic cash ledger;
(B) TDS liability is paid by deductor by debiting his electronic cash ledger while submitting TDS return in Form GSTR-7;
(C) Deductor deposits TDS amount in the Government account consequent to which his electronic cash ledger is credited;
(D) Deductee utilizes the amount credited in his electronic cash ledger for discharging GST liability.

(*a*) A, B, C, D
(*b*) C, B, A, D
(*c*) B, D, A, C
(*d*) C, A, D, B

14. In case of which of the following supplies made through the ECO is the ECO not required to collect TCS u/s 52?

(*a*) Services notified u/s 9(5)
(b) Services not notified u/s 9(5)
(*c*) Goods
(*d*) All the above

15. During April 2023, Shivam and Chandu made inter-State taxable supplies of goods through ABC.com, an ECO, of the value ₹ 5 lakh and ₹ 3 lakh, respectively. Returns during the same period were of the value ₹ 2 lakh and ₹ 3.5 lakh for Shivam and Chandu, respectively. Consideration for the supplies was collected by ABC.com and then remitted to Shivam and Chandu. Calculate the amount of TCS that ABC.com needs to collect. Rate of GST on goods is 18%.

(*a*) For Shivam 5,000; For Chandu 3,000
(*b*) For Shivam 3,000; For Chandu Nil
(*c*) 2,500 in the aggregate for both
(*d*) For Shivam 54,000; For Chandu Nil

16. Jane provided passenger transportation services by radio taxi through Fast.com, an ECO. The value of such services provided during the month of July 2023 was ₹ 1 lakh. He also supplied vehicle accessories through Fast.com of the value ₹ 50,000 (out of this ₹ 20,000 worth of accessories were returned during the same month). Consideration for all the supplies was collected by Fast.com and then remitted to Jane. All supplies were intra-State. Calculate the amount of GST paid and TCS collected by Fast.com during July 2023 on such supplies. Assume the rate of GST to be 18%.

(*a*) GST Nil; TCS1,300
(*b*) GST 23,400; TCS Nil
(*c*) GST 18,000; TCS 300
(*d*) GST 18,000; TCS 500

17. Jasmeet made taxable supplies of goods through Mart.com, an ECO, during October 2024 of value R 30,000. Due to defect in the goods, goods of value ₹ 35,000 were returned during such month. Supplies are inter-State. Consideration for the supplies was collected by Mart.com. Calculate the amount of TCS to be collected by Mart.com during October 2024. Rate of GST is 12%.

(*a*) Nil
(*b*) 300
(*c*) 3,300
(*d*) 3,600

18. S supplied stationery of value ₹ 1,00,000 through Amizan.com, an ECO, during the month of June 2024. The ECO collected ₹ 60,000 during June 2024 itself while the balance was collected from the buyers in July 2024. Calculate the amount of TCS to be collected by the ECO in respect of such supply. Rate of GST is 18%.

(*a*) 1,000 during July 2024
(*b*) 600 during June 2024; 400 during July 2024
(*c*) 708 during June 2024; 472 during July 2024
(*d*) 1,000 during June 2024

19. C Ltd. and D Ltd. supply taxable as well as exempt goods through Red.com, an ECO. As per the agreement, consideration for the supplies effected by C Ltd. Is collected by Red.com and then remitted to C Ltd. However, D Ltd. Collects the consideration for its supplies directly from the customers. In respect of which of the following supplies is Red.com required to collect tax at source?

(*a*) Taxable supplies made by C Ltd.
(*b*) Exempt supplies made by C Ltd.
(*c*) Taxable supplies made by D Ltd.
(*d*) Exempt supplies made by D Ltd.

20. R & Co. supplied taxable goods of value ₹ 1,00,000 and exempt goods of value ₹ 2,00,000 during the month of January 2025 through Milo.com, an ECO. Taxable goods of value ₹ 40,000 and exempt goods of value ₹ 50,000 were returned by customers during such month. Deals.com collected the consideration and remitted it to R & Co. Determine the amount of TCS to be collected by Milo.com during January 2025.

(*a*) 2,100
(*b*) 600
(*c*) 2,600
(*d*) 1,500

21. Milo.com, an ECO, helps suppliers to connect with prospective buyers. Suppliers engage with buyers and once the deal is finalized, suppliers deliver the goods to buyers and receive payment directly from the buyers. Milo.com charges a monthly fee from the suppliers. Rekha, a supplier enrolled with Milo.com, effected supplies of value ₹ 5 lakh during February 2025. Rate of tax is 18%. Which of the following options is correct?

(*a*) Client.com will collect TCS of 5,000; Rekha will pay GST of 90,000
(*b*) Client.com will not collect TCS; Rekha will pay GST of 50,000
(*c*) Client.com will collect TCS of 5,000; Rekha will not pay GST
(*d*) Client.com will pay GST of 90,000

22. Jhilmil owns a hotel and provides accommodation services through Moyo.com, an ECO. Services of value ₹ 2 lakh are provided during October 2024. Moyo.com collects the consideration from customers and remits it to jhilmil. Rate of GST is 18%. Sagar is not liable to be registered under GST. Which of the following options is correct?

(*a*) Moyo.com will pay GST of 36,000

(*b*) Sagar will not pay GST; Moyo.com will collect TCS of 2,000

(*c*) Sagar will pay GST of 36,000; Moyo.com will not collect TCS

(*d*) Sagar will pay GST of 36,000;Moyo.com will collect TCS TCS of 2,000

23. EFT Ltd.. supplies beauty products through its own website Mantra.com. It procures the products from various vendors spread across different States. EFT Ltd. collects the consideration from the customers. Sales during May 2024 were of the value ₹ 20 lakh while returns during the same month were of the value ₹ 5 lakh. Rate of GST on the products is 18%. Determine the amount of TCS to be collected during May 2024.

(*a*) 2,70,000 (*b*) 20,000

(*c*) 15,000 (*d*) Nil

24. Which of the following options is correct?

(*a*) ECO should compulsorily register even if it is already registered as a supplier

(*b*) Person supplying goods from Delhi to Gujarat through an ECO need not register if his ATO does not exceed 20 lakh in a FY

(*c*) Person supplying services (not notified u/s 9(5) from Tripura through an ECO should register even if his ATO does not exceed ₹ 10 lakh in a FY

(*d*) ECO should compulsorily register only if the value of supplies made by it in a FY exceeds ₹ 20 lakh

25. ECO should make payment of TCS only through electronic ledger. Supplier can claim credit of TCS in his electronic_____ ledger.

(*a*) Credit; Credit (*b*) Cash or credit; Cash or credit

(*c*) Cash; Cash (*d*) Cash or credit; Cash

26. Arrange the following in the correct sequence of occurrence: (A) ECO collects TCS and makes payment of TCS to the Government; (B) Supplier claims credit of TCS in his electronic cash ledger (C) ECO furnishes GSTR-8 statement for the month in which TCS is collected; (D) Supplier utilizes electronic cash ledger for discharging GST liability.

(*a*) A, B, C, D (*b*) A, C, B, D

(*c*) D, C, B, A (*d*) A, D, B, C

Answer Key

1. (*b*)	**2.** (*b*)	**3.** (*b*)	**4.** (*c*)	**5.** (*b*)	**6.** (*a*)	**7.** (*a*)	**8.** (*c*)	**9.** (*d*)	**10.** (*d*)
11. (*a*)	**12.** (*c*)	**13.** (*b*)	**14.** (*a*)	**15.** (*b*)	**16.** (*c*)	**17.** (*a*)	**18.** (*d*)	**19.** (*a*)	**20.** (*b*)
21. (*b*)	**22.** (*a*)	**23.** (*d*)	**24.** (*a*)	**25.** (*c*)	**26.** (*b*)				

15 CHAPTER

Returns under GST

MULTIPLE CHOICE QUESTIONS

1. The due date of filing Final return is _____.

(*a*) 20th of next month

(*b*) 18th of the month succeeding the quarter

(*c*) Within 3 months of the date of cancellation or date of order of cancellation, whichever is later.

(*d*) 31st December of next financial year

2. The registered suppliers can file returns in a quarterly basis, if the turnover doesn't exceed:

(*a*) 1.5 crores

(*b*) 3.5 crores

(*c*) 5 crores

(*d*) 10 crores

3. The due date for filing quarterly returns is:

(*a*) 13th of the month succeeding the quarter

(*b*) 20th of the month succeeding the quarter

(*c*) End of the month succeeding the quarter (i.e. 30th or 31st)

(*d*) None of the above

4. ATO of P Ltd. for the preceding FY is ₹ 10 crore. It wants to furnish GSTR-1 for the months of April to June in the month of July. Which of the following is correct?

(*a*) It should file GSTR-1 for the quarter by 11th July

(*b*) It should file GSTR-1 for the quarter by 13th July

(*c*) It should file GSTR-1 for every month by 13th of the succeeding month

(*d*) It should file GSTR-1 for every month by 11th of the succeeding month

5. ATO of Mr. P for the preceding FY is ₹ 2 crore and he has opted for the QRMP scheme. He wants to furnish GSTR-1 for the months of April to June in the month of July. Which of the following is correct?

(*a*) He should file GSTR-1 for the quarterby 11th July

(*b*) He should file GSTR-1 for the quarter by 13th July

(*c*) He should file GSTR-1 for every month by 13th of the succeeding month

(*d*) He should file GSTR-1 for every monthby 11th of the succeeding month

6. R & Co is covered under the QRMP scheme. It has issued invoices for supplies made to CD Ltd. of value ₹ 30 lakh in January, ₹ 40 lakh in February and ₹ 50 lakh in March. It wants to report such invoices using IFF. What is the total value of invoices which can be reported using IFF?

(*a*) 50 lakh (*b*) 70 lakh

(*c*) 120 lakh (*d*) Nil

7. Mr. Raj is covered under the QRMP scheme. He has issued invoices to his registered customers as follows: 2 invoices to A and 3 invoices to B during April, 1 invoice to C and 10 invoices to A during May, 5 invoices to D and 3 invoices to A during June. Mr. A has asked Mr. X to report his invoices using IFF. How many invoices will Mr. X report in his GSTR-1?

(*a*) 9 (*b*) 8

(*c*) 24 (*d*) 12

8. Mr. J of Maharashtra has furnished the following details of supplies made during the month of November and chargeable @ 12%: Mr. A of Maharashtra (registered) for invoice value ₹ 90,000; Mr. B of Maharashtra (unregistered) for invoice value ₹ 2,90,000; Mr. C of Gujarat (registered) for invoice value K 3,00,000; Mr. D of West Bengal (unregistered) for invoice value ₹ 1,00,000; Mr. E of Tamil Nadu (unregistered) for invoice value K 2,51,000. For which of the supplies does Mr. J needs to furnish invoice-wise details in his GSTR-1?

(*a*) Mr. B, Mr. C, Mr. E (*b*) Mr. A, Mr. C

(*c*) Mr. A, Mr. B, Mr. C, Mr. D, Mr. E (*d*) Mr. A, Mr. C, Mr. E

9. Mr. F has noticed an error in the GSTR-1 filed for the month of June 2024. The error is noticed on 5.12.2025. Annual return for FY 2024-25 is yet to be furnished. Which of the following options is available to Mr. F?

(*a*) Revise GSTR-1 of June 2024 (*b*) Rectify error in GSTR-1 of November 2025

(*c*) Cannot rectify the error (*d*) Rectify error in GSTR-1 of December 2025

10. Details of invoice issued during May, furnished by the supplier in GSTR-1 of May which is submitted on 7 June, would reflect in GSTR-2B of the recipient of which month?

(*a*) April (*b*) June

(*c*) May (*d*) July

11. Details of invoice issued during October, furnished by the supplier in GSTR-1 of October which is submitted on 10 , December, would reflect in GSTR-2B of the recipient of which month?

(*a*) November (*b*) October

(*c*) December (*d*) January

12. Invoice of 6 April reported using IFF on 2 May will be reflected in GSTR-2B of the recipient of which month?

(*a*) April (*b*) May

(*c*) June (*d*) July

13. ABC LLP (registered) receives supplies from various suppliers (QRMP suppliers as well as other suppliers). When will GSTR-2B for the month of October be made available to ABC LLP?

(*a*) 14 October
(*b*) 14 November
(*c*) 12 October
(*d*) 12 November

14. C Pvt. Ltd. has branches in Delhi, Mumbai and Bangalore having turnover in the preceding FY of R 2 crore each. Which of the following options are available to C Pvt. Ltd. in relation to opting for QRMP scheme?

(*a*) Can opt for all the branches
(*b*) Can opt for any 2 branches
(*c*) Cannot opt
(*d*) Can opt for any 1 branch

15. DK Traders wants to opt for QRMP scheme from the October to December quarter. What is the time window within which it can exercise the option?

(*a*) 1 August to 31 October
(*b*) 1 July to 31 September
(*c*) 1 October to 31 December
(*d*) 1 September to 31 October

16. Z Associates has offices in Kolkata, Bangalore and Ahmedabad (registered in the respective States) having turnover in the preceding FY of ₹ 1 crore, 1.5 crore and 2.5 crore, respectively. It wants to opt for QRMP scheme in the current FY. Which of the following options are available?

(*a*) Must opt for all offices
(*b*) Either opt for all or none
(*c*) Can opt for one or more offices
(*d*) Cannot opt

17 ATO of JMP & Co, covered under QRMP scheme, exceeded ₹ 5 crore on 5 August. Which of the following is correct?

(*a*) Will exit from scheme from Oct. to Dec. quarter
(*b*) Will exit from scheme from July to Sept quarter
(*c*) Will exit from scheme from 5 August
(*d*) Will exit from scheme from 1 April of next FY

18. What is the due date to furnish GSTR-3B of June for Kanchan, registered under GST and having her principal place of business in Chennai?

(*a*) 22 July
(*b*) 24 July
(*c*) 20 July
(*d*) 22 September

19. Which of the following statements is correct in respect of a composition taxpayer?

(*a*) Need not file GSTR-4 if there is no businessactivity during the tax period
(*b*) Details of ITC are not given in GSTR-4.
(*c*) Need to file return annually and pay tax monthly
(*d*) Details of inward supplies are not made available by the system

20. Mrs. X has withdrawn from the composition scheme on 1 December. Which of the statements is correct relating to the period prior to such exit?

(*a*) Furnish GST CMP-08 till Oct-Dec quarter and furnish GSTR-4 for the FY
(*b*) Furnish GST CMP-08 till July -Sep quarter and furnish GSTR-4 for th FY

(*c*) Furnish GST CMP-08 till Oct-Dec quarter; no need to furnish GSTR-4 for the FY
(*d*) Furnish GST CMP-08 till July-Sep quarter; no need to furnish GSTR-4 for the FY

21. Which of the following documents are required to be furnished by a non-resident taxable person?
(*a*) GSTR-1, GSTR-5
(*b*) GSTR-5, GSTR-9
(*c*) GSTR-5
(*d*) GSTR-1, GSTR-3B, GSTR-9

22. In which of the following cases of registered persons is the due date for payment of tax not the same as the due date for furnishing of return?
(*a*) Non-resident taxable person
(*b*) Composition taxpayer
(*c*) Normal taxpayer filing monthly return
(*d*) All the above

23. Kajal of West Bengal is covered under QRMP scheme. What are the due dates for payment of tax for the quarter April to June?
(*a*) 25 May, 25 June, 25 July
(*b*) 24 May, 24 June, 24 July
(*c*) 25 May, 25 June, 24 July
(*d*) 24 July

24. Bonny, covered under QRMP scheme, paid IGST of ₹ 10,000 in cash for the quarter April to June and furnished GSTR-3B for the said quarter on 22 July. How much amount on account of IGST does he need to deposit for the month of August if he has opted to deposit tax under the fixed sum method?
(*a*) 1,750
(*b*) 3,500
(*c*) 5,000
(*d*) 10,000

25. Ronny paid CGST and SGST of K 5,000 each for July, ₹ 7,500 each for August and ₹ 8,000 each for September and duly furnished GSTR-3B for these months by their due dates. He has opted for QRMP scheme from the quarter October to December. How much amount of tax does he need to deposit for the month of October if he has opted to deposit tax under the fixed sum method?
(*a*) CGST 8,000; SGST 8,000
(*b*) CGST 7,175; SGST 7,175
(*c*) CGST 20,500; SGST 20,500
(*d*) On self-assessment basis

26. Gokul, covered under QRMP scheme, deposited ₹ 1,000 each for the months of January and February by the due dates of 25 February and 25 March, respectively, opting for the fixed sum method. The tax liability for the quarter January to March, net of ITC, was ultimately determined at ₹ 3,500. He discharged the balance amount of ₹ 1,500 in cash along with his GSTR-3B furnished on 30 April. On which amount will Gokul be liable to pay interest?
(*a*) 2,000
(*b*) 3,500
(*c*) 1,500
(*d*) Nil

27. Mehul, covered under QRMP scheme, deposited ₹ 5,000 each for the months of April and May under the fixed sum method after the due dates of 25 May and 25 June, respectively. Which of the following implications will arise?
(*a*) No interest, no late fee
(*b*) Interest and late fee
(*c*) No interest but late fee
(*d*) Interest, no late fee

28. Sumit needs to rectify an error in his GSTR-3B furnished for the month of January 2025. He has furnished his annual return in GSTR-9 for FY 2024-25 on 10.11.2025 (due date 31.12.2025). What is the last date by when he can rectify the error?

(*a*) 10 November
(*b*) 30 November
(*c*) 20 October
(*d*) 31 December

29. CK & Co wants to furnish GSTR-3B for the month of September. However, it has not yet furnished GSTR-3B for the month of August. Which of the following is correct?

(*a*) GSTR-3B for September can be furnished
(*b*) GSTR-3B for September can be furnishedafter paying a penalty for not furnishing GSTR-3B of August
(*c*) GSTR-3B for September can be furnishedafter furnishing GSTR-3B for August
(*d*) Since GSTR-3B for August is not furnished, furnishing of GSTR-3B for September is permanently barred

30. Rakhi became liable to be registered under GST on 20 May. She applied for registration on 5 June and was granted registration on 12 June. For which period does she need to declare outward supplies in her first monthly GSTR-3B?

(*a*) 1 June to 30 June
(*b*) 5 June to 30 June
(*c*) 20 May to 30 June
(*d*) 13 June to 30 June

31. AKJ & Co furnishes its GSTR-3B on monthly basis. Its ATO was ₹ 4 crore for FY 2022-23, ₹ 6 crore for FY 2023-24 and R 4.8 crore for FY 2024-25. Which of the following is correct in respect of FY 2023-24?

(*a*) Furnish GSTR-9 by 31.12.2024
(*b*) Furnish GSTR-9 and GSTR-9C by 31.12.2024
(*c*) Furnish GSTR-9 and GSTR-9C by 30.4.2024
(*d*) Furnish GSTR-9A by 31.12.2024

Answer Key

1. (*c*)	**2.** (*c*)	**3.** (*a*)	**4.** (*d*)	**5.** (*b*)	**6.** (*b*)	**7.** (*d*)	**8.** (*d*)	**9.** (*c*)	**10.** (*c*)
11. (*a*)	**12.** (*a*)	**13.** (*b*)	**14.** (*c*)	**15.** (*a*)	**16.** (*c*)	**17.** (*a*)	**18.** (*c*)	**19.** (*b*)	**20.** (*a*)
21. (*c*)	**22.** (*b*)	**23.** (*c*)	**24.** (*b*)	**25.** (*a*)	**26.** (*c*)	**27.** (*d*)	**28.** (*a*)	**29.** (*c*)	**30.** (*c*)
31. (*b*)									