

B.Com - III Semester-VI
Advanced Accountancy - IV (Taxation)

Question Bank

Prof. Gujar K. S.

M.COM. (BUSS. Admn. & Adv. A/C) M.ED. SET (Edu. & Com.) NET.

GDC&A. DMOA&FA Ph.D. (Appeared)

UNIT - I Basic Concept of Income Tax

1. The term 'Assessee' is defined under section ----- under Income Tax Act

a) Sec 2 (31) b) Sec 2 (7) c) Sec 2(9)

Answer: b) Sec 2(7)

2. The term "Previous year" is defined under section ----- under Income Tax Act

a) Sec 2 (31) b) Sec 3 c) Sec 2(9)

Answer: b) Sec 3

3. The term "Assessment year" is defined under section ----- under Income Tax Act

a) Sec 2 (31) b) Sec 2 (7) c) Sec 2(9)

Answer: c) Sec 2(9)

4. The term "Person" is defined under section ----- under Income Tax Act

a) Sec 2 (31) b) Sec 2 (7) c) Sec 2(9)

Answer: a) Sec 2(31)

5. The term “Income” is defined under section ----- under Income Tax Act

- a) Sec 2 (24) b) Sec 2 (7) c) Sec 2(9) **Answer: a) Sec 2(24)**

6. ----- Year is the “Previous Year” under sec 3 of Income Tax.

- a) The year in which income is earned
b) The year preceding the year in which income is earned
c) The year succeeding the year in which the income is earned

Answer: a) The year in which income is earned

7. ----- Year is the “Assessment Year” under sec 2(9) of Income Tax.

- a) The year in which income is earned
b) The year preceding the year in which income is earned
c) The year succeeding the year in which the income is earned

Answer: c) The year following (next to) the previous year – The income earned during the previous year (financial year commencing 1st April and ending 31st March) is taxable in the immediately next financial year (Assessment Year)

8. The term “Person” includes ----- under sec 2(31) of Income Tax Act.

- a) An individual, a Hindu undivided family, a firm, a company
b) An association of persons or a body of individuals, local authority and every artificial judicial person.
c) Both a and b

Answer: c) Both a and b – A natural human being as well as an entity which is given a name and formed as an artificial person under law is included under the meaning of the term person.

9. Identify the incorrect status of person from the following:

- a) DCM Ltd – an association of persons
b) Goodwill Orchid Cooperative Housing Society Ltd – an association of persons
c) A joint family of Mr.Y , Mrs Yand their three sons E, F and G. – a Hindu

undivided family

Answer a) - DCM Ltd –AOP is incorrect. DCM Ltd is a Company.

10. Identify the correct status of person from the following:

- a) Savitribai Phule Pune University – An Artificial Juridical Person
- b) Pune Municipal Corporation - An Artificial Juridical Person
- c) Partners X and Y – a company

Answer a) – SPPU – is an artificial juridical person.

PMC is a Local Authority; Partners X and Y is a firm.

11. The term “Assessee” include ----- under sec 2(7) of Income Tax Act

- a) Any person by whom income tax or any other sum of money is payable under the Income Tax Act
- b) Any person to some refund from Income Tax Department is due
- c) Both a and b

Answer: c) Both a and b – An Assessee includes every person who owes any amount to the Income tax in any respect, or who is assessable on behalf of other assessee and a person to whom the department owes any amount in that assessment year.

12. From the following identify Assessee of Income Tax for the AY 20-21

- a) Income Tax Liability of Mr A for PY 19-20 – Rs125/-
- b) Refund pertaining to long disputed PY 14-15, payable during 20-21 to ABC Ltd.
- c) Both a and b

Answer : c) Both a and b are Assessee’s under Income Tax for the AY 20-21.

13. Identify the person who is Assessee under Income Tax.-----for AY 20-21

- a) AB Limited made a loss of Rs 5 Lakhs in the previous year 19-20
- b) Mr A, aged 75 years earned an Interest from Bank Deposit in PY 19-20
- c) Mr C, aged 10 years, won a cash prize of Rs. four thousand in dance competition.

Answer c) AB Ltd – Assessee for the AY 20-21 because it is assessable under

Income Tax in the AY 20-21. Those persons whose Gross total taxable income, is below the taxable limit, does not become and Assessee. Persons who earn casual income are also not Assessee.

14. For the Assessment Year 19-20 the previous year will be -----

- a) Financial year 18-19, starts from 1st April 2018 and ends on 31st March 2019
- b) Accounting year 18-19, commencing from 1st January 2018 to 31st Dec 2018.
- c) Accounting year 19-20, commencing from 1st January 2019 to 30th June 2020.

Answer a) PY 18-19 will be the previous year for the AY 19-20.

15. Locate the Assessment year 19-20 for Mr A; who earned income from April 2018 to November 2018 -----.

- a) 1st April 2019 to 31st March 2020.
- b) 1st December 2018 to 30th November 2019
- c) 1st January 2019 to 31st December 2019

Answer a) 1st April 2019 to 31st March 2020. – Assessment always begins from 1st April and ends on 31st March following the year in which the income is earned. (Irrespective for how many months the income was earned during the previous year).

16. Income Tax rate in the assessment year is applicable at rates fixed by -----.

- a) Income Tax Act
- b) Relevant Annual Finance Act
- c) Both a and b

Answer b) Tax Rates are revised by the Annual Finance Act every year. Tax rates for income tax are not fixed by the income tax act but the finance minister announces the tax rates in every budget.

17. Income Tax is a ----- tax on income of a person.

- a) Quarterly
- b) Annual
- c) Monthly

Answer c) Annual - Income tax is an annual tax – it is levied on the income earned in the previous year starting 1st April and ending on 31st March of next year.

18. The term Income under Income Tax includes the following -----

- a) From any definite source, a periodic monetary return, in cash or kind, legal or illegal, actually received or receivable or due
- b) Reimbursement of travelling expenses by his employer for the travelling expenses met on duty.
- c) None of the above

Answer c) From any definite source, a periodic monetary return, in cash or kind, legal or illegal, actually received or receivable or due – Even income earned by way of smuggling, theft, tax evasions, winnings etc is considered as income

19. Identify income of Mr X an employee of XYZ industries

- a) Mr X is provided with a domestic servant for private purpose. XYZ pays Rs50000/- annually as salary to the domestic servant on behalf of MrX.
- b) Mr X is given Servant Allowance of Rupees Twenty Thousand along with the basic salary.
- c) Both a and b

Answer c) Both a and b are to be included in the computation of total taxable income, whether given in the form of cash or monetary benefit or reimbursed or expense made on behalf of the employee by the employer.

20. Income of an individual can be computed under ----- heads under sec 14 of Income Tax Act.

- a) Four
- b) Six
- c) Five

Answer c) 5 heads – Salaries, house property, profits and gains from

business or profession, capital gains and other sources.

21. Net Taxable Income under Income Tax Act is Gross Taxable Income minus -----.

- a) Deductions under Sec 80C to Sec 80U under chapter VIA
- b) Exemptions under Sec 10
- c) Advance Tax/Tax Deducted at Source

Answer a) Deductions under Sec 80C to 80U. These are announced and subject to be revised in every annual finance Act, for every assessment year.

(Individual and overall limits)

22. Which is the true statement under Income Tax Act -----, about Agricultural Income

- a) It is exempt under Sec 10(1) from Income Tax.
- b) Any (rent or revenue) derived in any form from an Agricultural land situated in India is considered as Agricultural Income
- c) Both a and b

Answer c) Both a and b – Agricultural Income is exempted and includes income earned in any form, rent or produce etc derived from the agricultural land.

23. Locate who will not be an Assessee for the AY 20-21

- a) Refund pertaining to PY 19-20 due and net income of Rs 210000.
- b) Income of Rs.510000/- before deduction under Sec 80C in PY 19-20
- c) Net Income of Rs220000/- of Mr C aged 66 years

Answer: c) Mr C whose income is below the threshold taxable limit – A person will not be an Assessee if he is not assessable under Income Tax for that AY. It is further not clear whether the income tax department has to pay him refund or consider him as a deemed assessee. Hence option c is not an Assessee.