UDHNA COLLEGE

SYBCOM SEM-III

Advanced Accounting and Auditing-II (Accountancy & Taxation)

MCQ Question Bank

1. The Income tax act, 1961 came into force w.e.f........

A. 1st April, 1962

B. 31st March, 1961

C. 1st April, 1961

D. None of above

2. Who amongst the following confers on the power to issue circulars and clarifications?

A. ITAT

B. Central Government

C. CBDT

D. State Government

3. 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.

4. Income Tax is charged in –

A. Financial Year

B. Assessment Year

C. Previous Year

D. Accounting Year

5. A person includes:

A. Only Individual

B. Only Individual and HUF

C. Individuals, HUF, Firm, Company only

D. Individuals, HUF, Company, Firm, AOP or BOI, Local Authority, Every Artificial Juridical Person

6. As per section 2(31), the following is not included in the definition of 'person'

A. An individual
B. A Hindu undivided family
C. A company
D. None of these

7. Every assessee is a person, and -

A. every person is also an assessee

B. every person need not be an assessee

C. an individual is always an assessee

D. A HUF is always an assessee

8. Describe the status of the following person (i.e. individual, HUF, Firm, Company etc.) X and Yare legal heirs of Z. Z died in 2026 and X and Y carry on his business without entering into a partnership.

A. Firm

B. Limited Liability Partnership

C. Company

D. **HUF**

9. Assessment year can be a period of:

   A. only more than 12 months
   B. 12 months and less than 12 months
   C. **only 12 months**
   D. 12 months and more than 12 months

10. Year in which income is taxable is known as ___________ and year in which income is earned is known as ----

A. Previous year, Assessment year

B. Assessment year, Previous year

C. Assessment year, Assessment year

D. Previous year, Previous year

11. The year in which the income is earned is known as

A. Previous year

B. Financial year

C. Both (A) or (B)

D. None of the above.

12. All assesses are required to follow:

   A. Uniform previous year which must be calendar year only
   B. Uniform previous year which must be financial year only
   C. Any period of 12 months
   D. Period starting from 1st July to 30th June only

13. XYZ LLP falls under which---------- category of person –

A. Individual

B. Partnership firm

C. Company

D. Association of person

14. Municipality of Delhi falls under----- category of person

A. Artificial juridical person

B. Local authority

C. Individual

D. Association of Person

15. Under Income Tax Act partnership firm includes –

A. Limited liability partnership

B. Limited liability company

C. One person company

D. Association of person

16. A.O.P should consist of:

A. Individual only

B. Persons other than individual only

C. Both individual and non individual persons.

D. None of these

17. Body of individual should consist of:

A. Individual only

B. Persons other than individual only

C. Both individual and non individual persons.

D. None of these

18. A person becomes a member of HUF by –

A. Contract

B. Agreement

C. Popularity

D. Status

19. In order to be assessed as HUF there should be –

A. Partnership

B. Co-Partnership

C. Co -Parcenership

D. Co-Ownership

20. Section __ of the Income-tax Act, 1961 defines the term 'person' –

A. 4

B. 2(31)

C. 5

D. 2(32)

21. --------------must be one in which two or more persons join in for a common purpose or common action with the object of earning income or profits or gains.

A. Partnership

B. Co-ownership

C. Body of Individuals

D. Association of Persons

23. Previous year is defined in –

A. Section 2(34)

B. Section 2(9)

C. Section 3

D. Section 4

24. Financial year means a year commencing on –

A. 31st March of the period

B. 1st day of the April

C. Mid of the year

D. None of these

25. First previous year in case of a business/profession newly set up on 31-3-2025 would:

A. Start from 1st April, 2025 and end on 31st March 2026

B. Start from 31" March, 2025 and will end on 31st March, 2025

C. Start from 1st January, 2026 and end on 31st December, 2026

D. Start from 1st January, 2026 and will end on 31st March, 2026

26. Dr. Ashok commenced medical practice on 1st September, 2025. The previous year for the profession for the assessment year 2026-27 would be _

A. 1 st April, 2025 to 31st March, 2026

B. 1st September, 2025 to 31st March, 2026

C. 1st June, 2025 to 31st March, 2026

D. 1st September, 2025 to 31st January, 2026

27. Income of business commenced on 1st March, 2025 will be assessed in assessment year

A. 2025-26

B. 2026-27

C. 2024-25

D. 2027-28

28. A person follows calendar year for accounting. For taxation, he has to follow:

A. Calendar year only :1st January to 31st December

B. Financial year only :1st April to 31st March

C. Any of the Calendar or Financial year as per his choice

D. He will to follow extended year from 1st January to next 31st March (a period of 15 months)

29. In which of the following cases, income of previous year is assessable in the previous year itself:

A. Assessment of persons leaving India

B. A person in employment in India

C. A person who is into illegal business

D. A person who is running a charitable institution

30. In which of the following cases, Assessing Officer has the discretion to assess the income of previous year in previous year itself or in the subsequent assessment year:

A. Shipping business of non-residents

B. Assessment of Association of Persons or Body of Individuals formed for a particular event or purpose

C. Assessment of persons likely to transfer property to avoid tax

D. Discontinued business

31. In case of non-residents engaged in shipping business in India income earned during the financial year is

A. Taxable in India the same financial year

B. Taxable in India the relevant assessment year

C. Not taxable in India in the same financial year

D. Not taxable in India.

32. A new business was set-up on 1st July, 2025 and trading activity was commenced from 1st September, 2025, the previous year would be the period commencing from

A. 1st April, 2025 to 31st March, 2026

B. 1st July, 2025 to 31st March, 2026

C. 1st September, 2025 to 31st March, 2026

D. 1st October, 2025 to 31st March, 2026

33. According to section 2(24) definition of 'income' is -------

A. Inclusive

B. Exhaustive

C. Exclusive

D. Descriptive.

34. 'Income' under section 2(24) includes - (i) The profits and gains of a banking business carried on by a co-operative society with its members. (ii) Any advance money forfeited in the course of negotiations for transfer of capital asset. Choose the correct option with reference to the above statements _

A. Both (i) and (ii)

B. Only (i)

C. Only (ii)

D. Neither (i) nor (ii)

35. Income includes –

A. Profits and gains

B. Profit in lieu of Salary

C. Income from other sources

D. All of the above

36. Income is divided in ___________ heads of Income.

A. 4

B. 5

C. 6

D. 3

37. Income includes –

A. Profits or Gains

B. Capital gains

C. Lottery winnings

D. **All of the above**

38. The term' income' includes the following types of incomes –

A. Legal

B. Illegal

C. Legal and illegal both

D. None of the above

39. Which of the following income is not included in the term 'income' under the Income-tax Act, 1961 –

A. Profit and gains

B. Dividend

C. Profit in lieu of salary

D. Reimbursement of travelling expenses.

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

a. Salaries

b. Income from house Property

c. Capital gains

d. Income from exports

41) If Anirudh has stayed in India in the P.Y. 2025-26 for 181 days, and he is nonresident 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. 2026-27 would be –

(a) Resident and ordinarily resident

(b) Resident but not ordinarily resident

(c) Non-resident

(d) Cannot be ascertained with the given information

42. Raman was employed in Hindustan Lever Ltd. He received a salary of ` 40,000 p.m. from 1.4.2025 to 27.9.2025. He resigned and left for Dubai for the first time on 1.10.2025 and got salary of rupee equivalent of 80,000 p.m. from 1.10.2025 to 31.3.2026. His salary for October to December 2025 was credited in his Dubai bank account and the salary for January to March 2026 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

43. A company would be a resident in India for the P.Y. 2025-26, 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)

44. 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

45. 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

46. Income earned from a contract negotiated by an agent in India in the name of a non-resident but 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) Be taxable in India as such income accrues or arises in India

47. 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

48. 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

49. 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

50. Dividend Income from Australian company received in Australia in the year 2024, brought to India during the previous year 2025-26 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

51.The following shall not be regarded as capital asset:

A. Jewellery

B. Rural Agricultural land

C. Archaeological Collections

D. Personal residential house

52.In case of transfer of unlisted equity shares the asset will be treated as short-term capital asset if they are held for not more than___ immediately preceding the date of transfer.

A.12months

B.24months

C.36months

D. None of the above.

53. Short Term Capital Loss can be set off against-------------

a) Income from any other head

b) Long Term Capital Gain or Short Term Capital Gain

c) Only Short Term Capital Gain.

d) Only long term capital gain.

54. Long Term Capital Loss can be set off against----------------

a) Business Profits

b) Long Term Capital Gains

c) Short Term Capital Gains and Long Term Capital Gains

d) Only Short Term Capital Gain.

55. Exemption under Sec 54B is available from the transfer of -------------------------

a) Industrial Undertaking

b) Land used for Agricultural purpose

c) Gold, Silver and Diamonds.

d) Residential house.

56. Exemption under Sec 54EC is available for capital gains invested into specified Bonds, the maximum limit for investment is------------------------

a) 1 Crore

b) 25 Lakhs

c) 50 Lakhs

d)10 Lakhs

57. Exemption under Sec 54EC is available for capital gains invested into specified Long term specified assets. These long term specified assets are---------------------

a) 5 year Tax Saver FD

b) Capital Gains Deposit Account Scheme

c) 5 year redeemable bonds issued by RECL & NHAI.

d) 3 year redeemable bonds issued by RECL & NHAI.

58. The Finance Act 2017, shifted the base year from ----------- to ---------------- for the cost inflation index(CII)

a) 1981 to 2001

b) 2001 to 1981

c) 1961 to 2001

d) 2001 to 1961

59. The Cost Inflation Index for the year 2001 is __________

a) 100

b) 551

c) 686

d)101

60. The Cost Inflation Index for the year 2025-26 is __________

a) 376

b) 373

c) 686

d)100

61. Exemption under Sec 54F is available if capital gain is invested in---------------------

a) Bonds of RECL & NHAI

b) Residential house property

c) Gold.

d) None of above.

62. Exemption under Sec 54G is available for capital gains when the net consideration on transfer of assets in shifting of industrial undertaking from ------------ area to ---------- - area.

a) Urban area to rural area

b) Urban area to special economic zone

c) Rural area to urban area

d) special economic zone to urban area

63. Which of the following taxes have been subsumed in GST?

A. Central Sales Tax
B. Central excise duty and service tax
C. Value Added Tax
D. All of above.

64. GST is levied on supply of all goods and service except.

A. Alcoholic liquor for human consumption.
B. Tobacco
C. Legal services
D. All of the above.

65. Who shall be empowered to levy and collect GST on supplies in the course of Inter-State transactions of trade or commerce.

A. Central government
B. State government
C. Union territories
D. All of above

66. Any job-work carried out by a labour contractor on another person's goods shall be treated as-

A. Supply of goods
B. Supply of services
C. Supply of services provided by job-work is carried out without any material
D. Supply of services provided by job-work is carried out with or without any material

67. Which of the following supplies are naturally bundled?

A. Rent deed executed for renting of two different floors of a building-one for residential and another for commercial purpose to same tenant.

B. Pack of tie, belt and scarf

C. Package consisting of canned food, sweets, chocolates, cakes etc.

D. None of the above.

68. Which of the following is/are essential elements of a composition supply.

A. Supply is made by a taxable person to a recipient

B. Supply consists of two or more taxable supplies of goods or services or both or any combination thereof which are naturally bundled and supplied in the ordinary course of business.

C. One of the components of the supplies is a principal or main supply

D. All of the above.

69. What is the threshold limit of aggregate turnover in the preceding financial year for opting to tax pay under ‘composite scheme’?

A. Rs. 50 lakhs

B. Rs. 75 lakhs

C. Rs. 1 crore

D. Rs. 75 lakhs in case of special category states and Rs. 1.5 crore for any other state.

70. The rate prescribed for payment of GST in case of a registered person being a manufacturer who has opted for ‘composition scheme’ is-

A. 1% of turnover as CGST and 1% of turnover as SGST/UTGST.

B. 0.5% of turnover as CGST and 0.5% of turnover as SGST/UTGST.

C. 2.5% of turnover as CGST and 2.5% of turnover as SGST/UTGST.

D. None of above

71. Can a person who opt for ‘composition scheme’ collect any tax from the recipient of goods or services or both?

A. Yes

B. No

C. Yes, provided the recipient is a registered person

D. Yes, provided the recipient is an unregistered person

72. Which of the following statement is correct in case of a tax payer who adopts ‘composition scheme’

A. He can avail ‘Input Tax Credit’ on capital goods only.

B. He can avail ‘Input Tax Credit’ on all inputs except on capital goods.

C. Input Tax Credit’ is not available on inward supplies.

D. Input Tax Credit’ is not available on inward supplies if tax is mentioned separately in the invoice of such supplies.

73. If an entity has multiple branches within the same state,it requires—

A. Registration for each branch separately.

B. Single registration for all the branches.

C. Multiple registration or single registration at the option of the assessee

D. Registration for each branch separately, if the turnover of each branch exceeds Rs. 1.5 crore.

74. "Aggregate turnover" means the aggregate value of__

A. Taxable supplies
B. Exempted supplies
C. Inter-state supplies and export of goods and service or both.
D. All of above.

75. Which of the following statement is not correct?

A. Income tax extends to whole of India except the state of Jammu & Kashmir.
B. Finance bill becomes the finance act when it is passed by both houses of parliament & receives the assent of the president.
C. No surcharge is levied on the total income of an individual or HUF assessee
D. Health & Education cess is levied @ 4% of income tax+ surcharge(if any)

76. When did India's 1st Income tax Act came into being?

A. 1860
B. 1910
C. 1922
D. 1880

77. What is regarded as the first authoritative text on public finance?

A. Manu Smriti
B. Arthashastra
C. Raghuvansh
D. Upanishad.

78. Which of the following is treated as direct tax?

A. Service tax
B. Excise duty
C. Income tax
D. Custom duty

79. Which of the following is not correct?

A. The supreme court and the High Court can give judgement only on questions of law
B. The Home Minister and Finance Minister are considered the higher authorities in regard to tax law.
C. The law laid down by Supreme Court is the law of the land.
D. The decision of High court will apply in respective states, within its jurisdiction.

80. Departments are located in

A) Same place

B) Next City

C) Outside state

D) In a foreign country

81. Departmental Accounts are prepared to ascertain

A) Departmental efficiency

B) Workers Efficiency

C) Sales income

D) Share value

82. Which of the following is a method of departmental accounting?

A) Debtors system

B) Stock And Debtors System

C) Single entry system

D) None of above

83. In departmental accounting, Advertisement is apportioned on the basis of

A) Sales

B) Goods Manufactured

C) Purchases

D) Value of plant

84. In departmental accounting canteen expenses are apportioned on the basis of

A) Food Items Purchased

B) Food Items Sold

C) No. Of Employees

D) Average stock

85. Work Managers salary is apportioned on the basis of

A) Purchases Of Each Dept

B) Sales Of Each Department

C) Value Of Plant and Machinery

D) Time spent in each department

86. In departmental accounting, where separate books are kept for each Department, it is commonly referred to as

A) Independent accounting

B) Columnar accounting

C) Consolidated accounting

D) Single entry system

87. Selling expenses are apportioned on the basis of

A) sales

B) purchases

C) no. of customers

D) no. of employees

88. Group Insurance premium is apportioned on the basis of

A) no. of employees

B) no. of Managers

C) no. of supervisors

D) Direct wages

89. Depreciation is apportioned on the basis of

A) purchases

B) sales

C) advertisement

D) none of these

90. Sales is the basis of apportionment in the case of

A) travelling salesman's commission

B) freight outwards

C) after sales service

D) all of the above

91. Departmental Accounting facilitates

A. comparison of trading results

B. intelligent planning and control

C. evaluating departmental performance

D. all of the above

92. Such items of expenditure and income which cannot be reasonably allocated to any particular department are taken in_____account

A. debtors book

B. creditors book

C. Balance sheet

D. General Profit and Loss Account

93. When the accounts of all departments are maintained together, in columnar form, it is known as -------

A. Unitary method

B. Independent form

C. single entry

D. columnar form

94. Insurance on stock is apportioned on the basis of

A. purchases

B. sales

C. average stock carried

D. average stock sold

95. Rent rates and taxes are apportioned on the basis of

A. area occupied

B. sales

C. purchases

D. no. of employees

96. Discount allowed is apportioned on the basis of

A. purchases

B. sales

C. goods manufactured

D. no. of customers

97. How many methods are there in recording departmental transactions?

A.4

B.3

C.2

D.1

98. Which of the following companies is most likely to use a departmental accounting system?

A. A small company

B. A mid-size company with only one product line

C. A company that does not keep track of its financial information on a computer

D. A large company with many segments or divisions

99. Accounting for Investment Account is done as per

A. AS-13

B.AS-15

C.AS-11

D.AS-3

100. Which of the following is excluded from the scope of AS 13?

a) Current investments

b) Investment properties

c) Long-term investments

d) Equity investments

101. How are current investments valued according to AS 13?

a) At cost

b) At fair value

c)At the lower of cost or fair value

d)At market price

102.Interest on Investment is calculated on

A. Market Value

B. Face Value

C. Book Value

D. Bank Rate

103. In buying or selling cum interest securities, interest should be ___

A. Added

B. Deducted

C. Multiplied

D. None of these

104. Ruchi bought a 9%Government security worth Rs 1,00,000 at Rs 96 cum-interest on June 1, 2025. The interest is paid on March 31 and September 30. How much interest will be received on September 30?

A.4000

B.9000

C.4500

D.1800

105. Abhi buys 9% Government bonds worth Rs 1,00,000 at a price of Rs 96 Cum-Interest on June 1, 2025. The interest is paid on March 31 and September 30. How much interest will be owed at the time of purchase?

A.4000

B.9000

C.4500

D.1500

106. Kartik Patel had 100,000 rupees worth of 10% debentures on 1-1-2025. On 15-4-2025, he sold debentures worth 20,000 rupees at 96 Cum-interest. After that, on 15-6-2018, he bought debentures worth 40,000 rupees at 102 ex-interest. The interest is paid on 30th June and 31st December. So, interest earned as on 30-6-2018 will be

A.4000

B.9000

C.6000

D.15000

107.Anita had a 12% government security, which pays interest on June 30 and 31st December. Brokerage of 1% is charged on buying and selling. On 1/10/2025, if she paid Rs 309 as brokerage for selling at a price of 103 ex-interest, find the face value of the security.

A.30000

B.36000

C.40000

D.45000

108. Anita had a 12% government security, which pays interest on June 30 and 31st December. A brokerage of 1% is charged on buying and selling. If on 01/10/2025 she sold it at a price of 103 ex-interest and paid Rs 309 as brokerage, find the Capital value of the security.

A.30000

B. 30591

C.40000

D.45000

109. Interest on fixed date is received on following securities

A. Government securities

B. Company Equity shares

C. Mutual funds

D. Foreign securities

110.Brokerage on sale of securities are generally calculated on

A. face value

B. Capital value

C. Market value

D. Book value