



SIDDHARTH EDUCATION SERVICES LTD.-

For CS, CA, ICWA [Foundation, Inter, Final]
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OBJECTIVE QUESTIONS & ANSWERS

1. BASIC CONCEPTS.

1. Accounting standard notified under section 145 is applicable for those followingsystem of Accounting.

Ans. Mercantile

2. The exemption limit of income available to senior citizen is Rs.....for Asst. Year 2011-12.

Ans. 2,40,000.

3. In the case of an artificial juridical person, no surcharge is payable where the total income exceeds Rs.10,00,000.

Ans. False, no surcharges is livable incase of artificial juridical person.

4. Voluntary contributions received by charitable trusts, universities and educational institutions are not taxable as the definition of income in sections 2(24) does not cover the definition of income in section 2(24) does not cover the same.

Ans. False, section 2(24) defining 'income' includes such voluntary contributions.

5. Surcharge payable by a foreign company on total income is 2.5% for A.Y.2011-12.

Ans. True

6. Surcharge of 10% on Income-tax is payable by an individual where the total Income exceeds Rs.7,50,000.

Ans. False, it is not payable in case of individuals.

7. In respect of a resident the assesses, who is of age of 65 years or more at any time during the previous year relevant to the Assessment year 2011-12SS

(a) Rebate of tax payable subject to a maximum of Rs.20,000.

(b) Higher basic exemption of Rs.1,60,000.

(c) Higher basic exemption of Rs.2,40,000.

(d) Higher basic exemption of Rs.1,90,000.

Ans. (c)

8. Surcharge of 10% is payable by an individual where the total income exceeds; (May 2005)
(a) Rs.7,50,000 (b) Rs.8,50,000 (c) Rs.10,00,000 (d) None of the three.

Ans. (d)

9. Additional surcharge (Education cess & SHEC) of 3% is payable on. (May 2005)

- (a) Income – Tax
(b) Income – Tax plus surcharge, if any
(c) Surcharge
(d) Not payable by any assesses.

Ans. Surcharge is applicable in the case of a company assesses.

10. Explain the concept of marginal relief under the Income-tax Act,1961 (CA PCC)

(Nov 08)

11. Ashok Exports Ltd, realized surplus of Rs.1.00,000 consequent to change in Exchange rate of currency. This surplus is a revenue receipt. (Dec.08.)

Ans. Correct Since the business is of export, the exchange difference is revenue receipt/expenses. However, if the currency is held as investment, the same would not be revenue receipt.

12. Where the total income of an artificial juridical person is Rs.3,10,000, the income-tax payable is Rs..... andsurcharge payable is Rs..... (June.2009)

Ans.15000

13. Which of the following is not an Example of capital receipt-

(a) Money received on issue of Shares;	(b) Money received on sale of land
(c) Money received on sale of goods ;	(d) None of the above.

Ans. (c)

SINCE 1997

2. RESIDENAIAL STATUS.

1. A non-Indian company is treated as resident, only if the control and management of its affairs is situated wholly in Indian during the previous year.

Ans. True

2. Mr. Dye, a non– resident, residing in US since 1960, Comes back to India on 1.4.2009 for permanent settlement. What will be his residential status for A.Y.2010-11 And 2011-

Ans .A.Y. 2010-11 Not ordinarily resident; A.Y.2011-12 And 2011-12 ?

3. Only individual and HUFs can be resident, but not ordinarily resident in India; Firms can be either a resident or non-resident.

Ans. True .

4. Income accruing in Japan 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.

Ans. (a).

5. An individual is said to be resident in India in India in a previous year (in which the February month has 29 days) if he is in India in that year for a period or periods amounting in all to;

(a).182 Days or more	(b). 60 Days or more
(c).183 Days or more	(d). 150 Days or more

Ans. (a)

6. Company other than an Indian company would be a resident in India for previous year 2010-11,if during that year its inis situated wholly India.

Ans. Control and management.

7. Income to a non-resident by way of interest, royalty and fee for technical services deemed to accrue or rise in India is taxable in India irrespective of territorial nexus. (Nov.08)

Ans . TRUE. Explanation to section 9(1) makes provision in this behalf. The said amount are taxable even the services to which they related have been provided outside India.

8. The incidence of taxation depends on the –

(a).Residential status of the assesses	(b).Accommodation of the assesses
(c).Citizenship of the assesses.	(d).Marital status of the assesses.

Ans. (a)

9. Income accrued and received outside India is taxable in case of a.....

Ans. Resident in India (Ordinarily Resident).



3. SALARIES.

1. Mr. S is employed with T Ltd. as a Chartered Accounts. The annual membership fee of Mr. S paid By T Ltd. is not a perquisite and hence not chargeable to tax. (May 2007)

Ans. False .Employee's obligation met by employer, hence, liable to tax.

2. For the financial year 2010-11, interest credited to the recognized provident fund in excess of the following percentage shall be treated as income deemed to be receive by the assessee from salary:

(a) 9.5%	(b). 12%	(c). 8.5 %	(d). None of these rates.
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Ans. (a).

3. For an employee in receipt of hostel expenditure allowance for his three children , the maximum annual allowance exempt under Section 10 (14) is- (May.2005.08)

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

4. Asha Ltd. gives a gift worth Rs.7,500 to its employee, Akanksha on her birthday .The taxable value Of the gift in the hands of Akanksha is (June 2008)

Ans. Rs.7,500 (fully taxable as amount exceeds Rs.5000)

5. When the employer has paid insurance premium in accordance with scheme framed by IRDA in relation to his employees to keep in force an insurance on the health of employees or their family member, such payment shall be treated as a taxable perquisites in the hands of employee.(Dec.2007)

Ans. Incorrect.

6. A Director of a public company has been granted an interest free loan of Rs. 5 lakhs for purchase of a house property by him, the condition being settlement of this loan account within five years. Is this benefit chargeable to Income tax? Assume SBI rate 12.25% (Nov.95)

Ans. Taxable value of interest free housing loan = Rs.61250.

7. A compensation of Rs 4 lacks received by Mr. Jaimin from Indian Institute of Technology

.(is / is not)

Ans. Is not

8. Suresh receives Rs.10 lakh. from statutory provident fund on his retirement This amount is taxable under the head income from salary. (Dec.08)

Ans. Incorrect It is exempt u/s 10 (11)

9. Where an employee , at his option , has paid income-tax on non-monetary perquisites of any employee , the income-tax so paid by the employer isin the hands of the employee.

Ans. Exempt (Section10(10c)).

10. A compensation of Rs. 4 lacks received by Mr. Jaimin from Indian Institute of technology

(Is/ is not) exempt under Section 10(10C.) (CA PE-II NOV-08)

Ans. Is .



4. INCOME FROM HOUSE PROPERTY.

1. An assessee, after sale of house property, receiving arrears of rent(Is /is not)chargeable to tax; the same computed in the stipulated manner, shall be chargeable to tax as(Income from other sources / income from house property / question does not arise since there is no chargeability to tax. (CS. Nov.2006.)

Ans. Is, Income from House Property.

2. Municipal value: Rs.14,000; Standard rent: Rs.14,200. Actual rent as property let-out throughout the previous year: Rs.16,800. Unrealized rent of the previous year; Rs.7,000. The annual value of the house property shall be (CS June.2007)

a) Rs.9,800 b) Rs.7,200 c) Rs.14,200 d) Rs. 7,500.

Ans.(c).

3. Jagdish, after sale of his house property during August 2010, received arrears of rent amounting to Rs.40,000 on 2nd February,2011, The said income is chargeable to tax under the headand the taxable income would be Rs..... (CS Dec.2007.)

Ans. Income from house property ; Rs.28,000;

4. Megha received Rs.30,000 as arrears of rent during the previous year 2010-11. The amount taxable under section 25B would be (CS June 2008)

Ans. Rs. 21000(30,000-30%)

5. If the assessee lets out his house to his employer company, in return, allots the same to him as rent free accommodation, the assessee (is /is not) entitled to the benefit of section 23 (2)(a) regarding annual value to be taken as nil being self-occupied house property.(CA PE-II Nov,08)

Ans. Is not

6. Sarita paid Rs. 30,000 as interest @ 30% per annum on loan taken for the construction of a house. No deduction shall be allowed for payment of interest, as in the opinion of Assessing Officer, the rate of interest is very high. (CS Executive Dec.08)

Ans. Incorrect. Assessing Officer has no such power to disallow any part of the interest, as income of the previous year in which rent was received irrespective of whether the Assessee is the owner of property in that year or not.
