

## MCQ on Capital Gains for ITO Exam, 2020

**Q1] Which of the following conditions are required to be fulfilled for charging of income under capital gains?**

- A] There must be a capital asset.
- B] There must be a transfer of such capital asset.
- C] The transfer of such capital asset has been affected during the previous year.
- D] All of the above.

**Q2]Capital asset does not include**

- A] Stock in trade
- B] Personal effects
- C] Rural Agriculture land in India
- D] All of these

**Q3] Which of the following shall be regarded as capital asset?**

- A] Gold Jewellery held by jeweller as stock in trade.
- B] Securities held by FII as per SEBI Act, 1992, held as stock in trade.
- C] Motor car held by motor car manufacturer as stock in trade.
- D] None of above

**Q4] Which of the following is regarded as transfer u/s(47)?**

- A] Distribution of capital asset on total or partial partition of a HUF
- B] Conversion of stock in trade into capital asset
- C] Distribution of assets to the shareholders on liquidation of a company
- D] None of the above.

**Q5] In the case of a capital asset, being the right to subscribe to any financial asset, which is renounced in favour of any other person, -**

- A] The period shall be reckoned from the date of the offer of such right by the company or institution, as the case may be, making such offer.
- B] The period shall be reckoned from the date of the allotment of such right by the company or institution, as the case may be, making such offer.
- C] The period shall be reckoned from the date of the extinguishment of such right by the company or institution, as the case may be, making such offer.
- D] None of these.

**Q6] Where any capital asset was on any previous occasion the subject of negotiation for its transfer, any advance or other money received and retained by the assessee shall be -**

- (i) Deducted from cost of acquisition
  - (ii) Treated as income from PGBP
  - (iii) Treated as income from capital gains
  - (iv) Treated as income from other sources
- A] Either (i) or (ii)    B] Either (i) or (iii)    C] Either (i) or (iv)    D] Either (ii) or (iv)

**Q7] For claiming deduction of whole of the capital gain u/s 54F, cost of new asset shall be -**

- A] Equal to or more than the capital gain
- B] Equal to or more than net sale consideration
- C] Equal to or more than full value of consideration
- D] None of the above

**Q8] Which of the following asset is eligible for deduction u/s 54EC of the Act?**

- A] Any capital asset other than residential house
- B] Any long term capital asset
- C] Any capital Asset
- D] Any long term capital asset being land or building or both

**Q9] Where the consideration received as a result of transfer of a capital asset is not ascertainable then, for the purpose of computing capital gains, the full value of consideration shall be -**

- A] FMV of the CA on the date of transfer
- B] Book value of the CA on the date of transfer
- C] Determined only if reference is made to the Valuation Officer
- D] Taken as nil.

**Q10] Benefit of indexation is available in which of the following cases of transfer of long term capital asset?**

- A] Transfer of securities by foreign institutional investors u/s 115AD.
- B] Transfer of undertaking or division in a slump sale u/s 50B.
- C] Transfer of foreign exchange asset by a non-resident of Indian u/s 115D.
- D] Transfer of equity or preference shares in a company.

**Q11] Benefit of deduction is available if the amount is deposited in capital gain account scheme before**

- A] The end of 2 years from the date of transfer of capital asset
- B] The end of A.Y. in which the capital gain arises
- C] The end of the F.Y. in which CG arises
- D] The due date of furnishing the return of income u/s 139(1)

**Q12] As per section 115F, LTCG on transfer of foreign exchange asset by a non-resident Indian assessee is exempt if the assessee makes investments in a specified asset or in any saving certificate within a period of**

- A] 1 year from the date of transfer
- B] 2 years from the date of transfer
- C] 6 months from the date of transfer
- D] 3 months from the date of transfer

**Q13] If Total Income of an assessee includes STCG as per section 111A, such assessee -**

- A] Can avail all deduction under chapter VIA in respect of such STCG
- B] Can avail all deduction u/s 80C in respect of such STCG
- C] Can avail all deduction u/s 80G in respect of such STCG
- D] Cannot avail deduction under chapter VIA in respect of such STCG

**Q14] An assessee has the following capital gains during the P.Y. 2018-19**

- (i) Rs.5 lakhs from sale of land held by the assessee for a period of 35 months
- (ii) Rs.3 lakhs from sale of building held by the assessee for a period of 23 months
- (iii) Rs.1 lakh from sale of unlisted shares held by the assessee for a period of 15 months

**What will be the amount of STCG chargeable to tax during the A.Y. 2019-20?**

- (A) Rs.9 lakhs
- (B) Rs.4 lakhs
- (C) Rs.6 lakhs
- (D) Rs.8 lakhs

**Q15] Cost of acquisition in case of bonus shares allotted before 1-4-2001 will be-**

- A] Face value on the date of allotment
- B] FMV as on 1-4-2001
- C] Nil
- D] (A) or (B) whichever is higher

**Q16] As per section 47(xb) any transfer by way of conversion of preference shares of a company into ..... of that company shall not be regarded as transfer**

- A] Bonds
- B] Debentures
- C] Equity shares
- D] Gold deposit bonds issued under gold deposit scheme 1999



**Q27] Which of the following is not a capital asset?**

- A] Jewellery                      B] Gold deposit bonds                      C] Painting                      D] Sculpture

**Q28] Rural area means any area which is outside ..... km from the local limits of the jurisdiction of a municipality or a cantonment board, if the population of municipality or cantonment board is more than 1,00,000 but less than 10,00,000.**

- A] 2                                      B] 4                                      C] 6                                      D] 8

**Q29] Which of the following transactions is/are shall be regarded as transfer u/s 2(47)?**

**(i) Conversion of CA into SIT                      (ii) Transfer of CA in a scheme of amalgamation  
(iii) Distribution of partial partition of HUF**

- A] (i) & (ii) only                      B] (i) & (iii) only                      C] (i) only                      D] All (i), (ii) & (iii)

**Q30] Income from transfer of self-generated goodwill of business / profession is**

- A] Not chargeable to tax under the head capital gains  
B] Chargeable to tax gains as STCG                      C] Chargeable to tax gains as LTCG  
D] Chargeable to tax as STCG / LTCG depending on the period of the business / profession/

**Q31] An assessee owns two machineries eligible for depreciation @15%. WDV of the block of asset as on 01.04.2018 was Rs.1,00,000/-. No other asset was acquired in this block during the year. Both the machines were sold during the previous year for Rs.90,000/-. Compute capital gain / WDV after depreciation, if any.**

- A] Short term capital gain of Rs.10,000                      B] No depreciation & Closing WDV: Rs.10,000  
C] Short term capital loss of Rs.10,000 D] Closing WDV: Rs.8,500 after deprecation of Rs.1,500

**Q32] Ms.G received advance of Rs.1,00,000/- on the occasion of agreement of sale of her house on 15.07.2018. The same was forfeited by her. What is the tax treatment in this case?**

- A] Taxed as income from other sources and deducted from the cost of asset  
B] Taxed as income from other sources but not to be deducted from the cost of asset  
C] Taxed as income from capital gains and deducted from the cost of asset  
B] Taxed as income from capital gain but not to be deducted from the cost of asset

**Q33] For the purpose of deduction u/s 54GB, eligible company must be engaged in**

- A] Production or manufacture of article or thing                      B] Trading of article or thing  
C] Processing of any article or thing                      D] Provision of services

**Q34] For the purpose of deduction u/s 54GB, the assessee must own more than ..... of share capital or more than..... of voting rights in the eligible company**

- A] 50% & 75%                      B] 75% & 50%                      C] 50% & 50%                      D] 75% & 75%

**Q35] Zero Coupon bonds of Eligible Corporation, held for more than 12 months, will be**

- A] Short term capital assets                      B] Long term capital assets  
C] Long term capital assets if held for 36 months or more                      D] Not a capital assets

**Q36] Long term capital gains on Zero coupon bonds are chargeable to tax**

- A] 20% after indexation                      B] 10% without indexation  
C] Higher of A or B                      D] Lower of A or B

**Q37] A plot of land was acquired by an HUF on 14.02.2010. On complete partition of HUF on 31.03.2018, the said land became the property of one of the members of HUF. He sold the land on 07.02.2019. Which statement is correct in relation to such capital asset?**

- A] It shall be short term capital asset in the hands of the member
- B] It shall be long term capital asset in the hands of the member
- C] It shall not be capital asset in the hands of the member
- D] Distribution of asset by HUF to member shall be treated as transfer of capital asset

**Q38] Which of the following statement(s) is / are correct?**

- (i) Section 50C is applicable for long term capital assets only
- (ii) The value of CA determined by the stamp valuation authority is final
- (iii) The AO has the discretion to determine the value of CA taking into account the facts and circumstances for valuation of the CA.

- A] (i) and (ii) only
- B] (ii) only
- C] (iii) only
- D] None of them is correct

**Q39] Short-term capital gains arising from the transfer of equity shares in a company or units of an equity oriented fund or units of a business trust charged with security transaction tax are subject to income-tax at the rate of –**

- A] 10%
- B] 15%
- C] 20%
- D] Normal rate

**Q40] STCG on sale of units of debt oriented fund is chargeable to tax at the rate of**

- A] 10%
- B] 15%
- C] 20%
- D] Normal rate

**Q41] Capital gain on Slump sale is**

- A] Not taxable
- B] Always short-term capital gain
- C] Always long-term capital gain
- D] Depends on period of holding of capital asset, being undertaken, transferred

**Q42] Interest on delayed compensation or enhanced compensation is taxable:**

- A] On accrual basis
- B] On receipt basis
- C] Exempt from tax
- D] As per method of accounting of the assessee.

**Q43] Which of the following is regarded as transfer?**

- (i) Any transfer of a capital asset by a firm to a company as a result of succession of the firm by a company in the business carried on by the firm
- (ii) Transfer of share(s) held in the company by a shareholder as a result of conversion of the company into a limited liability partnership (LLP)
- (iii) Any transfer of a capital asset in a transaction of reverse mortgage under a scheme made and notified by the Central Government.

- A] (i) & (ii) only
- B] (i) & (iii) only
- C] (ii) & (iii) only
- D] None of them is transfer

**Q44] CG is chargeable to tax in the year in which capital asset is transferred in the case of**

- A] Compulsory acquisition of CA where compensation is received in any subsequent year
- B] Transfer of equity shares of a company
- C] Transfer of capital asset by a partner to his/her firm by way of capital contribution
- D] In case of damages, compensation received from insurer

**Q45] Capital gain of Rs.60 lakh arises to an assessee on transfer of capital asset on 30.11.2018. Assessee invested an amount of Rs.80 lakh in the bonds of NHAI on 30.04.2019. The amount of deduction u/s 54EC is**

A] Rs.60 lakh B] 80 lakh C] No exemption as investment made in next FYD] Rs.50 lakhs

**Q46] The transfer in relation to a capital asset does not include**

A] Maturity or redemption of zero coupon bonds B] Compulsory acquisition of asset  
C] Conversion of stock in trade into capital asset  
D] Distribution of capital assets to partners on dissolution of firm

**Q47] The sale consideration of a building as per sale deed was Rs.30 lakh as against the stamp duty value of Rs.36 lakh. On a reference, DVO estimated the FMV of the building at Rs.40 lakh. What will be the full of value of consideration for computing capital gains?**

A] Rs.40 lakhs B] Rs.36 lakhs C] Rs.30 lakhs  
D] Sale consideration will be estimated by the AO.

**Q48] Mr. D sold his painting to National Museum for Rs.2,00,000/- on 9<sup>th</sup> August, 2018. What will be the amount of capital gain on this transaction?**

A] Rs.2,00,000/- B] Rs.1,00,000/- C] Nil (Not transfer) D] Rs.1,50,000/-

**Q49] In which of the following cases, benefit of indexations is / are not available?**

(i) Transfer of an undertaking or division in a slump sale  
(ii) In case of a non-resident, capital gain arising on the transfer of shares in or debentures of an Indian company acquired in foreign currency.  
(iii) Equity shares and equity oriented fund referred to in sec. 112A  
A] (i) & (ii) only B] (ii) & (iii) only C] (i) & (iii) only D] All (i), (ii) & (iii)

**Q50] Cost of acquisition of capital asset being immovable property acquired through gift covered u/s 49(4) is:**

A] Actual cost of acquisition to the previous owner B] Nil  
C] Stamp duty value of the property as considered while computing income u/s 56(2)  
D] Actual cost of acquisition to the assessee, if any.