

M.K. GUPTA CA EDUCATION

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INCOME TAX

MULTIPLE CHOICE QUESTIONS

INCOME UNDER THE HEAD OTHER SOURCES

1. Income from letting of machinery, plant and furniture is -

- (a) always chargeable to tax under the head “Profits and gains of business and profession”
- (b) always chargeable to tax under the head “Income from other sources”
- (c) chargeable under the head “Income from other sources” only if not chargeable under the head “Profits and gains of business and profession”
- (d) chargeable to tax under the head “Income from house property”

2. In respect of winnings from lottery, crossword puzzle or race including horse race or card game etc.

- (a) no deduction under Chapter VI-A is allowed and basic exemption limit cannot be exhausted
- (b) no deduction under Chapter VI-A is allowed but unexhausted basic exemption can be exhausted
- (c) both deduction under Chapter VI-A and basic exemption are allowed
- (d) deduction under Chapter VI-A is allowed but basic exemption limit cannot be exhausted

3. The deduction allowable in respect of family pension taxable under “Income from other sources” is

- (a) 33-1/3% of the pension
- (b) 30% of the pension or ₹15,000, whichever is less
- (c) 33-1/3% of the pension or ₹15,000, whichever is less
- (d) 30% of the pension

4. The deduction in respect of interest on enhanced compensation of ₹1,50,000 received during the previous year 2018-19, would be –

- (a) ₹ 1,50,000, being 100% of ₹ 1,50,000
- (b) ₹ 75,000, being 50% of ₹ 1,50,000
- (c) ₹ 45,000, being 30% of ₹ 1,50,000
- (d) Nil

5. Mr. Arjun, aged 53 years, has a total income of ₹51 lakhs for A.Y.2019-20. His total income comprises of salary, income from house property and interest on savings bank account. His tax liability for A.Y.2019-20 would be –

- (a) ₹13,96,200
- (b) ₹14,82,000
- (c) ₹15,35,820
- (d) ₹14,69,000

6. Mr. Harish, aged 40 years, earned interest of ₹15,000 during P.Y. 2018-19 from post office savings bank account. What portion of such income would be ultimately included in his total income?

- (a) ₹15,000
- (b) ₹5,000
- (c) ₹1,500
- (d) Nil

7. Which of the following statement is not correct?

- (a) Loss from owning and maintaining of race horses cannot be set off from the income of house property
- (b) Loss from owning and maintaining of race horses cannot be set off from any income except income of owning and maintaining race horses
- (c) Loss from owning and maintaining of race horses is allowed to be carry forward for a period of 4 years
- (d) Loss from owning and maintaining of race horses is allowed to be carry forward for a period of 4 years and in subsequent years it can be set off from any income

8. Jenny has invested in debt securities of Haryali Pvt. Ltd., a company deriving its main source of income from business of growing and processing organic vegetables and fruits. Thus, the company has 80% of income exempt as agricultural income and 20% is taxable as business income. During the P.Y. 2018-19, Jenny derived ₹ 5,000 as interest income from the above investments. Which of the following statements are correct on taxability:

- (a) Interest will be exempt from tax to the extent of 80%, since Hariyali Pvt. Ltd has 80% exempted income.

(b) Interest will be exempt from tax to the extent of 20%, since Hariyali Pvt. Ltd has claimed 80% of income as exempt.

(c) Interest will be fully taxable

(d) Interest will be fully exempt

9. Which of the following statements is not correct?

(a) Issue of bonus shares to the preference shareholders shall be considered to be dividend

(b) Issue of bonus shares to the equity shareholders shall be considered to be dividend

(c) Distribution on the liquidation to the extent of accumulated profits shall be considered to be dividend

(d) None of these

10. Loan or advance by a closely held company shall be dividend

(a) If such loan and advance has been given to any equity shareholder who is holding not less than 20% of the voting power of the company

(b) If such loan and advance has been given to any equity shareholder who is holding not less than 10% of the voting power of the company

(c) If such loan and advance has been given to any equity shareholder who is holding not less than 15% of the voting power of the company

(d) If such loan and advance has been given to any equity shareholder who is holding not less than 12% of the voting power of the company

(e) None of these

11. Which is the correct statement.

(a) Section (2)(22)(a), 2(22)(b) and 2(22)(e) is applicable only in case of a closely held company

(b) Section (2)(22)(a), 2(22)(b) and 2(22)(e) is applicable only in case of a widely held company

(c) Section (2)(22)(a), 2(22)(b) and 2(22)(c) is applicable only in case of a closely held company

(d) Section (2)(22)(a), 2(22)(b) and 2(22)(c) is applicable in case of all the companies

(e) None of these

12. Salary received by a member of parliament is taxable under the head

(a) Salary (b) Business/Profession (c) Capital Gains (d) Other Sources

(e) None of these

13. Salary and interest received by a partner from a partnership firm shall be

(a) Exempt from Income tax

(b) Salary taxable under the head salary and interest taxable under the head other sources

(c) Salary taxable under the head Business/Profession and interest taxable under the head other sources

(d) Salary taxable under the head salary and interest taxable under the head Business/Profession

(e) Salary taxable under the head Business/Profession and interest taxable under the head Business/Profession

(f) None of these

14. Mr. X has taken a loan and the amount was given as deposit to a company and interest received is less than interest paid, in this case loss can be

(a) Set off within the same head including casual income

(b) Set off within the same head excluding casual income and also its carry forward is allowed

(c) Set off within the same head excluding casual income or it can be set off from the income of other heads but its carry forward is not allowed

(d) None of these

15. Mr. X received a cell phone as a gift from his friend valued ₹ 1,00,000, in this case

(a) It is taxable under the head Other Sources

(b) It is taxable under the head Salary

(c) It is taxable under the head Business/Profession

(d) It is not taxable

(e) None of these

Answer

1.(c); 2.(a); 3.(c); 4.(b); 5.(d); 6.(c); 7.(d); 8.(c); 9(b); 10. (b); 11. (d); 12. (d); 13. (e); 14. (c); 15. (d)