

### Objective type assessment

1. Where a person, resident in India, derives income from a nation with which India does not have a DTAA, such person is given credit in India in the following manner:
  - (a) Entire tax paid in the foreign country is allowed as deduction
  - (b) Tax paid in the foreign country on income which is doubly taxed, is allowed as deduction
  - (c) Tax paid on income which is doubly taxed, is allowed as deduction, at the Indian rate of tax only
  - (d) Tax paid on income which is doubly taxed, is allowed as deduction, at the Indian rate of tax or rate of tax of the foreign country, whichever is lower
  
2. Interest income earned by a non-resident during the P.Y. 2018-19 on bonds, issued by ABC Ltd., an Indian company, under a scheme notified by the Central Government, which were purchased by him in convertible foreign currency, is –
  - (a) Taxable @10%
  - (b) Taxable @15%
  - (c) Taxable @20%
  - (d) Not taxable

3. Zinc Ltd. owns the following assets on 01.04.2018:

Assets	Rate of Depreciation	WDV on 01.04.2018
Plant A	15%	4,05,000
Plant B	15%	1,95,000

On 10.06.2018, the company acquires Plant C for Rs. 20,000 (rate of depreciation is 15%). The company sells the following assets during the previous year 2018-19:

Assets	Sale consideration	Expenses on transfer
Plant A	2,00,000	12,000
Plant B	3,72,000	-
Plant C	85,000	200

Determine the amount of depreciation and capital gains for the A.Y. 2019-20 in the hands of Zinc Ltd. Further, is it possible for Zinc Ltd. to avoid tax on capital gains?

- (a) Depreciation: Nil and Short term capital gain: Rs.24,800. Further, it is not possible for Zinc Ltd. to avoid tax on capital gains.
  - (b) Depreciation: Rs.93,000 and Short term capital gain: Rs.1,17,800. Further, it is not possible for Zinc Ltd. to avoid tax on capital gains.
  - (c) Depreciation: Nil and Short term capital gain: Rs. 24,800. Further, Zinc Ltd. can avoid tax on capital gains if it purchases another plant (eligible for depreciation @15%) during the previous year 2018-19 of Rs. 24,800 or more.
  - (d) Depreciation: Rs. 93,000 and Short term capital gain: Rs.1,17,800. Further, Zinc Ltd. can avoid tax on capital gains if it purchases another plant (eligible for depreciation @15%) during the previous year 2018-19 of Rs.1,17,800 or more.
4. Nikhil, an individual whose age is 35 years incurs the following expenses for the benefit of his family (i.e., Nikhil, Mrs. Nikhil and dependent children) and parents [father (80 years), mother (76 years)] during the previous year 2018-19:

	Medi-claim insurance premium (by cheque)	Preventive health check-up expenditure (in cash)	Medical expenditure (by cheque)
For the benefit of Nikhil, Mrs. Nikhil and children	Rs.20,000	Rs.7,000	Rs.2,000
For the benefit of father	Nil	Nil	Rs.32,000
For the benefit of mother	6,000	Nil	Nil

Compute the amount of deduction allowable to Nikhil for assessment year 2019-20.

- (a) Rs.63,000  
(b) Rs.55,000  
(c) Rs.67,000  
(d) Rs.65,000
5. Mr. X took a loan from SBI on 31.03.2011 of Rs.10,00,000. During previous year 2018-19, interest actually paid on such loan was Rs.1,00,000. However, the amount of interest unpaid on such loan from 01.04.2011 upto 31.03.2019 is Rs.2,00,000. As Mr. X was making continuous defaults in making payment of interest, a restructuring arrangement was entered wherein the unpaid interest was converted into Funded Interest Term Loan (FITL) which is shown separately from the original loan and no interest is chargeable on FITL. This converted interest is to be paid 4 annual equal installments from 01.04.2022. Mr. X is of the view that for A.Y. 2019-20, the following deductions shall be allowed to him while computing his business income:
- Interest of Rs.1,00,000 on original principal of Rs.10,00,000.
  - Converted interest of Rs.2,00,000.
- Whether X's view is correct?
- (a) Correct, total deduction of Rs.3,00,000 shall be allowed to Mr. X in A.Y. 2019-20.  
(b) Incorrect, no deduction shall be allowed to Mr. X in A.Y. 2019-20.  
(c) Partially correct, interest of Rs.1,00,000 shall be fully allowed, however, proportionate amount of converted interest for the period 01.04.2018 to 31.03.2019 shall be allowed.  
(d) Incorrect, only deduction of Rs.1,00,000 shall be allowed to Mr. X in A.Y. 2019-20.
6. A search u/s 132 of the Income-tax Act, 1961 was carried out in the case of Mr. M on 20.12.2016. During the course of search, the assessee admitted the additional income of Rs.50 crore as additional sales for the financial year 2016-17. While filing his return of income in response to notice u/s 153A, M did not declare the said income. Determine the amount of penalty excluding surcharge and cess to be payable by M in respect of the said undisclosed income.
- (a) Rs.5 crore  
(b) Rs.10 crore  
(c) Rs.15 crore  
(d) Rs.30 crore
7. Mr. Harry and Mr. Sujoy, resident and Indian citizens, have been appointed as senior officials of County A embassy and County B embassy, respectively, in India in October, 2018. Mr. Harry and Mr. Sujoy are subjects of Country A and Country B, respectively, and are not engaged in any other business or profession in India. The remuneration received by Indian officials working in Indian embassy in County A is exempt but in County B is taxable. The tax treatment of remuneration received by Mr. Harry and Mr. Sujoy from embassies of Country A and Country B, respectively, in India for the P.Y. 2018-19 is:
- (a) Exempt from income-tax under section 10  
(b) Taxable under the Income-tax Act, 1961

- (c) Remuneration received by Mr. Harry is exempt but remuneration received by Mr. Sujoy is taxable  
(d) Remuneration received by Mr. Sujoy is exempt but remuneration received by Mr. Harry is taxable
8. The total turnover of Sunshine Ltd. during the financial year 2017-18 was Rs.10 crore. It is liable to get its accounts audited u/s 44AB of the Income-tax Act, 1961 by 30.09.2018. However, due to some disputes between the directors, process of audit of accounts u/s 44AB will not be completed by 30.09.2018. Directors of the company have approached you to know the consequences of not complying with the provisions of Section 44AB. Which of the following are the consequences of the said non-compliance?
- (a) Fine may be charged, which shall be lower of Rs.1,50,000/- or 0.5% of the total turnover.  
(b) Penalty may be charged, which shall be lower of Rs.1,50,000/- or 0.5% of the total turnover.  
(c) Fine as per option (a) and imprisonment of directors responsible for the non-compliance.  
(d) Penalty as per option (b) and imprisonment of directors responsible for the non-compliance.
9. Y is a foreign company having permanent establishment in India namely X. Z, a non-resident associated enterprise, has invested Rs.900 crore through debt in X. Earnings before interest, taxes, depreciation and amortisation (EBITDA) of X during the financial year was Rs.150 crore. Compute the amount of interest allowable in respect of the debt assuming that the debt was invested on the first day of the financial year and the rate of interest is 10% per annum.
- (a) Rs.45 crore  
(b) Rs.90 crore  
(c) Rs.30 crore  
(d) Rs.15 crore
10. A Pvt. Ltd., an Indian company, is engaged in the business of generation of power. It installed a Wind Power Project on 30.04.2016 and claimed a deduction of 100% of profits derived from generation of power in A.Y. 2017-18 and A.Y. 2018-19 u/s 80-IA of the Income-tax Act, 1961. During the previous year 2018-19, A Pvt. Ltd. got amalgamated with B Pvt. Ltd. which is also an Indian company. Determine whether B Pvt. Ltd. shall be eligible to take deduction in respect of profits/gains from generation of power u/s 80-IA? If yes, then for how many assessment years?
- (a) Yes, B Pvt. Ltd. shall be eligible to take deduction in respect of profits/gains from generation of power u/s 80-IA for the unexpired period of 8 consecutive assessment years.  
(b) Yes, B Pvt. Ltd. shall be eligible to take deduction in respect of profits/gains from generation of power u/s 80-IA for a fresh period of 10 consecutive assessment years.  
(c) No, B Pvt. Ltd. shall not be eligible to take deduction in respect of profits/gains from generation of power u/s 80-IA as deduction u/s 80-IA is not allowed at all to an amalgamated company.  
(d) No, B Pvt. Ltd. shall not be eligible to take deduction in respect of profits/gains from generation of power u/s 80-IA as deduction u/s 80-IA is not allowed to an amalgamated company if the amalgamation has taken place on or after 01.04.2007.
11. During the P.Y. 2018-19, R & Partners, a partnership firm, purchased the following assets on 05.05.2018:
- Machine A for Rs.10,00,000 (Rs.5,00,000 paid in cash and balance transferred through NEFT)
  - Machine B for Rs.5,00,000 (Rs.2,00,000 paid through a bearer cheque and balance amount paid through account payee cheque)
  - Machine C for Rs.8,00,000 (Rs.3,00,000 paid through account payee bank draft and balance amount paid in cash)
  - Machine D for Rs.7,00,000 (whole amount transferred through RTGS)

For Machine B, a cash subsidy of Rs.50,000 was received by the firm from the Government. Compute the total amount of actual cost of the block of machinery in the hands of the firm.

- (a) Rs.29,50,000
- (b) Rs.18,00,000
- (c) Rs.17,50,000
- (d) Rs.19,50,000

12. A Foreign Institutional Investor (FII) has total income which includes short-term capital gains on sale of preference shares of Rs.50 lakh. The rate of tax for charging such income to tax is:

- (a) 10%
- (b) 15%
- (c) 30%
- (d) 40%

13. On 05.04.2018, A (P) Ltd. issued 20,000 shares to X at Rs.40 per share. The face value per share is Rs.10 and fair market value of each share as determined u/s 56(2)(viib) is Rs.30 per share. X was not in India from the date of issue of shares to him up till 02.09.2018 but he came back to India on 03.09.2018. Whether any tax implications shall arise in the hands of A (P) Ltd. on account of the said transaction? If yes, compute the amount taxable in the hands of A (P) Ltd.?

- (a) No tax implications shall arise in the hands of A (P) Ltd. as X was non-resident in India at the time of issue of shares.
- (b) The amount would be chargeable to tax in the hands of A (P) Ltd., irrespective of the residential status of X.
- (c) Yes, the amount chargeable to tax in the hands of A (P) Ltd. as income from other sources shall be Rs.2,00,000
- (d) Yes, the amount chargeable to tax in the hands of A (P) Ltd. as income from other sources shall be Rs.6,00,000

14. Z Ltd. purchased a plant for Rs.50,00,000 (depreciation rate: 15%) on 20.05.2018. Before commencement of the commercial production, expenses of Rs.50,000 were incurred by Z Ltd. for trial run of the plant. What will be the treatment of the expenditure incurred on the said trial run as per the provisions of ICDS-V which deals with tangible fixed assets?

- (a) The expenditure of Rs.50,000 is required to be capitalized as the commercial production has not commenced.
- (b) The expenditure of Rs.50,000 can be claimed as a revenue expenditure by the company.
- (c) The expenditure of Rs.50,000 has to be treated as deferred revenue expenditure.
- (d) No treatment has been provided in ICDS-V in relation to expenditure incurred on trial run by an assessee.

15. In case where primary adjustment to transfer price is made *suo moto* by an Indian company, the time limit for repatriation of "excess money" is –

- (a) 60 days from 30<sup>th</sup> September of the A.Y.
- (b) 90 days from 30<sup>th</sup> September of the A.Y.
- (c) 60 days from 30<sup>th</sup> November of the A.Y.
- (d) 90 days from 30<sup>th</sup> November of the A.Y.

## Answers

Question Number	Answer
1	(d)
2	(a)
3	(c)
4	(a)
5	(d)
6	(d)
7	(b)
8	(b)
9	(a)
10	(d)
11	(c)
12	(c)
13	(c)
14	(a)
15	(d)