

**SUBJECT CODE: 304      SUBJECT NAME: AUDITING AND TAXATION**

**Section I – Auditing**

**Unit 1: Introduction Principles of Auditing and Audit Process.**

**Multiple Choice Questions**

1. An independent audit is important to readers of financial statements because it
  - a) Provides a measure of management's stewardship function.
  - b) Measures and communicates the financial data included in financial statements.
  - c) Objectively examines and reports on management's financial statements.
  - d) Reports on the accuracy of information in the financial statements.
  
2. The evidence available to auditor is \_\_\_\_\_ in nature, rather \_\_\_\_\_ in nature.
  - a) pervasive, conclusive
  - b) Conclusive, pervasive
  - c) limited, unlimited
  - d) None of the above
  
3. Compliance with the Standard of Auditing is the responsibility of
  - a) Management
  - b) Those charged with governance
  - c) Auditor
  - d) Audit committee
  
4. An auditor is required to determine the \_\_\_\_\_ of his audit procedures according to the requirements of Standards of Auditing.
  - a) Conduct
  - b) Nature ,timing and extent
  - c) Limitation
  - d) Planning
  
5. The main object of an audit is
  - a) Expression of opinion
  - b) Detection and Prevention of fraud and error
  - c) Both (1) and (2)

- d) Depends on the type of Business
6. The audit process is
- a) special application of the scientific method of inquiry.
  - b) Regulated by the PICPA .c.
  - c) The only service a CPA is allowed to perform by law.
  - d) Performed only by CPAs
7. Appropriateness means \_\_\_\_\_ of audit evidence.
- a) Quantity.
  - b) Quality.
  - c) Appropriateness.
  - d) Sufficient.
8. Professional judgment means a judgment taken by the auditor out of his \_\_\_\_\_ in an audit situation
- a) Past experience.
  - b) Relation with the management
  - c) Professional experience.
  - d) Work experience.
9. A sale of Rs. 50,000 to A was entered as a sale to B. This is an example of \_
- a) Error of omission.
  - b) Error of commission.
  - c) Compensating error.
  - d) Error of principle.
10. Goods sent on approval basis' have been recorded as 'Credit sales'. This is an example of.....
- a) Error of principle.
  - b) Error of commission.
  - c) Error of omission.
  - d) Error of duplication.
11. What is the main objectives of Auditing?

- a) To give an opinion as to the truth and fairness of Financial statement.
- b) To finds errors.
- c) To help taxation departments.
- d) To help customers.

12. Meaning of Interim Audit:

- a) Audit of 12 months
- b) Audit for more than 12 months.
- c) Audit for less than 12 months.
- d) Audit for long period.

13. Internal Audit is conducted by :

- a) Employees of an Organization.
- b) Customers
- c) Government
- d) Employees of other Organization.

14. Audit Evidence is obtained by:

- a) Inspection.
- b) Observation.
- c) Inquiry and Confirmation.
- d) All of the above.

15. Which Audit is conducted to check the cost records of the company?

- a) Financial Audit.
- b) Operational Audit.
- c) Management Audit.
- d) Cost Audit

16. Which of the following is not a kind of audit?

- a) Statutory and private.
- b) Government and continuous audit.
- c) Interim audit.
- d) None of these

17. This kind of audit is conducted generally between two annual audits.

- a) Internal audit.
- b) Interim audit.

- c) Final audit.  
d) Continuous audit.
18. Voucher relates to \_\_\_\_\_.
- a) Cash receipt.
  - b) Cash payment.
  - c) Credit transactions
  - d) All of the above.
19. Auditing begins where \_\_\_\_\_ ends.
- a) Selling.
  - b) Inventory valuation.
  - c) Accounting.
  - d) Purchases.
20. In the case of a company in which not less than \_\_\_\_\_% of the subscribed share capital is held whether singly or in combination by certain special institutions and bodies, the appointment or re-appointment of auditors shall be made at each annual general meeting by a special resolution.
- a) 25%
  - b) 30%
  - c) 20%
  - d) 15%
21. Which of the following persons is qualified to be a company auditor?
- a) An employee of the company
  - b) A body corporate
  - c) A person who is indebted to the company for an amount exceeding Rs. 1000
  - d) A practicing-chartered accountant
22. When the auditor is an employee of the organization being audited, the audit is classified as \_\_\_\_\_
- a) a. Internal
  - b) b. External
  - c) c. Compliance
  - d) d. Both A&B
23. A company auditor can be removed before expiry of his term by
- a) Shareholders

- b) Board of Directors
- c) Central Government
- d) State Government

24. If there is capital loss, the auditor should

- a) Not allow payment of dividend
- b) Allow payment of dividends
- c) Allow payment of dividends after making such losses good
- d) None of the above

25. Auditor should see that amount received for premium on issue of shares should be shown in \_\_\_\_\_

- a) Subscribed capital
- b) Capital Reserve Account
- c) Share Premium account
- d) Paid- up capital account

26. Sec.143 of Companies Act 20913 deals with \_\_\_\_\_

- a) Powers and rights of an auditor
- b) Removal of an auditor
- c) Appointment of an auditor
- d) Remuneration of an auditor

27. Internal auditor is appointed by \_\_\_\_\_

- a) Management
- b) Shareholders
- c) Government
- d) Statutory body

28. ....is the medium through which an auditor expresses his opinion on the state of affairs of the client's business.

- a) Audit report
- b) Audit certificate
- c) Audit programme
- d) Audit planning

29..... is the specific guidelines and directions for efficient and effective completion of the audit work on timely and daily basis, so as to minimise audit risk.

- a) Audit planning
- b) Audit report

- c) Audit programme
- d) Audit certificate

30..... is a method of organising the accounting system of a business concern or a factory by which the duties of various clerks are arranged in such a way that the work of one person is automatically checked by another.

- a) Internal control
- b) Internal check
- c) Internal audit
- d) All of the above

31. Internal check is a part of

- a) Internal audit
- b) Internal accounting
- c) External audit
- d) Internal control

32. Civil liability of an auditor implies liability for

- a) Misappropriation of cash
- b) Misappropriation of goods
- c) Fraud
- d) Misfeasance

33. If an auditor is not appointed at annual general meeting, he is appointed by the

- a) The Central Government
- b) Board of Directors
- c) Shareholders
- d) Company Law board

34. The audit that is made compulsory under statute is called \_\_\_\_\_

- a) Statutory audit
- b) Partial audit
- c) Complete audit
- d) Continuous audit

35. Audit means \_\_\_\_\_.

- a) Recording business transactions
- b) Preparing final accounts
- c) Examination of books, accounts or vouchers



d) Decision making

36. When a transaction has not been recorded in the books of account either wholly or partially such errors are called \_\_\_\_\_.

- a) Error of commission
- b) Error of omission
- c) Compensating error
- d) None of the above

37. The liabilities of an auditor can be \_\_\_\_\_.

- a) Civil
- b) Criminal
- c) Civil & Criminal
- d) Financial

38. Duties of an auditor is \_\_\_\_\_.

- a) Statutory duties imposed by the Companies Act
- b) Duties imposed by legal or court decisions
- c) Duties arising out of professional etiquette
- d) All of the above

39. Internal auditor of a company must be \_\_\_\_\_.

- a) Cost accountant
- b) Chartered accountant
- c) ICWA
- d) Need not possess any professional qualification

40. Sec.139 (7) provides that in the case of a Government Company or any other company owned or controlled by the Central Government, or by any State Government, the first auditor shall be appointed by \_\_\_\_\_

- a) Comptroller and Auditor-General of India
- b) Central Government
- c) State Government
- d) None of the above

41. Objectives of internal audit includes \_\_\_\_\_.

- a) Proper control
- b) Perfect accounting system
- c) Asset protection

d) All of the above

42. Internal control includes \_\_\_\_\_.

- a) Internal audit
- b) Internal check
- c) Both internal audit and internal check
- d) Internal check and external audit

43. .... is the examination of all documentary evidence which are available to support the authenticity of transactions entered in the client's records.

- a) Accounting
- b) Vouching
- c) Internal check
- d) None of the above

44. Audit done by the employees of the business undertaking is called \_\_\_\_\_.

- a) Final audit
- b) Internal audit
- c) Company audit
- d) Statutory audit

45. Which of the following is not a kind of audit?

- a) Statutory and private audit
- b) Government and continuous audit
- c) Final, Interim, management audit
- d) None of the above

46. Effective internal check system reduces

- a) The liability of auditor
- b) Work of auditor
- c) Responsibilities of an auditor
- d) None of the above

47. Misappropriation of goods may be checked by

- a) Proper supervision over stock
- b) Checking of employees
- c) Punishment of employees
- d) None of the above



48. Internal check is suitable for \_\_\_\_\_.
- a) Larger concerns
  - b) Smaller concerns
  - c) Petty-shop keepers
  - d) None of the above
49. Final audit implies
- a) Finally checking of accounts to reveal frauds
  - b) Audit for submitting report immediately at the end of the year
  - c) Audit of banking companies
  - d) Audit of accounts at the end of the year
50. Remuneration of an internal auditor is fixed by \_\_\_\_\_.
- a) Management
  - b) Shareholders
  - c) Government
  - d) Statutory body
51. The objective of the audit planning is \_\_\_\_\_
- a) To give appropriate attention to all important areas of audit
  - b) To identify potential problems
  - c) To coordinate work with other auditors and experts
  - d) All of the above
52. Audit papers are the property of \_\_\_\_\_.
- a) Client
  - b) Auditor
  - c) Both the client and the auditor
  - d) The audit committee
53. Sole proprietary concerns are \_\_\_\_\_ to get their financial statements audited by independent financial auditors.
- a) Legally required
  - b) Not legally required
  - c) Ethically required
  - d) Not ethically required
54. The performance audit may be initiated by the organisation or by \_\_\_\_\_.
- a) Government
  - b) Employees & Management
  - c) Shareholders

- d) External interested parties
55. Balance sheet audit is also known as .....
- a) Continues audit
  - b) Annual audit
  - c) Internal audit
  - d) Financial audit
56. .... lays out the strategies to be followed to conduct an audit.
- a) An action plan
  - b) An audit plan
  - c) An audit programme
  - d) All of the above
57. Auditor should determine the \_\_\_\_\_ and the timing of the audit report
- a) Nature
  - b) Actual
  - c) Nature & actual
  - d) Form
58. .... followed by the enterprise affect the audit plan.
- a) Accounting policies
  - b) Audit policies
  - c) Accounting and Audit policies
  - d) Management policies
59. While framing an audit plan auditor should ascertain his \_\_\_\_\_ cast by various legislations on him.
- a) Limitations
  - b) Duties and obligations
  - c) Rights and powers
  - d) Term of appointment & responsibilities
60. An audit programme is a set of \_\_\_\_\_ which are to be followed for proper execution of audit.
- a) Rules
  - b) Policies
  - c) Instructions
  - d) Actions
61. Audit programme provides instructions to the audit staff and reduces scope for

- a) Understanding
- b) Misunderstanding
- c) Negligence
- d) Liabilities

62. Audit programme helps in fixing the \_\_\_\_\_ for the work done among the audit staff as work done may be traced back to the individual staff members.

- a) Remuneration
- b) Liabilities
- c) Negligence
- d) Responsibility

63. On completion of an audit \_\_\_\_\_ serves the purpose of audit record which may be useful for future reference.

- a) Audit programme
- b) Audit working papers
- c) Audit plan
- d) Audit notes

64. Audit programme is prepared by \_\_\_\_\_

- a) The auditor
- b) The client
- c) The audit assistant
- d) The auditor and his audit assistants

65. The auditor has to obtain \_\_\_\_\_ to substantiate his opinion on the financial statements.

- a) Internal evidence
- b) External evidence
- c) Internal and external evidence
- d) Sufficient and appropriate evidence

66. The quality of information generated by the audited organization is directly related to the strength of the organization's \_\_\_\_\_

- a) Internal check
- b) Internal control
- c) Internal audit
- d) All of the above

67. \_\_\_\_\_ are the documents prepared or obtained by the auditors in connection with the audit.

- a) Audit notes
- b) Audit working papers

- c) Audit report
- d) All of the above

68. Working papers helps in proper \_\_\_\_\_ of audit.

- a) Planning
- b) Performance
- c) Planning and performance
- d) Execution

69. The Auditors Working Papers are divided into two parts

- a) Permanent audit file and current audit file
- b) Permanent audit file and temporary audit file
- c) temporary audit file and current audit file
- d) current audit file and transitory audit file

70. A statutory auditor----- also as internal auditor of the company

- a) Can act
- b) Cannot act
- c) Though can act but ethically should not act
- d) None of the above

ANSWER KEY									
1 c	2 c	3 c	4 b	5 d	6 a	7 b	8 c	9 b	10 a
11a	12 c	13 a	14 d	15 d	16d	17 b	18 d	19 c	20 a
21 d	22 a	23 a	24 b	25 c	26 a	27 a	28 a	29 a	30 b
31 d	32 d	33 a	34 a	35 c	36 b	37 c	38 d	39 d	40 a
41 d	42 c	43 b	44 b	45 d	46 b	47 b	48 a	49 d	50 a
51 d	52 b	53 b	54 d	55 d	56 a	57d	58 c	59 d	60 c
61c	62 d	63 a	64 a	65 d	66 d	67 d	68 c	69 a	70 b

**Section I – Auditing**  
**Unit 2: Checking, Vouching and Audit Report**

**Multiple Choice Questions**

1. Audit of a bank is generally conducted through:
  - a) Routine checking
  - b) Couching
  - c) Balance sheet audit
  - d) Profit & Loss.
  
2. An auditor is liable for his annual audit of accounts o:
  - a) Creditors
  - b) Bankers
  - c) Owners
  - d) Debtors.
  
3. Which of the following is not true about opinion on financial statements?
  - a) Auditor should express an opinion on financial statements.
  - b) His opinion is no guarantee to future viability of business
  - c) He is responsible for detection and prevention of frauds and errors in financial statements
  - d) He should examine whether recognised accounting principle have been consistently
  
4. Auditing standards differ from audit procedures in that procedures relate to
  - a) Audit assumptions
  - b) acts to be performed
  - c) quality criterion
  - d) methods of work.
  
5. Which of the following is the most appropriate potential reaction of the auditor to his assessment that the risk of material misstatement due to fraud is high in relation to existence of inventory?
  - a) Visit location on surprise basis to observe test counts
  - b) Request inventory count at a date close to year end
  - c) Vouch goods sent on approval very carefully
  - d) Perform analytical procedures.
  
6. An auditor who accepts an audit but does not possess the industry expertise of the business entity should
  - a) engage experts
  - b) obtain knowledge of matters that relate to the nature of entity's business
  - c) inform management about it

d) take help of other auditors.

7. Audit in depth is synonymous for

- a) Complete audit
- b) Completed audit
- c) Final audit
- d) Detailed audit.

8. Which of the following statements is, generally, correct about the reliability of audit evidence?

- a) To be reliable, evidence should be conclusive rather than persuasive
- b) Effective internal control system provides reliable audit evidence
- c) Evidence obtained from outside sources routed through the client
- d) All of the Above.

9. When is evidential matter, generally, considered sufficient?

- a) When it constitutes entire population
- b) When it is enough to provide a basis for giving reasonable assurance regarding truthfulness
- c) When it is objective and relevant
- d) When auditor collects and evaluates it independently.

10. For what minimum period should audit working papers be retained by audit firm?

- a) For the time period the entity remains a client of the audit firm.
- b) For a period of ten years
- c) For a period auditor opines them to be useful in servicing the client
- d) For the period the audit firm is in existence.

**Answer key**

1 c	2 c	3 c	4 b	5 d	6 a	7 b	8 c	9 b	10 c
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Section I – Auditing      Unit 3: Company Auditor

**Multiple Choice Questions**

1. Who is responsible for the appointment of statutory auditor of a limited company ?
  - a) Directors of the company.
  - b) Members of the company.
  - c) The Central Government.
  - d) All of the above.
2. Which of the following sections deal with qualifications of the auditor ?
  - a) Section 226 (1) and section 226(2).
  - b) Section 224 (1) and section 224 (2).
  - c) Section 226 (3) and section 226(4).
  - d) Section 224(3) & Sec.224.
3. Which of the following statement is not true?
  - a) A partnership firm can be appointed as a statutory auditor of limited company.
  - b) Appointment can be made in the name of the firm.
  - c) Majority of the partners should be practicing in India.
  - d) All partners should be chartered accountants.
4. As per the requirements of section 226(3) and 226(4) a person is disqualified from being appointed as a statutory auditor if he holds.....
  - a) Equity shares or debentures of the company.
  - b) Equity shares carrying voting of the company.
  - c) Shares carrying voting rights of the company.
  - d) Security carrying voting rights of the company.
5. The board of directors shall appoint first auditor of a company.
  - a) With in one month of completion of capital subscription state of the company.
  - b) With in one month of the promotion of the company.
  - c) With in one month of the commencement of the business of the company.
  - d) With in one month of incorporation of the company.
6. The term of the auditor ship of first auditor would be from the date of appointment till.....
  - a) the conclusion of statutory meeting.
  - b) the conclusion of first annual general meeting.
  - c) the conclusion of next annual general meeting.
  - d) the date of removal.
7. In case the directions fail to appoint first auditor (s), the shareholders shall appoint them at.....by passing a resolution
  - a) a general meeting.

- b) first annual general meeting.  
c) statutory meeting.  
d) annual general meeting.
8. Life Insurance Corporation of India holds twenty five percent of subscribed capital of XYZ Ltd. The appointment of statutory auditor in XYZ Ltd. Would be by.....  
a) ordinary resolution.  
b) special resolution.  
c) (a) or (b).  
d) none of the above.
9. Which of the following statement is not true regarding appointment of statutory auditor by the Central Government?  
a) Such powers have been conferred upon it by section 224(3).  
b) If a company fails to appoint an auditor at a general meeting.  
c) If an auditor refuses to accept appointment, the powers of the Central Government can be exercised.  
d) None of the above.
10. The auditor's \_\_\_\_\_ safeguards the auditor's ability to form an audit opinion without being affected by any influences.  
(a) Objectivity.  
(b) Independence.  
(c) Confidentiality.  
(d) Integrity.

**Answer key**

1 b	2 a	3 c	4 d	5 d	6 b	7 a	8 b	9 b	10 d
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Section I – Auditing      Unit 4: Tax Audit

**Multiple Choice Questions**

1. A continuous audit is specially needed for
  - a) Any trading concern
  - b) Smaller concerns
  - c) Banking companies
  - d) Any manufacturing companies
  
2. Propriety audit refers to
  - a) Verification of accounts
  - b) Examination accounts of propriety concerns
  - c) Enquiry against justification and necessity of expenses
  - d) Audit of Govt. companies
  
3. Final audit implies
  - a) Audit of accounts at the end of the year
  - b) Finally checking of accounts to reveal frauds
  - c) Audit for submitting report immediately at the end of the year
  - d) Audit of banking companies
  
4. Management audit means
  - a) Audit undertaken on behalf of the management
  - b) Evaluating performance of various management processes and functions
  - c) Audit undertaken on behalf of Govt. to punish management
  - d) Compulsory audit
  
5. A special auditor is appointed by the
  - a) Shareholders
  - b) Board of Directors
  - c) Central Government
  - d) C & A – G
  
6. A government Co. auditor may be appointed by the
  - a) C & A – G
  - b) Shareholders
  - c) Central Government
  - d) None of the above
  
7. A company auditor can be removed before expiry of his term by
  - a) Shareholders
  - b) Board of Directors
  - c) Central Government
  - d) State Government

- 8 Auditor should be dutiful like a
- a) A watch dog
  - b) A blood hound
  - c) A detective
  - d) An insurer
- 9 ----- audit is forward looking –
- a) Financial
  - b) Cost
  - c) Tax
10. Audit under any statute in a country is called -----
- a) Final audit
  - b) Internal audit
  - c) Statutory audit
11. ----- audit is not a statutory requirement
- a) Management
  - b) Financial
  - c) Tax Audit
12. ----- audit is compulsory for joint stock companies
- a) Statutory
  - b) Final
  - c) Continuous
13. Deduction under section 80-HHE is related to :
- a) Export of computer software, technical services outside India.
  - b) Foreign projects.
  - c) Business of exports.
  - d) Backwards industries
14. Form 3-CB is used for :
- a) Truth and fairness of Accounts.
  - b) Filled in the case of compulsory Audit.
  - c) Filled by Special Business.
  - d) Filled by government organizations.
15. Deduction under section 35-D is related to:
- a) Preliminary Expenses
  - b) Foreign projects.
  - c) Business of exports.
  - d) Backwards industries.

ANSWER KEY														
1 c	2 c	3 a	4 b	5 c	6 a	7 a	8 a	9 b	10 c	11 a	12 a	13 a	14 a	15 a

Section I – Auditing Unit 5: Audit of Computerized Systems

**Multiple Choice Questions**

- 1.Types of EDP Accounting System:
  - a. Batch Processing .
  - b. Real – time Processing system.
  - c. Only A
  - d. Both A and B .
  
- 2.Full form od CAAT .
  - a) Computer Application Audit Techniques.
  - b) Computer Audit Assisted Techniques.
  - c) Computer Audit Application Techniques.
  - d) Computer Assisted Audit Techniques.
  
- 3.Problems encountered in an EDP Enviroment:
  - a) Absence of voucher.
  - b) Computer virus.
  - c) Coding Problem.
  - d) All of the above.
  
- 4.What is EDP?
  - a) Emergency Data Program
  - b) Electronic Data parity
  - c) Electronic Data Processing
  - d) Emerging Data Processing.
  
- 5.Full form of GAS:
  - a) General Audit System
  - b) Generalized Audit Software
  - c) Generalized Audit System.
  - d) General Assistant System.

**Answer key**

1d	2d	3d	4c	5b
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**Section II – Taxation**  
**Unit 1: Income Tax Act-1961 (Meaning, Concept and Definitions)**

**Multiple Choice Questions**

1. In some cases assessment year and previous year can be same financial year.
  - a) True
  - b) False
2. Income Tax Act was passed in the year \_\_\_\_\_.
  - a) 1947
  - b) 1950
  - c) 1961
  - d) 1991
3. Life Insurance Corporation of India is a \_\_\_\_\_.
  - a) AOP
  - b) Firm
  - c) Company
  - d) Individual
- 4..... is an artificial person registered under Indian Companies Act 1956.
  - a) Individual
  - b) Company
  - c) Firm
  - d) Local Authority
5. The first income tax act was introduced in the year
  - a) 1918
  - b) 1861
  - c) 1860
  - d) 1886
6. The apex body of Income Tax Department. is
  - a) Finance Ministry of Central Govt.
  - b) Central Govt. of India.
  - c) CBDT
  - d) Dept. of Revenue
7. Income received or deemed to be received in India (whether accrued in or outside India) is taxable in case of
  - a) Resident
  - b) Not Ordinarily Resident



- c) Non-Resident  
d) All of the above
8. The Income Tax Act, which is still in force in India, was enforced in
- 1922
  - 1961
  - 1860
  - None of the above
9. Mr. X has started his business from 1st Sept '16 and does not have any other source of income. His first previous year will start from
- 1st April '16
  - 1st Sept '16
  - Any of the above
  - None of the above.
10. According to Section 2(7) of Income Tax Act "Assessee" means a person
- By whom any tax or other sum of money is payable
  - By whom any proceeding under the Act has been taken
  - Who is deemed to be an assessee in default under any provision of this Act
  - All of the above
11. Amongst the following \_\_\_\_\_ is empowered to levy tax on agricultural income.
- Central Government
  - State Government
  - Commissioner
  - President
12. A person includes:
- Only Individual
  - Only Individual and HUF
  - Individuals, HUF, Firm, Company only
  - Individuals, HUF, Company, Firm, AOP or BOI, Local Authority, Every Artificial Juridical Person
13. XYZ LLP falls under which----- category of person -
- Individual
  - Partnership firm
  - Company
  - Association of person

14. Which amongst the following is not a head of Income?

- a. Salaries
- b. Income from house Property
- c. Capital gains
- d. Income from exports

15. Income is divided in \_\_\_\_\_ heads of Income.

- A. 4
- B. 5
- C. 6
- D. 3

16. Which of the following is not included in taxable income -

- A. Reimbursement of expenses
- B. Cash gifts received from non-relatives
- C. Income from illegal activity
- D. Profit on sale of equity shares of unlisted company

17. Which amongst the following is Artificial Juridical Person?

- A. Corporation
- B. Local Fund
- C. District Board
- D. None of these

18. The Central Government has notified Income computation and disclosure standards for computing income under the head Profits and Gains of Business and Profession - .

- A. 2
- B. 5
- C. 8
- D. 10

19. An assessee incurred expense of tax on non monetary perquisites of employees. Such expenditure shall be considered as:

- A. Revenue expenditure
- B. Deferred revenue
- C. Capital expenditure

D. Expressly disallowed

20. Contribution was made by PFI towards Credit Guarantee Fund Trust. Such expenditure shall be considered as:

- A. Revenue expenditure
- B. Capital expenditure
- C. Deferred revenue expenditure
- D. Illegal expenditure

1 a	2 c	3c	4 b	5 c	6 c	7 d	8 b	9 b	10 d
11 b	12 d	13 b	14 d	15 b	16 a	17 a	18 d	19 d	20 a

**Section II – Taxation**  
**Unit 2: (Computation of Taxable Income under the different Heads of Income)**

**Multiple Choice Questions**

1. Surcharge of 10 per cent is payable by an individual where the total income exceeds:
  - a) Rs.7,50,000
  - b) Rs.8,50,000
  - c) Rs.10,00,000
  - d) None of the three
  
2. For an employee in receipt of hostel expenditure allowance for his three children, the maximum annual allowance exempt under section 10(14) is
  - a) Rs.10, 800
  - b) Rs.7,200
  - c) Rs.9,600
  - d) Rs.3,600
  
3. Calculate the Gross Annual value from the following details:  
Municipal Value - Rs. 45,000 Fair rental value - Rs. 50,000 Standard rent - Rs. 48,000  
Actual Rent - Rs. 42,000
  - a) Rs. 50,000
  - b) Rs. 48,000
  - c) Rs. 45,000
  - d) Rs. 42,000
  
4. M took a loan of Rs. 6,00,000 on 1.4.2011 from a bank for construction of a house. The loan carries an interest @ 10% p.a. The construction is completed on 15.6.2013. The entire loan is still outstanding. Compute the interest allowable for the assessment year 2020- 21
  - a) Rs. 60,000
  - b) Rs. 1,80,000
  - c) Rs. 84,000
  - d) Rs. 24,000
  
5. Deduction under section 80C to 80U cannot exceed:
  - a) Gross Total Income
  - b) Total Income
  - c) Income from business or profession
  - d) Income from house property
  
6. The first income tax act was introduced in the year
  - a) 1918
  - b) 1861
  - c) 1860

d) 1886

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

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

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

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

9. The salary, remuneration or compensation received by the partners is taxable under the head \_\_\_\_\_.

- a) Income from Other Sources
- b) Income from Business
- c) Salary
- d) None of the above

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

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

11. Family pension received by a widow of a member of the armed forces where the death of the member has occurred in the course of the operational duties, is.....

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

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

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

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

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

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

- a) Fully taxable

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

15. The salary, remuneration or compensation received by the partners is taxable under the head \_\_\_\_\_.

- a) Income from Other Sources
- b) Income from Business
- c) Salary
- d) None of the above

16. The death-cum-retirement gratuity received by the Government Employee or employee of local authority is \_\_\_\_\_.

- a) Partially exempted
- b) Fully exempted
- c) Half taxable
- d) None of the above

17. Under Section 15 of Income Tax Act, the salary due in previous years and even if it is not received is \_\_\_\_\_.

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

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

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

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

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



20. The Payment of Gratuity Act came into force in.....
- 1973.
  - 1980
  - 1991
  - 1972
21. The entertainment allowance is applicable to\_\_\_\_\_.
- Private sector employees
  - Public sector employees
  - Government employees
  - All of the above
22. \_\_\_\_\_ is the rent fixed under Rent control Act.
- Municipal rental value
  - Fair rental value
  - Standard rent
  - Real rent
23. Expected Rent can be determined in the following way
- Higher of Municipal Value & Fair Rent
  - Lower of Municipal Value & Fair Rent
  - Higher of Municipal Value & Fair Rent subject to maximum of Standard Rent
  - Any of the above
24. Under the Head Income from House Property, the basis of charge is the \_\_\_\_\_ of property.
- Annual value
  - Quarterly value
  - Half-quarterly value
  - None of the above
25. Mr. Ram owns a house property. He lent it to Laxman at `10,000 p.m. Laxman sublet it to Mr. Maruti on monthly rent of 20,000 p.m. Rental income of Ram is taxable under the head\_\_\_\_\_.
- Income from Salary
  - Income from Other Sources
  - Income from House Property
  - Income from Business

26. Deduction from annual value is allowed under \_\_\_\_\_.
- a) Section 24
  - b) Section 25
  - c) Section 27
  - d) Section 28
27. ....% standard deduction is allowed on annual value.
- a) 20
  - b) 30
  - c) 40
  - d) 50
28. For computation of Gross Annual Value, if actual rent is more than expected rent, then we select the \_\_\_\_\_.
- a) Actual rent
  - b) Expected rent
  - c) Any of the above
  - d) None of the above
29. Under the Income Tax Act, 1961, depreciation on machinery is charged on \_\_\_\_\_.
- a) Purchase price of the machinery
  - b) Written down value of the machinery
  - c) Market price of the machinery
  - d) All of the above
30. Income chargeable under the head 'Profits and Gains from Business or Profession' is covered under \_\_\_\_\_.
- a) Section 23
  - b) Section 24
  - c) Section 28
  - d) Section 27

**ANSWER KEY**

1c	2b	3b	4c	5a	6b	7a	8b	9c	10a
11c	12b	13b	14a	15b	16b	17b	18a	19b	20d
21c	22c	23c	24a	25c	26a	27b	28a	29b	30c

**Section II – Taxation**  
**Unit 3: Computation of Total Taxable Income of an Individual**

**Multiple Choice Questions**

1. As per Section 2(e a), which of the following is an asset in case of an individual:
  - a. Cash in hand up to Rs. 50,000
  - b. Shares
  - c. Debentures or Bonds
  - d. Motor car used for official purposes
  
2. Salary of S (Rs. 40,000 per month) becomes due on the last day of the month but is paid on 7th of next month. Also, salary of April, 2014 and May, 2014 is received in advance in March, 2014. What will be his gross income for Assessment Year 2014-15?
  - a. Rs. 5,60,000
  - b. Rs. 4,80,000
  - c. Rs. 4,40,000
  - d. Rs. 5,20,000
  
3. Gross Total Income is arrived after:
  - a. only adding Income under five heads of Income;
  - b. adding Income under five heads of Income excluding losses;
  - c. adding Income under five heads of Income, after applying clubbing provisions and making adjustment of set off and carry forward of losses
  - d. adding Income under five heads of Income, after applying clubbing provisions and making adjustment of set off and carry forward of losses and after allowing deduction under section 80C to 80U
  
4. An assessee incurred a sum of Rs.1,10,000 for alteration of the memorandum and articles of association. Such expenditure shall be considered as:
  - A. Revenue expenditure
  - B. Deferred revenue expenditure
  - C. Capital expenditure
  - D. Non-deductible expenditure
  
5. franchise fee received by an assessee in tourism business, against special rights given to franchisees to undertake hotel business in assessee's property is taxable under the head \_\_\_\_\_
  - A. Income from house property

- B. Income from PGBP
  - C. Income from Capital gain
  - D. Income from other sources
6. Amendments by the finance act are made applicable from
- A. First day of next financial year
  - B. First day of same financial year
  - C. Last day of same Accounting year
  - D. None of the above.
7. Income by way of royalty in respect of a patent developed and registered in India in respect of person who is resident in India is chargeable to tax at rate of -
- A. 10%
  - B. 15%
  - C. 20%
  - D. 30%
8. Which of the following is not included in taxable income -
- A. Reimbursement of expenses
  - B. Cash gifts received from non relatives
  - C. Income from illegal activity
  - D. Profit on sale of equity shares of unlisted company.
9. Income Tax is levied on the \_\_\_\_\_ of a person.
- A. Total Income
  - B. Total Income-Debt
  - C. Gross Total Income
  - D. Net Income-Debt Perquisites
10. Describe the status of the following person (i.e. individual, HUF, Firm, Company etc.) X and Y are legal heirs of Z. Z died in 2018 and X and Y carry on his business without entering into a partnership.
- A. Firm
  - B. Limited Liability Partnership
  - C. Company

D. Body of Individual

**ANSWER KEY**

1 d	2 a	3 c	4 a	5 b	6 a	7 d	8 a	9 a	10 d
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## Section II – Taxation

## Unit 4: Miscellaneous

### Multiple Choice Questions

1. Mr. X made payment to Mr. Y on which Mr. X failed to deduct the TDS. Mr. Y (Resident) fulfilled the following requirements so that Mr. X should not be deemed to be an assessee in default. Which of the following was wrongly complied by Mr. Y because of which Mr. X was treated as assessee in default?
  - a) Furnished his return u/s 139.
  - b) Offered the income in return on which TDS should have been done by Mr. X.
  - c) Paid the Tax Due on the income declared by him in such return of Income.
  - d) Furnished a Certificate to this effect from C.A. in Form 27BA.
  - e) None of the Above.
2. Because of Death of his Son Mr. Salman could not file Quarterly statement for TDS Deducted. As there is a reasonable cause for such failure which of the following will not be levied:
  - a) Penalty
  - b) Fees
  - c) Both
3. Mr. Marshal owned network of telecom towers and infrastructure services. He let out these to major telecom operators of the country. He applied u/s. 197 for obtaining a certificate of lower deduction of tax. As per the Judgment of Indus Towers Ltd. Vs CIT (2014)(Del.) at what rate Tax shall be deducted
  - a) 1% u/s 194C
  - b) 10% u/s 194I
  - c) 2% u/s 194I
  - d) 0.5% u/s 194C
4. State Government pays commission of Rs.20, 000/- to one of its agent on sale of Lottery Tickets.
  - a) TDS is required to be made @ 5% on any amount paid as commission for sale of lottery tickets
  - b) TDS is required to be made @ 5% if commission to a single person in a F.Y. exceeds 15,000/-
  - c) TDS is required to be made @ 5% if commission to a single person in a F.Y. exceeds 30,000/-
  - d) TDS shall not be deducted as payment is made by State Government
5. Taxpayers opting for presumptive taxation scheme of Section 44AD are required to pay up to of advance tax by 15th June?



- (a) 15%
  - (b) 45%
  - (b) 75%
  - (d) Nil
6. Full form of TDS is :
- a. Tax Deducted at source.
  - b. Tax sources.
  - c. Tax Challan
  - d. Tax Deposited at source
7. ITR -5 is related to :
- a. For Individuals
  - b. For HUF.
  - c. For Firms, AOPs And BOIs.
  - d. For Companies.
8. Challan No..... is used by all categories of tax payers for payment of income tax.
- a. Challan no.280
  - b. Challan no.282
  - c. Challan no.281
  - d. Challan no.281(A)
- 9.....is responsible to deduct tax at source.
- a) Assessee
  - b) Payee
  - c) Payer
  - d) Agencies.
- 10.Tax refund has to be claimed within :
- a. Five years
  - b. Same year
  - c. One year
  - d. Next year
- 11.In the case of companies, income tax return is signed by:
- a. Manager
  - b. Board of Directors.
  - c. 3.General Manager.
  - d. Managing Director
- 12.In the absence of the individual assesses, return of income can be signed by .....
- a. Legal Heir
  - b. Spouse.
  - c. Any Person.
  - d. Authorized person
- 13.The filing of return of loss in case of a person other than a company or firm is:

- A. mandatory
- B. not mandatory
- C. mandatory if the assessee has to carry forward the loss which are allowed to be carried forward & set off

14. Amount of deduction in case of a person with severe disability under section 80U will be:

- a. Rs. 50,000
- b. Rs. 75,000
- c. Rs. 1,00,000
- d. Rs. 1,50,000

15. An individual needs to pay Rs. 1,00,000 as advance tax. By 15th of December, how much amount must be paid by the individual:

- a. Rs. 30,000
- b. Rs. 60,000
- c. Rs. 1,00,000
- d. Nil

16. Deduction under section 80C to 80U cannot exceed:

- a. Gross Total Income
- b. Total Income
- c. Income from business or profession
- d. Income from house property

17. Mr. DS during the previous year 2018-19 made a payment outside India to a non-resident on which TDS was not paid upto time allowed under section 200. However, such TDS was deducted and paid on 30th September 2019. When shall deduction of this expenditure be allowed to assessee?

- a. Previous Year 2018-19
- b. Previous Year 2019-20
- c. Previous Year 2017-18
- d. Not allowed deduction

18. Payment of Rs. ` 45,000 made in cash towards purchases of medicines. The amount of disallowance under section 40A(3) is -

- a. Rs 45,000
- b. Rs 30,000
- c. Nil
- d. Rs 20,000

19. Director sitting fees will be Chargeable Under which head?

- a. Income from house property
- b. Income from other sources
- c. Income from PGBP
- d. Income from Capital gain

20. Rental income from the business of leasing out properties would be taxable under the head \_\_\_\_\_

- a. Income from house property
- b. Income from other sources
- c. Income from PGBP
- d. Income from Capital gain

**ANSWER KEY**

1 d	2 b	3 c	4 b	5 a	6 a	7 c	8 a	9 c	10 c
11 d	12 d	13 a	14 c	15 b	16 a	17 a	18 a	19 b	20 c

## Section II – Taxation Unit 5: Income Tax Authorities

### Multiple Choice Questions

1. ITAT all decisions are taken by majority of member's, if the Members are equally divided then the final vote will have of

- a) President
- b) Chairman
- c) Assessing officer
- d) Majority Of member

2. For ITAT special powers of stay is available and stay will automatically Get vacated if matter is not decided in time of.

- a) 6 months
- b) 9 months
- c) 12 months
- d) 18 months

3. Assessment under following section is termed as scrutiny assessment

- a) 143(3)
- b) 144
- c) Both of the above
- d) None of the above

4. An appeal to the Commissioner of Income-tax (Appeals) shall be filed in Form No. \_\_\_\_\_.

- a) 35
- b) 36
- c) 34C
- d) 35B

5. Section \_\_\_\_\_ specifies the orders against which an appeal can be filed before the Commissioner of Income tax (Appeals).

- a) 246A
- b) 260A
- c) 253
- d) 261

6. The Commissioner of Income-tax (Appeals) is the \_\_\_\_\_ appellate authority

- a) First
- b) Second
- c) Third
- d) Fourth

7. There are certain specified financial transactions in which quoting of PAN is mandatory. If a person intending to enter into such transaction does not hold PAN then, he has to furnish;

- a) Form 60
- b) Form 49A
- c) Form 49C
- d) Form 49AA

8. Mr. A is not a citizen of India. He wants to apply for PAN in India and he has consulted you to provide him the applicable form for application of PAN. What would be correct Form;

- a) Form 49A
- b) Form 49B
- c) Form 49AA
- d) None of above

9. Which of the following can be corrected while processing the return of income under section 143(1)?

- a) any arithmetical error in the return
- b) any error in the return of income
- c) any mistake in the return of income
- d) any claim by the taxpayer which is against law

10. E-filing of return in case of an office of the Government/company and a firm whose accounts are liable to be audited is:

- a) mandatory
- b) optional
- c) mandatory when its income exceeds Rs. `5,00,000

d) mandatory when its income exceeds Rs. 10,00,00

11. The return of income can be filed with the Income-tax Department in electronic mode only.

- a) True
- b) False

12. The return of income is to be furnished in

- a) ITNS 281
- b) Form 26AS
- c) Form 26Q
- d) ITR 1 – to 7 (as the case may be)

13. Supreme Courts precedent in binding on

- a) Courts
- b) Appellate Tribunals
- c) Income Tax Authorities
- d) All of the above.

14. In case the Key man insurance policy is taken in name of any other person any sum received on its maturity by such person shall be taxable under the head -

- a) Salaries
- b) Profits & Gains of Business or Profession
- c) Capital Gains
- d) Income from Other Sources

15. All companies other than those covered u/s 25 are required to file return of Income in:

- a) Form ITR6
- b) Form ITR5
- c) Form ITR4
- d) Form ITR7

16. An appeal to the Commissioner of Income-tax (Appeals) shall be filed in Form No. \_\_\_\_\_.

- a) 35
- b) 36
- c) 34C
- d) 35B

17. The notice under section 143(2) must be served within:

- a) 12 months from the date of filing of return
- b) 12 months from the due date of filing the return U/S 139(1) or from the date of filing of return of income



- c) 6 months from the end of the financial year in which the return was furnished
- d) 6 months from the end of month in which the return was furnished

18. There are certain specified financial transactions in which quoting of PAN is mandatory. If a person intending to enter into such transaction does not hold PAN then, he has to furnish;

- a) Form 60
- b) Form 49A
- c) Form 49C
- d) Form 49AA

19. Assessment under following section is termed as scrutiny assessment

- a) 143(3)
- b) 144
- c) Both of the above
- d) None of the above

20. The Commissioner of Income-tax (Appeals) is the \_\_\_\_\_ appellate authority

- a) First
- b) Second
- c) Third
- d) Forth

<b>Answer key</b>									
<b>1 a</b>	<b>2 a</b>	<b>3 a</b>	<b>4 a</b>	<b>5 a</b>	<b>6 a</b>	<b>7 a</b>	<b>8 c</b>	<b>9 a</b>	<b>10 a</b>
<b>11 a</b>	<b>12 d</b>	<b>13 d</b>	<b>14 d</b>	<b>15 a</b>	<b>16 a</b>	<b>17 c</b>	<b>18 a</b>	<b>19 a</b>	<b>20 a</b>

