

1. A company's profit for corporation tax purposes is different from its profit for accounting purposes. Which of the following could account for this?
- I. depreciation is not allowed as an expense for tax purposes
 - II. taxable profit is calculated for the tax year and not the accounting year
 - III. taxable profit is calculated on a totally different basis from accounting Profit
- a. I only
 - a. II only
 - a. I and II above
 - a. I and III above

Answer – A (1.5)

2. Which of the following statements about taxation is false?
- a. Taxation is often based on cashflows
 - a. The marginal rate of tax generally decreases as income increases
 - a. Taxation is usually assessed in arrears
 - a. Companies pay corporation tax on their taxable profits

Answer – B (1.5)

3. Which of the following is not the goal of a financial manager?
- a. to maximize the share price
 - a. to invest in projects that display a positive net present value
 - a. to invest in projects if the rate of return is greater than the cost of borrowing
 - a. to maximize shareholder's wealth.

Answer – C (1.5)

4. Which of the following statements is most correct?
- a. Agency conflicts between stockholders and managers are not really a problem when outsiders (i.e., non-managers) own shares in a corporation.
 - a. Managers may operate in stockholders' best interests, or managers may operate in their own personal best interests. As long as managers stay within the law, there are no effective controls that stockholders can implement to control managerial decision making.
 - a. The agency conflicts between bondholders and stockholders can be reduced with the use of bond covenants.
 - a. An agency relationship exists when one or more persons hire another person to perform some service but withhold decision-making authority from that person.

Answer – C (1.5)

5. A taxpayer paid Rs. 12,000 for an asset in April 1991 when the retail price index was 133.1. The taxpayer spent Rs. 3,000 on enhancements in July 1994 when the RPI was 144.0. The asset was sold in July 1997 for Rs. 23,000 when the RPI was 156.2. What is the chargeable gain after indexation on this sale, if the tax rate is 20 %?

- a. Rs. 5,397

- a. Rs. 5,663
- a. Rs. 4,530
- a. Rs. 8,000

Answer – B (1.5)

6. Which of the following best describes the liability of partners in a traditional partnership firm?

- A. All partners have limited liability
- A. All partners are jointly but not severally liable
- A. All partners are severally but not jointly liable
- A. All partners are jointly and severally liable

Answer – D (1.5)

7. Which of the following is not a real asset?

- A. Plant and machinery
- A. Computers
- A. Shares
- A. Patents

Answer – C (1.5)

8. What is the most logical explanation of tax deduction at source from interest on fixed deposits?

- A. To discourage individuals from investing in fixed deposits
- A. To ensure that people who have taxable income lower than exemption limit but have interest income are liable to pay tax
- A. To enable government to tax interest income at higher rate
- A. To simplify and facilitate the collection of tax

Answer – D (1.5)

9. Who is responsible for the daily affairs of a limited company?

- A. Shareholders
- A. Board of directors
- A. Internal Auditor
- A. Employees

Answer – B (1.5)

10. Which of the following is the purpose of double taxation agreement?

- A. To tax the revenue flow taxed in the hands of company again in the hands of individual upon distribution
- A. To enable collection of tax on the overseas income by both the overseas and domestic government

A. To provide relief on overseas income to the extent of tax paid overseas while computing liability to domestic tax on the same income

A. None of the above

Answer – C (1.5)

11. Manoj has just been admitted to a well-established business partnership. He has bought 30% of the partnership equity, the payment for which is pending. He will be entitled to 25% of the partnership profit. If the firm incurs any liability, what proportion of that liability will be his legal responsibility:

A. 0%

A. 25%

A. 30%

A. 100%

Answer – D (1.5)

12. Which of the following is not the goal of a financial manager?

a. to maximize the share price

a. to invest in projects that display a positive net present value

a. to invest in projects if the rate of return is greater than the cost of borrowing

a. to maximize shareholder's wealth.

Answer – C (1.5)

13. _____ is the study or determination of tax on a person or business subject to the tax laws of different countries or the international aspects of an individual country's tax laws as the case may be:

A Indirect tax

B International Taxation

C Capital Gains Tax

D Corporate Income Tax

Answer – B (1.5)

14. Every LLP firm shall have at least _____ partners who are individuals.

A Two

B Three

C Four

D Five

Answer – A (1.5)

15. Super Industries Limited is having 35% share capital held by public and remaining part held by the Board of directors of company then that company will be_____

A Public Limited Company

B Private Limited Company

C Government Company

D Limited Liability Partnership

Answer – A (1.5)

16. Which of the following is not an example of Indirect Tax?

- I. Capital Gains Tax
- II. Customs Duty
- III. Wealth Tax
- IV. GST

- A I and III only
- B I, II, and III only
- C II, III, and IV only
- D I and II only

Answer – A (1.5)

17. Which one of the following statement is not true about the goal of principal for shareholders?

- A To maximise the overall return on their investment
- B To obtain an income from their investment, i.e. to obtain a regular dividend
- C Prestige and power
- D To make a capital gain, i.e. to sell the shares for more than they cost

Answer – C (1.5)

18. Which of the following document regulates the management of internal rules of company?

- A Memorandum of Association (MOA)
- B Articles of Association (AOA)
- C Certificate of incorporation (COA)
- D None of the above

Answer – B (1.5)

19. Mr Melon Tusk has just sold his mansion in which he leaves for USD 50 million to Mr. Beff Jezos. Mr Beff has paid him the entire consideration upfront in bank transfer. Calculate the tax liability assuming 20% tax rate without indexation?

- A USD 10 million
- B Not enough information to calculate tax liability
- C 0
- D Can't say

Answer – C (1.5)

20. Using the information given below calculate the capital gains tax.

Sale Price of a property:	Rs. 120,000
Purchase price of a property:	Rs. 60,000

Sale costs:	Rs. 12,000
Property development costs:	Rs. 20,000

Ignoring any indexation calculate the capital gains tax at the rate of 20%. The above said property is sold in the span after 2 years of purchase i.e. Short term capital gain.

In the Indian context is it possible for the individual to claim any exemption against the transaction if the proceedings are invested in another property.

A. 4500

B. 5200

c. 5600

D. 6000

Answer -C (1.5]