

Advance learning on Maintenance of Books of account (Practical)

In this advance learning we will learn about various practical aspects of the provisions of section 44AA.

Applicability of the provisions relating to maintenance of books of account:

Illustration

Mr. Kumar is a “Film artist”. However, he does not maintain any books of account as per the provisions of section 44AA in respect of his profession since as per his views the provisions of section 44AA relating to maintenance of books of account do not apply to persons engaged in any profession. Is he correct?

Solution

The provisions relating to maintenance of books of account can be classified as follows:

- Provisions relating to a person engaged in specified profession.
- Provisions relating to a person engaged in non-specified profession.
- Provisions relating to a person engaged in business.

As per section 44AA and rule 6F, the profession of “Film artist” is a specified profession and, hence, the provisions of section 44AA are applicable to him and, hence, he is either liable to maintain books of account prescribed by rule 6F or such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act depending upon the details of his gross receipts from such profession for the last three years immediately preceding the previous year. Thus, Mr. Kumar is not correct.

Illustration

Miss Khushali is a teacher. She does not know whether the provisions of section 44AA relating to maintenance of books of account are applicable to her or not. Hence, she approaches you for advice. As a consultant, advise Miss Khushali in this regard.

Solution

The provisions relating to maintenance of books of account can be classified as follows:

- Provisions relating to a person engaged in specified profession.
- Provisions relating to a person engaged in non-specified profession.
- Provisions relating to a person engaged in business.

As per section 44AA and rule 6F, the profession of “Teacher” is a non-specified profession and, hence, the provisions of section 44AA are applicable to her and she is either liable to maintain such books of account and other documents as may enable the Assessing Officer to compute her taxable income under the Income-tax Act or would not be liable to maintain any books of account, depending upon the details of her gross receipts from such profession for the last three years immediately preceding the previous year.

Illustration

Mr. Raja is running a proprietary concern under the name of Raja & Co. He does not know whether the provisions of section 44AA relating to maintenance of books of account are applicable to him or not. Hence, he approaches you for advice. As a consultant, advise Mr. Raja in this regard.

Solution

The provisions relating to maintenance of books of account can be classified as follows:

- Provisions relating to a person engaged in specified profession.
- Provisions relating to a person engaged in non-specified profession.
- Provisions relating to a person engaged in business.

The provisions relating to maintenance of books of account as given under section 44AA are applicable to a person who is carrying on any business and, hence, the provisions of section 44AA are applicable to Mr. Raja and he is either liable to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act or would not be liable to maintain any books of account, depending upon the details of his income and total turnover/gross receipts from such business for the last three years immediately preceding the previous year.

Provisions in case of an assessee carrying on a specified profession, whose gross receipt exceeds Rs. 1,50,000 :

Illustration

Mr. Kapoor is a company secretary. The details of his annual gross receipts from such profession for the past three years are as follows:

Financial year 2012-13: Rs. 8,84,000

Financial year 2011-12: Rs. 6,52,000

Financial year 2010-11: Rs. 5,25,000

He does not know which books of account he is liable to maintain and, hence, approaches you for advice. As a consultant, advise Mr. Kapoor in this regard.

Solution

Every person carrying on specified profession, whose gross receipt from such profession exceeds Rs. 1,50,000 in all the three years immediately preceding the previous year (in case of new profession if the gross receipts of the first year are likely to exceed Rs. 1,50,000), shall maintain such books of account and other documents as are prescribed by rule 6F.

The profession of company secretary is covered under the definition of specified professions. Hence, a person engaged in the profession of company secretary has to maintain the books of account specified under rule 6F if the gross receipt from such profession exceeds Rs. 1,50,000 in all the three years immediately preceding the previous year.

In the given case, the gross receipts of Mr. Kapoor of the preceding three years exceed Rs. 1,50,000 and, hence, he has to maintain books specified under rule 6F. In other words, Mr. Kapoor has to maintain following books of account:

(i) A cash book, (ii) A journal, in case of mercantile system, (iii) A ledger, (iv) Carbon copies of bills (whether machine numbered or, otherwise serially numbered) exceeding Rs. 25, issued by the person and carbon copies or counterfoils of machine numbered or otherwise serially numbered receipts issued by the person, (v) Original bills/receipts issued to him in respect of expenditure (payment vouchers if bills/receipts are not issued and amount of expenditure does not exceed Rs. 50).

Illustration

Mr. Kapoor is a Surgeon. The details of his annual gross receipts from such profession for the past three years are as follows:

- Financial year 2012-13 : Rs. 10,52,000
- Financial year 2011-12 : Rs. 7,84,000
- Financial year 2010-11 : Rs. 5,25,000

He does not know which books of account he is liable to maintain and, hence, approaches you for advice. As a consultant advise Mr. Kapoor in this regard.

**

Every person carrying on specified profession, whose gross receipt from such profession exceeds Rs. 1,50,000 in all the three years immediately preceding the previous year (in case of new profession if the gross receipts of the first year are likely to exceed Rs. 1,50,000), shall maintain such books of account and other documents as are prescribed by rule 6F.

The medical profession (*i.e.*, practitioner of any system of medicine – physicians, surgeons, dentists, pathologists, radiologists, vaid, hakims, etc.) is covered under the definition of specified professions. Hence, a person engaged in the medical profession has to maintain the books of account specified under rule 6F if the gross receipt from such profession exceeds Rs. 1,50,000 in all the three years immediately preceding the previous year.

In the given case the gross receipts of Mr. Kapoor for the preceding three years exceeded Rs. 1,50,000 and, hence, he has to maintain books of account specified under rule 6F. In other words, Mr. Kapoor has to maintain following books of account:

(i) A cash book, (ii) A journal in case of mercantile system, (iii) A ledger, (iv) Carbon copies of bills (whether machine numbered or, otherwise serially numbered) exceeding Rs. 25, issued by the person and carbon copies or counterfoils of machine numbered or otherwise serially numbered receipts issued by the person, (v) Original bills/receipts issued to him in respect of expenditure (payment vouchers if bills/receipts are not issued and amount of expenditure does not exceed Rs. 50).

In addition to above, Mr. Kapoor has to maintain following items since he is engaged in the medical profession:

(i) A daily case register in prescribed form (*i.e.*, Form 3C) and (ii) An inventory under broad heads as on the first and last day of the previous year of the stock of drugs, medicines and other consumable accessories used for the purpose of his profession.

Place of maintenance of books of account:

Illustration

Mr. Raja is an interior decorator. The details of his annual gross receipts from such profession for the past three years are as follows:

Financial year 2012-13: Rs. 6,84,000

Financial year 2011-12: Rs. 4,48,000

Financial year 2010-11: Rs. 3,52,000

His accountant has informed Mr. Raja that he is liable to maintain the books of account prescribed by rule 6F. However, he does not know the place where such books of account should be kept and maintained by him and, hence, approaches you for advice. As a consultant, advise him in this regard.

Solution

The provisions relating to place of maintenance of books of account are as follows:

- The books of account and documents prescribed by rule 6F (other than those relating to previous year which has come to an end) should be kept and maintained by the person at the place where he is carrying on the profession.
- Where the profession is carried on in more than one place, the books of account shall be kept at the principal place of his profession.

- However, if the person keeps and maintains separate books of account in respect of each place where the profession is carried on, such books of account and other documents may be kept and maintained at the respective places at which the profession is carried on.
- The aforesaid books of account and documents should be kept and maintained for a period of 6 years from the end of the relevant assessment year.
- Where, however, the assessment in relation to any assessment year has been reopened under section 147, all the books of account and other documents which were kept and maintained at the time of reopening of the assessment should continue to be so kept and maintained till the assessment so reopened has been completed.

Hence, considering the above provisions, Mr. Raja is liable to maintain books of account prescribed by rule 6F at the place where he carries on his profession of interior decoration.

Illustration

Mr. Raja is an architect. He carries on his profession at two different places situated in the same city. Out of these two places, he declares one place as his principal place of business. However, he does not maintain any separate books of account for these two places. The details of his annual gross receipts from these two places for the past three years are as follows:

Financial year 2012-13: Rs. 5,84,000

Financial year 2011-12: Rs. 3,48,000

Financial year 2010-11: Rs. 2,50,000

His accountant has informed Mr. Raja that he is liable to maintain the books of account as are prescribed by rule 6F. However, he does not know the place where such books of account should be kept and maintained by him and, hence, approaches you for advice. As a consultant, advise him in this regard.

Solution

The provisions relating to place of maintenance of books of account are as follows:

- The books of account and documents prescribed by rule 6F (other than those relating to previous year which has come to an end) should be kept and maintained by the person at the place where he is carrying on the profession.
- Where the profession is carried on in more than one place, the books of account shall be kept at the principal place of his profession.
- However, if the person keeps and maintains separate books of account in respect of each place where the profession is carried on, such books of account and other documents may be kept and maintained at the respective places at which the profession is carried on.
- The aforesaid books of account and documents should be kept and maintained for a period of 6 years from the end of the relevant assessment year.
- Where, however, the assessment in relation to any assessment year has been reopened under section 147, all the books of account and other documents which were kept and maintained at the time of reopening of the assessment should continue to be so kept and maintained till the assessment so reopened has been completed.

Hence, considering the above discussed provisions, Mr. Raja is liable to maintain books of account prescribed by rule 6F at the principal place of his profession of architecture.

Illustration

Mr. Raja is an architect. He carries on his profession at two different places. Out of these two places, he declares one place as his principal place of business. Further, he maintains separate books of account for these two places. The details of his annual gross receipts from these two places for the past three years are as follows:

<i>Financial year</i>	<i>Annual gross receipts from principal place of business</i>	<i>Annual gross receipts from other place of business</i>
2012-13	Rs. 3,25,000	Rs. 2,50,000
2011-12	Rs. 2,84,000	Rs. 2,05,000
2010-11	Rs. 1,98,000	Rs. 1,75,000

His accountant informed Mr. Raja that he is liable to maintain the books of account prescribed by rule 6F. However, he does not know the place where such books of account should be kept and maintained by him and, hence, he approaches you for advice. As a consultant, advise him in this regard.

Solution

The provisions relating to place of maintenance of books of account are as follows:

- The books of account and documents prescribed by rule 6F (other than those relating to previous year which has come to an end) should be kept and maintained by the person at the place where he is carrying on the profession.
- Where the profession is carried on in more than one place, the books of account shall be kept at the principal place of his profession.
- However, if the person keeps and maintains separate books of account in respect of each place where the profession is carried on, such books of account and other documents may be kept and maintained at the respective places at which the profession is carried on.
- The aforesaid books of account and documents should be kept and maintained for a period of 6 years from the end of the relevant assessment year.
- Where, however, the assessment in relation to any assessment year has been reopened under section 147, all the books of account and other documents which were kept and maintained at the time of reopening of the assessment should continue to be so kept and maintained till the assessment so reopened has been completed.

Hence, considering the above discussed provisions Mr. Raja should maintain books of account prescribed by rule 6F in respect of such two different places of his profession of architecture. However, he can keep and maintain such books of account at the principal place of his profession.

Provisions in case of an assessee carrying on a specified profession, whose gross receipt does not exceed Rs. 1,50,000 :

Illustration

Mr. Raja is an engineer. The details of his annual gross receipts for the past three years are as follows:

Financial year 2012-13: Rs. 5,84,000

Financial year 2011-12: Rs. 3,48,000

Financial year 2010-11: Rs. 1,48,000

However, he does not know which books of account he is liable to maintain as per the provisions of section 44AA and, hence, approaches you for advice. As a consultant, advise Mr. Raja in this regard.

Solution

In case of person carrying on specified profession whose gross receipt from such profession does not exceed Rs. 1,50,000 in any one of the three years immediately preceding previous year (in case of new profession the likely receipt of first year does not exceed Rs. 1,50,000), shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

The profession of engineering is covered under the definition of specified professions. Hence, a person engaged in the profession of engineering has to maintain such books of account and other documents as may enable the Assessing Officer to compute his total taxable income if the gross receipt from such profession does not exceed Rs. 1,50,000 in any one of the three years immediately preceding previous year (in case of new profession the likely receipt of first year does not exceed Rs. 1,50,000).

In the given case, the gross receipt of Mr. Raja for the financial year 2010-11 was below Rs. 1,50,000 and, hence, he has to maintain such books of account and other documents as may enable the Assessing Officer to compute his total taxable income under the Income-tax Act.

Provisions in case of an assessee carrying on a non-specified profession or any business, income/gross receipt of which exceeds Rs. 1,20,000/Rs. 10,00,000 :

Illustration

Mr. Raja is a teacher. The details of his annual gross receipts for the past three years are as follows:

Financial year 2012-13: Rs. 12,84,000

Financial year 2011-12: Rs. 8,48,000

Financial year 2010-11: Rs. 6,52,000

However, his actual income for the past three years is below Rs. 1,20,000. He does not know which books of account he is liable to maintain as per the provisions of section 44AA and hence, approaches you for advice. As a consultant, advise Mr. Raja in this regard.

Solution

If a person is carrying on a non-specified profession or any business, income from which business or profession exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

The profession of teacher is covered under the definition of non-specified professions. Hence, a person engaged in the profession of teaching has to maintain such books of account and other documents as may enable the Assessing Officer to compute his total taxable income, if income from such profession exceeds Rs. 1,20,000 or his gross receipts from such profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new profession, income/gross receipt of that previous year is likely to exceed above limit).

In the given case the gross receipts of Mr. Raja for the financial year 2012-13 exceed Rs. 10,00,000 and, hence, he has to maintain such books of account and other documents as may

enable the Assessing Officer to compute his total taxable income under the Income-tax Act, even though his actual income for the past three years is below Rs. 1,20,000.

Illustration

Mr. Raja is a teacher. The details of his annual gross receipts for the past three years are as follows:

Financial year 2012-13: Rs. 9,84,000

Financial year 2011-12: Rs. 7,48,000

Financial year 2010-11: Rs. 6,52,000

However, his actual income for all the three years exceeded Rs. 1,20,000. He does not know about which books of account he is liable to maintain as per the provisions of section 44AA and, hence, approaches you for advice. As a consultant, advise Mr. Raja in this regard.

Solution

If a person is carrying on a non-specified profession or any business, income from which business or profession exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

The profession of teacher is covered under the definition of non-specified profession. Hence, a person engaged in the profession of teaching has to maintain such books of account and other documents as may enable the Assessing Officer to compute his total taxable income if income from such profession exceeds Rs. 1,20,000 or his gross receipts from such profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new profession, income/gross receipt of that previous year is likely to exceed above limit).

In the given case the gross receipts of Mr. Raja in all the past three years are below Rs. 10,00,000. However, his actual income from the profession of teaching exceeds Rs. 1,20,000 in all the past three years and, hence, he has to maintain such books of account and other documents as may enable the Assessing Officer to compute his total taxable income under the Income-tax Act.

Illustration

Mr. Soham is running a factory. The details of his annual turnover for the past three years are as follows:

Financial year 2012-13: Rs. 9,84,000

Financial year 2011-12: Rs. 11,52,000

Financial year 2010-11: Rs. 8,44,000

Further, the details of his actual income for the past three years are as follows:

Financial year 2012-13: Rs. 1,30,000

Financial year 2011-12: Rs. 2,48,000

Financial year 2010-11: Rs. 1,12,000

He does not know which books of account he is liable to maintain as per the provisions of section 44AA and, hence, he approaches you for advice. As a consultant, advise Mr. Soham in this regard.

Solution

If a person is carrying on a non-specified profession or any business, income from which business or profession exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In the given case, Mr. Raja is running a factory and the total turnover of factory for the financial year 2011-12 exceeded Rs. 10,00,000 as well as his actual income from such business for the financial year 2011-12 and 2012-13 exceeded Rs. 1,20,000 and, hence, he has to maintain such books of account and other documents as may enable the Assessing Officer to compute his total taxable income under the Income-tax Act.

Illustration

Mr. Soham is engaged in the business of plying, hiring or leasing of goods carriages and owns 6 heavy goods vehicles and 3 light goods vehicles. He adopts the provisions of section 44AE, however, his actual income from heavy goods vehicles as well as light goods vehicles is below Rs. 5,000 and Rs. 4,500 respectively. Hence, he wants to declare his actual income which is lower than Rs. 5,000 and Rs. 4,500.

However, he does not know whether he is liable to maintain any books of account as per the provisions of section 44AA or not and, hence, approaches you for advice. As a consultant, advise Mr. Soham in this regard.

Solution

An assessee to whom section 44AE or 44BB or 44BBB applies, and who declares his business income to be lower than the income computed as per the provisions of aforesaid sections is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In the given case, Mr. Raja is engaged in the business of plying, hiring or leasing goods carriages and has adopted the provisions of section 44AE. However, his actual income from such business is lower than Rs. 5,000 and Rs. 4,500 respectively. Thus, he fulfils the above mentioned condition and, hence, he is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his total taxable income under the Income-tax Act.

Provisions in case of an assessee carrying on a non-specified profession or any business, income/gross receipt of which is below Rs. 1,20,000/Rs. 10,00,000 :

Illustration

Miss Khushi is a teacher. The details of her gross receipts for past three years are as follows:

- Financial year 2012-13 : Rs. 9,84,000
- Financial year 2011-12 : Rs. 7,52,000
- Financial year 2010-11 : Rs. 5,20,000

Further, her actual income does not exceed Rs. 1,20,000 in all these three years. However, she does not know whether she is liable to maintain any books of account as per the provisions of section 44AA or not and, hence, approaches you for advice. As a consultant, advise her in this regard.

**

If a person is carrying on a non-specified profession or any business whose income does not exceed Rs. 1,20,000 and his total sales/gross receipts from such business or profession do not exceed Rs. 10,00,000 in all the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt is not likely to exceed aforesaid limit), then such person is not required to maintain any books of account.

In the given case Miss Khushi is engaged in one of the non-specified professions and the gross receipts as well as the income of Miss Khushi does not exceed Rs. 10,00,000/Rs. 1,20,000 in all the preceding three financial years and, hence, she is not required to maintain any books of account.

Illustration

Mr. Soham is running a medical store. The details of his annual turnover for past three years are as follows:

- Financial year 2012-13 : Rs. 9,99,000
- Financial year 2011-12 : Rs. 8,84,000
- Financial year 2010-11 : Rs. 7,52,000

Further, his actual income does not exceed Rs. 1,20,000 in all these three years. However, he does not know whether he is liable to maintain any books of account as per the provisions of section 44AA or not and, hence, approaches you for advice. As a consultant, advise him in this regard.

**

If a person is carrying on a non-specified profession or any business whose income does not exceed Rs. 1,20,000 and his total sales/gross receipts from such business or profession do not exceed Rs. 10,00,000, in all the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt is not likely to exceed aforesaid limit), then such person is not required to maintain any books of account.

In the given case, Mr. Soham is carrying on medical store and the annual turnover as well as the income of Mr. Soham does not exceed Rs. 10,00,000/Rs. 1,20,000 in all the preceding three financial years and, hence, he is not required to maintain any books of account.

Provisions in case of an assessee covered under section 44AD:

Illustration

Mr. Raja is running a proprietary concern under the name of Raja & Co. The turnover of the firm during the previous year 2012-13 was Rs. 84,52,000 and he declares income as per the provisions of section 44AD. In this case is he liable to maintain any books of account?

**

If an assessee adopts the provisions of section 44AD and declares income @ 8% of the turnover or gross receipts for the year, then he is not liable to maintain any books of account.

In the given case Mr. Raja has adopted the provisions of section 44AD and declares income of Rs. 6,76,160 (*i.e.*, @ 8% of turnover of Rs. 84,52,000). Hence, he is not liable to maintain any books of account as per section 44AA.

Illustration

Mr. Raja is running a proprietary concern under the name of Raja & Co. The turnover of the firm during the previous year 2012-13 was Rs. 98,52,000. Mr. Raja wants to adopt the provisions of section 44AD. However, his actual income is only Rs. 6,50,000 which is lower than Rs. 7,88,160 (*i.e.*, Rs. 98,52,000 * 8%) and, hence, decides to declare his actual income, which is lower than Rs. 7,88,160. However, he does not know whether he is liable to

maintain any books of account or not and, hence, approaches you for advice. As a consultant, advise Mr. Raja in this regard.

**

If an assessee is covered under section 44AD, the maintenance of books of account is required if following conditions are satisfied:

- (a) He claims that the profits and gains from the business are lower than the profits and gains computed in accordance with the provisions of section 44AD(1) [*i.e.* @ 8%]; and
- (b) His income exceeds the maximum amount which is not chargeable to tax.

In the given case Mr. Raja satisfies both the conditions, *i.e.*, his actual income from proprietary firm is less than 8% and such income exceeds the maximum amount which is not chargeable to tax. Hence, he is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act.

FAQs

Q.1 To whom the provisions relating to maintenance of books of account as provided under section 44AA are applicable? Explain with the help of an illustration.

Following illustrations will explain to whom the provisions relating to maintenance of books of account as provided under section 44AA are applicable.

Illustration

Mr. Kumar is a “Film artist”. He does not maintain any books of account as per the provisions of section 44AA in respect of his profession since as per his views the provisions of section 44AA relating to maintenance of books of account do not apply to persons engaged in any profession. Is he correct?

Solution

The provisions relating to maintenance of books of account can be classified as follows:

- Provisions relating to a person engaged in specified profession.
- Provisions relating to a person engaged in non-specified profession.
- Provisions relating to a person engaged in business.

As per section 44AA and rule 6F, the profession of “Film artist” is a specified profession and, hence, the provisions of section 44AA are applicable to him and, hence, he is either liable to maintain books of account prescribed by rule 6F or such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act, depending upon the details of his gross receipts from such profession for the last three years immediately preceding the previous year. Thus, Mr. Kumar is not correct.

Illustration

Miss Khushali is a teacher. She does not know whether the provisions of section 44AA relating to maintenance of books of account are applicable to her or not. Hence, she approaches you for advice. As a consultant, advise Miss Khushali in this regard.

Solution

The provisions relating to maintenance of books of account can be classified as follows:

- Provisions relating to a person engaged in specified profession.
- Provisions relating to a person engaged in non-specified profession.
- Provisions relating to a person engaged in business.

As per section 44AA and rule 6F, the profession of “Teacher” is a non-specified profession and, hence, the provisions of section 44AA are applicable to her and she is either liable to maintain such books of account and other documents as may enable the Assessing Officer to compute her taxable income under the Income-tax Act or is not liable to maintain any books of account, depending upon the details of her gross receipts from such profession for the last three years immediately preceding the previous year.

Illustration

Mr. Raja is running a proprietary concern under the name of Raja & Co. However, he does not know whether the provisions of section 44AA relating to maintenance of books of account are applicable to him or not. Hence, he approaches you for advice. As a consultant, advise Mr. Raja in this regard.

Solution

The provisions relating to maintenance of books of account can be classified as follows:

- Provisions relating to a person engaged in specified profession.
- Provisions relating to a person engaged in non-specified profession.
- Provisions relating to a person engaged in business.

The provisions relating to maintenance of books of account as given under section 44AA are applicable to a person who is carrying on any business and, hence, the provisions of section 44AA are applicable to Mr. Raja and he is either liable to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act or is not liable to maintain any books of account, depending upon the details of his income and total turn over/gross receipts from such business for the last three years immediately preceding the previous year.

Q.2 Explain with the help of an illustration the provisions relating to maintenance of books of account as per section 44AA by the assessee carrying on a specified profession, whose gross receipt exceeds Rs. 1,50,000.

Following illustrations will explain the provisions relating to maintenance of books of account as per section 44AA by the assessee carrying on a specified profession, whose gross receipt exceeds Rs. 1,50,000.

Illustration

Mr. Kapoor is a company secretary. The details of his annual gross receipts from such profession for the past three years are as follows:

Financial year 2012-13: Rs. 8,84,000

Financial year 2011-12: Rs. 6,52,000

Financial year 2010-11: Rs. 5,25,000

However, he does not know which books of account he is liable to maintain and, hence, approaches you for advice. As a consultant, advise Mr. Kapoor in this regard.

Solution

Every person carrying on specified profession, whose gross receipt from such profession exceeds Rs. 1,50,000 in all the three years immediately preceding the previous year (in case of new profession if the gross receipts of the first year are likely to exceed Rs. 1,50,000), shall maintain such books of account and other documents as are prescribed by rule 6F.

The profession of company secretary is covered under the definition of specified professions. Hence, a person engaged in the profession of company secretary has to maintain the books of account specified under rule 6F if the gross receipt from such profession exceeds Rs. 1,50,000 in all the three years immediately preceding the previous year.

In the given case the gross receipts of Mr. Kapoor of the preceding three years exceed Rs. 1,50,000 and, hence, he has to maintain books specified under rule 6F. In other words, Mr. Kapoor has to maintain following books of account:

(i) A cash book, (ii) A journal, in case of mercantile system, (iii) A ledger, (iv) Carbon copies of bills (whether machine numbered or, otherwise serially numbered) exceeding Rs. 25, issued by the person and carbon copies or counterfoils of machine numbered or otherwise serially numbered receipts issued by the person, (v) Original bills/receipts issued to him in respect of expenditure (payment vouchers if bills/receipts are not issued and amount of expenditure does not exceed Rs. 50).

Illustration

Mr. Kapoor is a Surgeon. The details of his annual gross receipts from such profession for the past three years are as follows:

- Financial year 2012-13 : Rs. 10,52,000
- Financial year 2011-12 : Rs. 7,84,000
- Financial year 2010-11 : Rs. 5,25,000

However, he does not know which books of account he is liable to maintain and, hence, approaches you for advice. As a consultant, advise Mr. Kapoor in this regard.

**

Every person carrying on specified profession, whose gross receipt from such profession exceeds Rs. 1,50,000 in all the three years immediately preceding the previous year (in case of new profession if the gross receipts of the first year are likely to exceed Rs. 1,50,000), shall maintain such books of account and other documents as are prescribed by rule 6F.

The medical profession (*i.e.*, practitioner of any system of medicine – physicians, surgeons, dentists, pathologists, radiologists, vaid, hakims, etc.) is covered under the definition of specified professions. Hence, a person engaged in the medical profession has to maintain the books of account specified under rule 6F, if the gross receipt from such profession exceeds Rs. 1,50,000 in all the three years immediately preceding the previous year.

In the given case the gross receipts of Mr. Kapoor for the preceding three years exceed Rs. 1,50,000 and, hence, he has to maintain books of account as are specified under rule 6F. In other words, Mr. Kapoor has to maintain following books of account:

(i) A cash book, (ii) A journal, in case of mercantile system, (iii) A ledger, (iv) Carbon copies of bills (whether machine numbered or, otherwise serially numbered) exceeding Rs. 25, issued by the person and carbon copies or counterfoils of machine numbered or otherwise serially numbered receipts issued by the person, (v) Original bills/receipts issued to him in respect of expenditure (payment vouchers if bills/receipts are not issued and amount of expenditure does not exceed Rs. 50).

In addition to above, Mr. Kapoor has to maintain following items since he is engaged in the medical profession:

(i) A daily case register in prescribed form (*i.e.*, Form 3C) and, (ii) An inventory under broad heads, as on the first and last day of the previous year of the stock of drugs, medicines and other consumable accessories used for the purpose of his profession.

Q.3 Explain with the help of an illustration the provisions relating to place of maintenance of books of account by the persons engaged in specified professions who are liable to maintain books of account prescribed by rule 6F.

Following illustrations will explain the provisions relating to place of maintenance of books of account by the persons engaged in specified professions who are liable to maintain books of account prescribed by rule 6F.

Illustration

Mr. Raja is an interior decorator. The details of his annual gross receipts from such profession for the past three years are as follows:

Financial year 2012-13: Rs. 6,84,000

Financial year 2011-12: Rs. 4,48,000

Financial year 2010-11: Rs. 3,52,000

His accountant has informed Mr. Raja that he is liable to maintain the books of account prescribed by rule 6F. However, he does not know the place where such books of account should be kept and maintained by him and, hence, approaches you for advice. As a consultant, advise him in this regard.

Solution

The provisions relating to place of maintenance of books of account are as follows:

- The books of account and documents prescribed by rule 6F (other than those relating to previous year which has come to an end) should be kept and maintained by the person at the place where he is carrying on the profession.
- Where the profession is carried on in more than one place, the books of account shall be kept at the principal place of his profession.
- However, if the person keeps and maintains separate books of account in respect of each place where the profession is carried on, such books of account and other documents may be kept and maintained at the respective places at which the profession is carried on.
- The aforesaid books of account and documents should be kept and maintained for a period of 6 years from the end of the relevant assessment year.
- Where, however, the assessment in relation to any assessment year has been reopened under section 147, all the books of account and other documents which were kept and maintained at the time of reopening of the assessment should continue to be so kept and maintained till the assessment so reopened has been completed.

Hence, considering the above discussed provisions, Mr. Raja is liable to maintain books of account prescribed by rule 6F at the place where he carries on his profession of interior decoration.

Illustration

Mr. Raja is an architect. He carries on his profession at two different places situated in the same city. Out of these two places, he declares one place as his principal place of business. However, he does not maintain any separate books of account for these two places. The details of his annual gross receipts from these two places for the past three years are as follows:

Financial year 2012-13: Rs. 5,84,000

Financial year 2011-12: Rs. 3,48,000

Financial year 2010-11: Rs. 2,50,000

His accountant has informed Mr. Raja that he is liable to maintain the books of account prescribed by rule 6F. However, he does not know the place where such books of account should be kept and maintained by him and, hence, approaches you for advice. As a consultant, advise him in this regard.

Solution

The provisions relating to place of maintenance of books of account are as follows:

- The books of account and documents prescribed by rule 6F (other than those relating to previous year which has come to an end) should be kept and maintained by the person at the place where he is carrying on the profession.
- Where the profession is carried on in more than one place, the books of account shall be kept at the principal place of his profession.
- However, if the person keeps and maintains separate books of account in respect of each place where the profession is carried on, such books of account and other documents may be kept and maintained at the respective places at which the profession is carried on.

- The aforesaid books of account and documents should be kept and maintained for a period of 6 years from the end of the relevant assessment year.
- Where, however, the assessment in relation to any assessment year has been reopened under section 147, all the books of account and other documents which were kept and maintained at the time of reopening of the assessment should continue to be so kept and maintained till the assessment so reopened has been completed.

Hence, considering the above discussed provisions, Mr. Raja is liable to maintain books of account as are prescribed by rule 6F at the principal place of his profession of architect.

Illustration

Mr. Raja is an architect. He carries on his profession at two different places. Out of these two places, he declares one place as principal place of business. Further, he maintains separate books of account for these two places. The details of his annual gross receipts from these two places for the past three years are as follows:

<i>Financial year</i>	<i>Annual gross receipts from principal place of business</i>	<i>Annual gross receipts from other place of business</i>
2012-13	Rs. 3,25,000	Rs. 2,50,000
2011-12	Rs. 2,84,000	Rs. 2,05,000
2010-11	Rs. 1,98,000	Rs. 1,75,000

His accountant has informed Mr. Raja that he is liable to maintain the books of account prescribed by rule 6F. However, he does not know the place where such books of account should be kept and maintained by him and, hence, approaches you for advice. As a consultant, advise him in this regard.

Solution

The provisions relating to place of maintenance of books of account are as follows:

- The books of account and documents prescribed by rule 6F (other than those relating to previous year which has come to an end) should be kept and maintained by the person at the place where he is carrying on the profession.
- Where the profession is carried on in more than one place, the books of account shall be kept at the principal place of his profession.
- However, if the person keeps and maintains separate books of account in respect of each place where the profession is carried on, such books of account and other documents may be kept and maintained at the respective places at which the profession is carried on.
- The aforesaid books of account and documents should be kept and maintained for a period of 6 years from the end of the relevant assessment year.
- Where, however, the assessment in relation to any assessment year has been reopened under section 147, all the books of account and other documents which were kept and maintained at the time of reopening of the assessment should continue to be so kept and maintained till the assessment reopened has been completed.

Hence, considering the above discussed provisions, Mr. Raja should maintain books of account prescribed by rule 6F in respect of two different places at the respective places of his profession of architecture. However, he can keep and maintain such books of account at the principal place of his profession.

Q.4 Explain with the help of an illustration the provisions relating to maintenance of books of account as per section 44AA by an assessee carrying on a specified profession, whose gross receipt does not exceed Rs. 1,50,000.

Following illustration will explain the provisions relating to maintenance of books of account as per section 44AA by an assessee carrying on a specified profession whose gross receipt does not exceed Rs. 1,50,000.

Illustration

Mr. Raja is an engineer. The details of his annual gross receipts for the past three years are as follows:

Financial year 2012-13: Rs. 5,84,000

Financial year 2011-12: Rs. 3,48,000

Financial year 2010-11: Rs. 1,48,000

However, he does not know which books of account he is liable to maintain as per the provisions of section 44AA and, hence, approaches you for advice. As a consultant, advise Mr. Raja in this regard.

Solution

In case of person carrying on specified profession whose gross receipt from such profession does not exceed Rs. 1,50,000 in any one of the three years immediately preceding previous year (in case of new profession the likely receipt of first year does not exceed Rs. 1,50,000), shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

The profession of engineering is covered under the definition of specified professions. Hence, a person engaged in the profession of engineering has to maintain such books of account and other documents as may enable the Assessing Officer to compute his total taxable income if the gross receipt from such profession does not exceed Rs. 1,50,000 in any one of the three years immediately preceding previous year (in case of new profession the likely receipt of first year does not exceed Rs. 1,50,000).

In the given case the gross receipt of Mr. Raja for the financial year 2010-11 is below Rs. 1,50,000 and, hence, he has to maintain such books of account and other documents as may enable the Assessing Officer to compute his total taxable income under the Income-tax Act.

Q.5 Explain with the help of an illustration the provisions relating to maintenance of books of account as per section 44AA by an assessee carrying on a non-specified profession or any business, income/gross receipt of which exceeds Rs. 1,20,000/Rs. 10,00,000.

Following illustrations will explain the provisions relating to maintenance of books of account as per section 44AA by an assessee carrying on a non-specified profession or any business, income/gross receipt of which exceeds Rs. 1,20,000/Rs. 10,00,000.

Illustration

Mr. Raja is a teacher. The details of his annual gross receipts for the past three years are as follows:

Financial year 2012-13: Rs. 12,84,000

Financial year 2011-12: Rs. 8,48,000

Financial year 2010-11: Rs. 6,52,000

However, his actual income for the past three years is below Rs. 1,20,000. He does not know which books of account he is liable to maintain as per the provisions of section 44AA and hence, approaches you for advice. As a consultant, advise Mr. Raja in this regard.

Solution

If a person is carrying on a non-specified profession or any business, income from which exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

The profession of teacher is covered under the definition of non-specified professions. Hence, a person engaged in the profession of teaching has to maintain such books of account and other documents as may enable the Assessing Officer to compute his total taxable income if income from such profession exceeds Rs. 1,20,000 or his gross receipts from such profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new profession, income/gross receipt of that previous year is likely to exceed above limit).

In the given case the gross receipts of Mr. Raja for the financial year 2012-13 exceed Rs. 10,00,000 and, hence, he has to maintain such books of account and other documents as may enable the Assessing Officer to compute his total taxable income under the Income-tax Act, even though his actual income for the past three years is below Rs. 1,20,000.

Illustration

Mr. Raja is a teacher. The details of his annual gross receipts for the past three years are as follows:

Financial year 2012-13: Rs. 9,84,000

Financial year 2011-12: Rs. 7,48,000

Financial year 2010-11: Rs. 6,52,000

However, his actual income for the past three years exceed Rs. 1,20,000. He does not know which books of account he is liable to maintain as per the provisions of section 44AA and, hence, approaches you for advice. As a consultant, advise Mr. Raja in this regard.

Solution

If a person is carrying on a non-specified profession or any business, income from which exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

The profession of teacher is covered under the definition of non-specified professions. Hence, a person engaged in the profession of teaching has to maintain such books of account and other documents as may enable the Assessing Officer to compute his total taxable income if income from such profession exceeds Rs. 1,20,000 or his gross receipts from such profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new profession, income/gross receipt of that previous year is likely to exceed above limit).

In the given case the gross receipt of Mr. Raja in the past three years is below Rs. 10,00,000. However, his actual income from the profession of teaching exceeds Rs. 1,20,000 in the past three years and, hence, he has to maintain such books of account and other documents as may enable the Assessing Officer to compute his total taxable income under the Income-tax Act.

Illustration

Mr. Soham is running a factory. The details of his annual turnover for the past three years are as follows:

Financial year 2012-13: Rs. 9,84,000

Financial year 2011-12: Rs. 11,52,000

Financial year 2010-11: Rs. 8,44,000

Further, the details of his actual income for the past three years are as follows:

Financial year 2012-13: Rs. 1,30,000

Financial year 2011-12: Rs. 2,48,000

Financial year 2010-11: Rs. 1,12,000

He does not know which books of account he is liable to maintain as per the provisions of section 44AA and, hence, approaches you for advice. As a consultant, advise Mr. Soham in this regard.

Solution

If a person is carrying on a non-specified profession or any business, income from which business or profession exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In the given case, Mr. Raja is running a factory and the total turnover of factory for the financial year 2011-12 exceeds Rs. 10,00,000 as well as his actual income from such business for the financial year 2011-12 and 2012-13 exceeded Rs. 1,20,000 and, hence, he has to maintain such books of account and other documents as may enable the Assessing Officer to compute his total taxable income under the Income-tax Act.

Illustration

Mr. Soham is engaged in the business of plying, hiring or leasing goods carriages and owns 6 heavy goods vehicles and 3 light goods vehicles. He adopts the provisions of section 44AE, however, his actual income from heavy goods vehicles as well as light goods vehicles is below Rs. 5,000 and Rs. 4,500 respectively. Hence, he wants to declare his actual income which is lower than Rs. 5,000 and Rs. 4,500.

However, he does not know whether he is liable to maintain any books of account as per the provisions of section 44AA or not and, hence, approaches you for advice. As a consultant, advise Mr. Soham in this regard.

Solution

An assessee to whom section 44AE or 44BB or 44BBB applies, and who declares his business income to be lower than the income computed as per the provisions of aforesaid sections is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In the given case, Mr. Raja is engaged in the business of plying, hiring or leasing of goods carriages and has adopted the provisions of section 44AE. However, his actual income from such business is lower than Rs. 5,000 and Rs. 4,500 respectively. Thus, he fulfils the above mentioned condition and, hence, he is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his total taxable income under the Income-tax Act.

Q.6 Explain with the help of an illustration the provisions relating to maintenance of books of account as per section 44AA by an assessee carrying on a non-specified profession or any business, income/gross receipt of which is below Rs. 1,20,000/Rs. 10,00,000.

Following illustrations will explain the provisions relating to maintenance of books of account as per section 44AA by an assessee carrying on a non-specified profession or any business, income/gross receipt of which is below Rs. 1,20,000/Rs. 10,00,000.

Illustration

Miss Khushi is a teacher. The details of her gross receipts for past three years are as follows:

- Financial year 2012-13 : Rs. 9,84,000
- Financial year 2011-12 : Rs. 7,52,000
- Financial year 2010-11 : Rs. 5,20,000

Further, her actual income does not exceed Rs. 1,20,000 in all these three years. However, she does not know whether she is liable to maintain any books of account as per the provisions of section 44AA or not and, hence, approaches you for advice. As a consultant, advise her in this regard.

**

If a person is carrying on a non-specified profession or any business whose income does not exceed Rs. 1,20,000 and his total sales/gross receipts from such business or profession do not exceed Rs. 10,00,000, in all the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt is not likely to exceed aforesaid limit), then such person is not required to maintain any books of account.

In the given case, Miss Khushi is engaged in one of the non-specified professions and the gross receipts as well as the income of Miss Khushi does not exceed Rs. 10,00,000/Rs. 1,20,000 in all the preceding three financial years and, hence, she is not required to maintain any books of account.

Illustration

Mr. Soham is running a medical store. The details of his annual turnover for past three years are as follows:

- Financial year 2012-13 : Rs. 9,99,000
- Financial year 2011-12 : Rs. 8,84,000
- Financial year 2010-11 : Rs. 7,52,000

Further, his actual income does not exceed Rs. 1,20,000 in all these three years. However, he does not know whether he is liable to maintain any books of account as per the provisions of section 44AA or not and, hence, approaches you for advice. As a consultant, advise him in this regard.

**

If a person is carrying on a non-specified profession or any business whose income does not exceed Rs. 1,20,000 and his total sales/gross receipts from such business or profession do not exceed Rs. 10,00,000, in all the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt is not likely to exceed aforesaid limit), then such person is not required to maintain any books of account.

In the given case, Mr. Soham is running a medical store and the annual turnover as well as the income of Mr. Soham does not exceed Rs. 10,00,000/Rs. 1,20,000 in all the preceding

three financial years and, hence, he is not required to maintain any books of account.

Q.7 Explain with the help of an illustration the provisions relating to maintenance of books of account as per section 44AA by an assessee covered under section 44AD.

Following illustrations will explain the provisions relating to maintenance of books of account as per section 44AA by an assessee covered under section 44AD.

Illustration

Mr. Raja is running a proprietary concern under the name of Raja & Co. The turnover of the firm during the previous year 2012-13 is Rs. 84,52,000 and he declares income as per the provisions of section 44AD. In this case, is he liable to maintain any books of account?

**

If an assessee adopts the provisions of section 44AD and declares income @ 8% of the turnover or gross receipts for the year, then he is not liable to maintain any books of account.

In the given case, Mr. Raja has adopted the provisions of section 44AD and declared income of Rs. 6,76,160 (*i.e.*, @ 8% of turnover of Rs. 84,52,000). Hence, he is not liable to maintain any books of account as per section 44AA.

Illustration

Mr. Raja is running a proprietary concern under the name of Raja & Co. The turnover of the firm during the previous year 2012-13 was Rs. 98,52,000. Mr. Raja wants to adopt the provisions of section 44AD. However, his actual income is only Rs. 6,50,000 which is lower than Rs. 7,88,160 (*i.e.*, Rs. 98,52,000 * 8%) and, hence, decides to declare his actual income which is lower than Rs. 7,88,160. However, he does not know whether he is liable to maintain any books of account or not and, hence, approaches you for advice. As a consultant, advise Mr. Raja in this regard.

**

If an assessee is covered under section 44AD, the maintenance of books of account is required if following conditions are satisfied:

- (a) He claims that the profits and gains from the business are lower than the profits and gains computed in accordance with the provisions of section 44AD(1) [*i.e.*, @ 8%]; and
- (b) His income exceeds the maximum amount which is not chargeable to tax.

In the given case, Mr. Raja satisfies both the conditions, *i.e.*, his actual income from proprietary firm is less than 8% and such income exceeds the maximum amount which is not chargeable to tax. Hence, he is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act.

MCQs

Q1. There are no provisions under the Income-tax Act relating to maintenance of books of account.

- (a) True (b) False

Correct answer: (b)

Justification of correct answer

Under the Income-tax Act, provisions relating to maintenance of books of account are given under section 44AA.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q2. To whom of the following persons the provisions relating to maintenance of books of account as per section 44AA are applicable?

- (a) Persons engaged in specified profession
(b) Persons engaged in non-specified profession
(c) Persons engaged in business
(d) All of the above

Correct answer: (d)

Justification of correct answer

The provisions relating to maintenance of books of account can be classified as follows:

- Provisions relating to a person engaged in specified profession.
- Provisions relating to a person engaged in non-specified profession.
- Provisions relating to a person engaged in business.

In other words, the provisions of section 44AA are applicable to all of the above mentioned categories of persons.

Thus, option (d) is the correct option.

Comment on incorrect answer: Option (d) is the correct option since it covers all the categories of persons. The other options, viz., options (a), (b) and (c) giving individual category of persons are not correct.

Q3. Mr. Raja is an accountant. Are the provisions of section 44AA applicable to him?

- (a) Yes (b) No

Correct answer: (a)

Justification of correct answer

The provisions relating to maintenance of books of account can be classified as follows:

- Provisions relating to a person engaged in specified profession.
- Provisions relating to a person engaged in non-specified profession.
- Provisions relating to a person engaged in business.

The profession of “Accountancy” falls under the definition of specified professions. Hence, the provisions of section 44AA are applicable to Raja.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provision. The other option, *viz.*, option (b) giving incorrect provision is not correct.

Q4. Miss Khushi is running a beauty parlour. Hence, the provisions of section 44AA are not applicable to her since the provisions of section 44AA do not apply to persons engaged in any non-specified profession.

(a) True (b) False

Correct answer: (b)

Justification of correct answer

The provisions relating to maintenance of books of account can be classified as follows:

- Provisions relating to a person engaged in specified profession.
- Provisions relating to a person engaged in non-specified profession.
- Provisions relating to a person engaged in business.

Hence, the provisions of section 44AA are applicable to her.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q5. Mr. Kapoor is running a medical store. Hence, the provisions of section 44AA are applicable to him since the provisions of section 44AA are applicable to persons engaged in any business.

(a) True (b) False

Correct answer: (a)

Justification of correct answer

The provisions relating to maintenance of books of account can be classified as follows:

- Provisions relating to a person engaged in specified profession.
- Provisions relating to a person engaged in non-specified profession.
- Provisions relating to a person engaged in business.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q6. Mr. Shan is authorised representative. Does the profession of authorised representative fall under the definition of specified profession?

(a) Yes (b) No

Correct answer: (a)

Justification of correct answer

As per section 44AA and rule 6F, professions like legal, medical, engineering, architectural, accountancy, company secretary, technical consultancy, interior decoration, authorised representative, film artist or information technology are specified professions.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provision. The other option, *viz.*, option (b) giving the incorrect provision is not correct.

Q7. The profession of accountancy falls under the definition of specified professions. However, the profession of technical consultancy does not fall under the definition of specified professions.

- (a) True (b) False

Correct answer: (b)

Justification of correct answer

As per section 44AA and rule 6F, professions like legal, medical, engineering, architectural, accountancy, company secretary, technical consultancy, interior decoration, authorised representative, film artist or information technology are specified professions.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q8. The profession of teacher falls under the definition of specified professions.

- (a) True (b) False

Correct answer: (b)

Justification of correct answer

As per section 44AA and rule 6F, professions like legal, medical, engineering, architectural, accountancy, company secretary, technical consultancy, interior decoration, authorised representative, film artist or information technology are specified professions. Hence, the profession of teacher does not fall under the definition of specified professions.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q9. “Authorised representative” means a person, who represents any other person, on payment of any fee or remuneration, before any Tribunal or authority constituted or appointed by or under any law for the time being in force, including an employee of the person so represented but does not include a person carrying on legal profession or a person carrying on the profession of accountancy.

- (a) True (b) False

Correct answer: (b)

Justification of correct answer

“Authorised representative” means a person who represents any other person on payment of any fee or remuneration before any Tribunal or authority constituted or appointed by or under any law for the time being in force, but does not include an employee of the person so represented or a person carrying on legal profession or a person carrying on the profession of accountancy.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q10. If a person carrying on legal profession represents any other person before any tribunal or authority constituted or appointed by or under any law for the time being in force, then a person carrying on legal profession is treated as authorised representative of a person so represented.

- (a) True (b) False

Correct answer: (b)

Justification of correct answer

“Authorised representative” means a person who represents any other person on payment of any fee or remuneration, before any Tribunal or authority constituted or appointed by or under any law for the time being in force, but does not include an employee of the person so represented or a person carrying on legal profession or a person carrying on the profession of accountancy.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q11. If a person carrying on profession of accountancy represents any other person before any tribunal or authority constituted or appointed by or under any law for the time being in force, then a person engaged in the profession of accountancy is treated as authorised representative of a person so represented.

- (a) True (b) False

Correct answer: (b)

Justification of correct answer

“Authorised representative” means a person who represents any other person on payment of any fee or remuneration before any Tribunal or authority constituted or appointed by or under any law for the time being in force, but does not include an employee of the person so represented or a person carrying on legal profession or a person carrying on the profession of accountancy.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q12. Persons engaged in which of the following professions are treated as authorised representative of any other person, if they represent any other person before any Tribunal or authority constituted or appointed by or under any law for the time being in force?

- (a) Legal profession (b) Profession of accountancy
(c) (a) and (b) both (d) None of the above

Correct answer: (d)

Justification of correct answer

“Authorised representative” means a person who represents any other person, on payment of any fee or remuneration before any Tribunal or authority constituted or appointed by or under any law for the time being in force, but does not include an employee of the person so represented or a person carrying on legal profession or a person carrying on the profession of accountancy.

Thus, option (d) is the correct option.

Comment on incorrect answer: Option (d) is the correct option since it gives the correct provision. The other options, viz., options (a), (b) and (c) giving incorrect profession/provision are not correct.

Q13. Mr. Raja is an employee of Mr. Kapoor and represents him before the Income-tax authority. Can Mr. Raja be treated as “authorised representative” of Mr. Kapoor?

- (a) Yes (b) No

Correct answer: (b)

Justification of correct answer

“Authorised representative” means a person who represents any other person on payment of any fee or remuneration, before any Tribunal or authority constituted or appointed by or under any law for the time being in force, but does not include an employee of the person so represented or a person carrying on legal profession or a person carrying on the profession of accountancy. Hence, Mr. Raja cannot be treated as “authorised representative” of Mr. Kapoor.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct provision. The other option, viz., option (a) giving the incorrect provision is not correct.

Q14. Mr. Raja is an accountant of Mr. Kapoor and represents him before the Income-tax authority. Hence, Mr. Raja can be treated as an authorised representative of Mr. Kapoor.

(a) True

(b) False

Correct answer: (b)

Justification of correct answer

“Authorised representative” means a person who represents any other person on payment of any fee or remuneration before any Tribunal or authority constituted or appointed by or under any law for the time being in force, but does not include an employee of the person so represented or a person carrying on legal profession or a person carrying on the profession of accountancy. Hence, Mr. Raja cannot be treated as an “authorised representative” of Mr. Kapoor.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q15. Mr. Raja is an advocate of Mr. Kapoor and represents him before the Income-tax authority. Can it be said that Mr. Raja is engaged in the profession of authorised representative?

(a) Yes

(b) No

Correct answer: (b)

Justification of correct answer

“Authorised representative” means a person who represents any other person on payment of any fee or remuneration before any Tribunal or authority constituted or appointed by or under any law for the time being in force, but does not include an employee of the person so represented or a person carrying on legal profession or a person carrying on the profession of accountancy. Hence, it cannot be said that Mr. Raja is engaged in the profession of “authorised representative”.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct provision. The other option, viz., option (a) giving the incorrect provision is not correct.

Q16. Mr. Raja is engaged in the production of cinematograph film in his professional capacity. Hence, it can be said that Mr. Raja is engaged in the profession of “Film artist”.

(a) True

(b) False

Correct answer: (a)

Justification of correct answer

“Film artist” means any person engaged in his professional capacity in the production of cinematograph film, whether produced by him or by any other person as an actor, a cameraman, a director, a music director, an art director, a dance director, an editor, a singer, a lyricist, a story writer, a screen play writer, a dialogue writer and a dress designer. Hence, it can be said that Mr. Raja is engaged in the profession of “Film artist”.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q17. Which of the following category of persons is required to maintain books of account prescribed by rule 6F?

- (a) Persons engaged in the non-specified profession
- (b) Persons engaged in any business
- (c) Persons engaged in specified profession whose gross receipts in the profession do not exceed Rs. 1,50,000 in any (one or more) of the 3 years immediately preceding the previous year
- (d) Persons engaged in specified profession whose gross receipts in the profession exceed Rs. 1,50,000 in all the 3 years immediately preceding the previous year

Correct answer: (d)

Justification of correct answer

As per section 44AA and rule 6F, persons carrying on specified profession whose gross receipts in the profession exceed Rs. 1,50,000 in all the 3 years immediately preceding the previous year are required to maintain such books of account as are prescribed by rule 6F.

Thus, option (d) is the correct option.

Comment on incorrect answer: Option (d) is the correct option since it gives the correct category of persons. The other options, viz., options (a), (b) and (c) giving incorrect category of persons are not correct.

Q18. As per section 44AA and rule 6F, persons carrying on specified profession whose gross receipts in the profession exceed Rs. 1,50,000 in all the 5 years immediately preceding the previous year are required to maintain such books of account as are prescribed by rule 6F.

- (a) True
- (b) False

Correct answer: (b)

Justification of correct answer

As per section 44AA and rule 6F, persons carrying on specified profession whose gross receipts in the profession exceed Rs. 1,50,000 in all the 3 years immediately preceding the previous year are required to maintain such books of account as are prescribed by rule 6F.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q19. As per section 44AA and rule 6F, persons carrying on specified profession whose gross receipts in the profession exceed Rs. 1,80,000 in all the 3 years immediately preceding the previous year are required to maintain such books of account as are

prescribed by rule 6F.

(a) True

(b) False

Correct answer: (b)

Justification of correct answer

As per section 44AA and rule 6F, persons carrying on specified profession whose gross receipts in the profession exceed Rs. 1,50,000 in all the 3 years immediately preceding the previous year are required to maintain such books of account as are prescribed by rule 6F.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q20. The books of account prescribed by rule 6F are required to be maintained only by the persons who are engaged in the non-specified professions.

(a) True

(b) False

Correct answer: (b)

Justification of correct answer

As per section 44AA and rule 6F, persons carrying on specified profession whose gross receipts in the profession exceed Rs. 1,50,000 in all the 3 years immediately preceding the previous year are required to maintain such books of account as are prescribed by rule 6F.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q21. Mr. Raja is a company secretary. His annual gross receipts for all the three years exceeded Rs. 1,50,000. Hence, he is liable to maintain books of account as are prescribed by rule 6F.

(a) True

(b) False

Correct answer: (a)

Justification of correct answer

As per section 44AA and rule 6F, persons carrying on specified profession whose gross receipts in the profession exceed Rs. 1,50,000 in all the 3 years immediately preceding the previous year are required to maintain such books of account as are prescribed by rule 6F.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q22. Mr. Raja is a company secretary. His annual gross receipts for the past two years exceed Rs. 1,50,000. In this case, is he liable to maintain books of account as are prescribed by rule 6F?

(a) Yes

(b) No

Correct answer: (b)

Justification of correct answer

As per section 44AA and rule 6F, persons carrying on specified profession whose gross receipts in the profession exceed Rs. 1,50,000 in all the 3 years immediately preceding the previous year are required to maintain such books of account as are prescribed by rule 6F.

Hence, Mr. Raja is not liable to maintain books of account as are prescribed by rule 6F, since his gross receipt does not exceed Rs. 1,50,000 in all the three preceding years.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct provision. The other option, viz., option (a) giving the incorrect provision is not correct.

Q23. Mr. Raja is an accountant. His annual gross receipts for all the three years exceeded Rs. 1,20,000 but did not exceed Rs. 1,50,000. As per his views he is liable to maintain books of account as are prescribed by rule 6F since under rule 6F the limit of gross receipts is Rs. 1,20,000 for an accountant. Is he correct?

(a) Yes

(b) No

Correct answer: (b)

Justification of correct answer

As per section 44AA and rule 6F, persons carrying on specified profession whose gross receipts in the profession exceed Rs. 1,50,000 in all the 3 years immediately preceding the previous year are required to maintain such books of account as are prescribed by rule 6F. The profession of accountancy falls under the definition of specified profession and, hence, the limit of Rs. 1,50,000 applies to a person engaged in the profession of accountancy. Hence, Mr. Raja is not liable to maintain books of account as are prescribed by rule 6F since his gross receipt does not exceed Rs. 1,50,000 in all the three preceding years.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct provision. The other option, viz., option (a) giving the incorrect provision is not correct.

Q24. The books of account prescribed by rule 6F are other than the following:

- A cash book
- A ledger
- A journal, in case of mercantile system;
- Carbon copies of bills (whether machine numbered or otherwise serially numbered) exceeding Rs. 25 issued by the person and carbon copies or counterfoils of machine numbered or otherwise serially numbered receipts issued by the person;
- Original bills/receipts issued to him in respect of expenditure (payment vouchers if bills/receipts are not issued and amount of expenditure does not exceed Rs. 50).

(a) True

(b) False

Correct answer: (b)

Justification of correct answer

Under rule 6F, following books of account are prescribed:

- A cash book
- A ledger
- A journal in case of mercantile system;
- Carbon copies of bills (whether machine numbered or, otherwise serially numbered) exceeding Rs. 25, issued by the person and carbon copies or counterfoils of machine numbered or otherwise serially numbered receipts issued by the person;
- Original bills/receipts issued to him in respect of expenditure (payment vouchers if bills/receipts are not issued and amount of expenditure does not exceed Rs. 50).

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q25. As per rule 6F, a cash book is to be maintained only by the specified professionals whose gross receipts from such profession exceed Rs. 1,50,000 in the past three years and who maintain books of account according to “cash” system of accounting.

(a) True (b) False

Correct answer: (b)

Justification of correct answer

As per rule 6F, a cash book is to be maintained by the specified professionals whose gross receipts from such profession exceed Rs. 1,50,000 in all the three years, irrespective of the method of accounting followed by them.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q26. Mr. Raja is a Film artist (maintains books of account according to the mercantile system of accounting). His annual gross receipts for the past three years exceed Rs. 1,50,000. Hence, he is liable maintain books of account prescribed by rule 6F excluding a cash book.

(a) True (b) False

Correct answer: (b)

Justification of correct answer

As per rule 6F, a cash book is to be maintained by the specified professionals whose gross receipts from such profession exceed Rs. 1,50,000 in the past three years, irrespective of the method of accounting followed by them. Hence, Mr. Raja is liable to maintain books of account prescribed by rule 6F including a cash book.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q27. Mr. Raja is a Film artist (maintains books of account on “cash” basis). His annual gross receipts for the past three years exceeded Rs. Rs. 1,50,000. Hence, he is liable maintain books of account prescribed by rule 6F excluding a journal.

(a) True (b) False

Correct answer: (a)

Justification of correct answer

The medical profession falls under the definition of specified professions and persons carrying on specified profession whose gross receipts in the profession exceed Rs. 1,50,000 in the 3 years immediately preceding the previous year are required to maintain such books of account prescribed by rule 6F. Under rule 6F following books of account are prescribed:

- A cash book
- A ledger
- A journal, in case of mercantile system;
- Carbon copies of bills (whether machine numbered or, otherwise serially numbered) exceeding Rs. 25, issued by the person and carbon copies or counterfoils of machine numbered or otherwise serially numbered receipts issued by the person;

- Original bills/receipts issued to him in respect of expenditure (payment vouchers if bills/receipts are not issued and amount of expenditure does not exceed Rs. 50).

Hence, Mr. Raja is liable to maintain books of account prescribed by rule 6F excluding a journal since he maintains books of account on “cash” basis.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q28. Mr. Raja is a Dentist. His annual gross receipts for the past three years exceeded Rs. Rs. 1,50,000. Is he liable to maintain carbon copies of bills (whether machine numbered or, otherwise serially numbered) exceeding Rs. 25 issued by him and carbon copies or counterfoils of machine numbered or otherwise serially numbered receipts issued by him?

- (a) Yes (b) No

Correct answer: (a)

Justification of correct answer

The medical profession falls under the definition of specified professions and persons carrying on specified profession whose gross receipts in the profession exceed Rs. 1,50,000 in all the 3 years immediately preceding the previous year are required to maintain such books of account as are prescribed by rule 6F. Under rule 6F, following books of account are prescribed:

- A cash book
- A ledger
- A journal, in case of mercantile system;
- Carbon copies of bills (whether machine numbered or otherwise serially numbered) exceeding Rs. 25 issued by the person and carbon copies or counterfoils of machine numbered or otherwise serially numbered receipts issued by the person;
- Original bills/receipts issued to him in respect of expenditure (payment vouchers, if bills/receipts are not issued and amount of expenditure does not exceed Rs. 50).

Hence, Mr. Raja is liable to maintain books of account prescribed by rule 6F, including carbon copies of bills (whether machine numbered or otherwise serially numbered) exceeding Rs. 25 issued by him and carbon copies or counterfoils of machine numbered or otherwise serially numbered receipts issued by him.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provision. The other option, viz., option (b) giving the incorrect provision is not correct.

Q29. Persons carrying on specified profession whose gross receipts from the profession exceed Rs. 1,50,000 in the 3 years immediately preceding the previous year are required to maintain additional books of account and other documents apart from the books of account prescribed by rule 6F.

- (a) True (b) False

Correct answer: (b)

Justification of correct answer

Only the persons who are engaged in medical profession whose gross receipts from the profession exceed Rs. 1,50,000 in the 3 years immediately preceding the previous year are

required to maintain additional books of account and other documents apart from the books of account as are prescribed by rule 6F.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q30. Persons who are engaged in medical profession are required to maintain additional books of account and other documents apart from the books of account prescribed by rule 6F only if their gross receipts in the profession exceed Rs. 1,80,000 in the 3 years immediately preceding the previous year.

(a) True (b) False

Correct answer: (b)

Justification of correct answer

Persons who are engaged in medical profession whose gross receipts in the profession exceed Rs. 1,50,000 in the 3 years immediately preceding the previous year are required to maintain additional books of account and other documents apart from the books of account prescribed by rule 6F.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q31. Persons who are engaged in medical profession are required to maintain additional books of account and other documents apart from the books of account prescribed by rule 6F only if their gross receipts in the profession exceed Rs. 1,50,000 in the 5 years immediately preceding the previous year.

(a) True (b) False

Correct answer: (b)

Justification of correct answer

Persons who are engaged in medical profession whose gross receipts in the profession exceed Rs. 1,50,000 in the 3 years immediately preceding the previous year are required to maintain additional books of account and other documents apart from the books of account prescribed by rule 6F.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q32. Persons carrying on medical profession include a practitioner of any system of medicine, i.e., physicians, surgeons, dentists, pathologists, radiologists, but does not include vaid and hakims.

(a) True (b) False

Correct answer: (b)

Justification of correct answer

Persons carrying on medical profession include a practitioner of any system of medicine – physicians, surgeons, dentists, pathologists, radiologists, vaid, hakims, etc.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q33. Which of the following additional books of account and other documents are to be maintained by the persons carrying on medical profession (liable to maintain books of account prescribed by rule 6F)?

- (a) A daily case register in prescribed form (*i.e.*, Form 3C)
- (b) An inventory under broad heads as on the first and last day of the previous year of the stock of drugs, medicines and other consumable accessories used for the purpose of his profession
- (c) (a) and (b) both
- (d) None of the above

Correct answer: (c)

Justification of correct answer

Persons carrying on medical profession (liable to maintain books of account prescribed by rule 6F) are required to maintain following additional books of account and other documents:

- A daily case register in prescribed form (*i.e.*, Form 3C), showing date, patient's name, nature of professional services rendered (*i.e.*, general consultation, surgery, injection, visit, etc.,) fees received and date of receipt; and
- An inventory under broad heads as on the first and last day of the previous year of the stock of drugs, medicines and other consumable accessories used for the purpose of his profession.

Thus, option (c) is the correct option.

Comment on incorrect answer: Option (c) is the correct option since it covers the whole list of additional books of account and other documents. The other options, *viz.*, options (a), (b) and (d) giving individual item/incorrect provisions are not correct.

Q34. Mr. Raja is an advocate. His annual gross receipts in the past three years exceeded Rs. 1,50,000. Hence, he is liable to maintain books of account as are prescribed by rule 6F as well as a daily case register in Form No. 3C providing details of number of cases handled by him in a particular day.

- (a) True
- (b) False

Correct answer: (b)

Justification of correct answer

Only persons who are engaged in medical profession whose gross receipts in the profession exceed Rs. 1,50,000 in all the 3 years immediately preceding the previous year are required to maintain additional books of account and other documents (*i.e.*, a daily case register in Form No. 3C and record of inventories) apart from the books of account as are prescribed by rule 6F. Hence, Mr. Raja is not liable to maintain a daily case register in Form No. 3C.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q35. Mr. Kapoor is a doctor. His annual gross receipts in the past three years are as follows:

Financial year 2012-13: Rs. 8,84,000

Financial year 2011-12: Rs. 6,52,000

Financial year 2010-11: Rs. 4,25,000

Hence, he is liable to maintain books of account as are prescribed by rule 6F. Is he liable to maintain a daily case register in Form No. 3C and record of inventories apart from books of account prescribed by rule 6F?

(a) Yes (b) No

Correct answer: (a)

Justification of correct answer

Only the persons who are engaged in medical profession whose gross receipts in the profession exceed Rs. 1,50,000 in all the 3 years immediately preceding the previous year are required to maintain additional books of account and other documents (*i.e.*, a daily case register in Form No. 3C and record of inventories) apart from the books of account as are prescribed by rule 6F. Hence, Mr. Raja is liable to maintain a daily case register in Form No. 3C and record of inventories.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provision. The other option, *viz.*, option (b) giving the incorrect provision is not correct.

Q36. Mr. Kapoor is a doctor. His annual gross receipts in the past three years are as follows:

Financial year 2012-13: Rs. 8,84,000

Financial year 2011-12: Rs. 6,52,000

Financial year 2010-11: Rs. 4,25,000

Hence, he is liable to maintain books of account as are prescribed by rule 6F. Further, he has to maintain a daily case register in Form No. 3C. However, he does not maintain a record of inventories like drugs, medicines, etc. Is he liable to maintain record of such inventories?

(a) Yes (b) No

Correct answer: (a)

Justification of correct answer

Only the persons who are engaged in medical profession whose gross receipts in the profession exceed Rs. 1,50,000 in all the 3 years immediately preceding the previous year are required to maintain additional books of account and other documents (*i.e.*, a daily case register in Form No. 3C and record of inventories) apart from the books of account as are prescribed by rule 6F. Hence, Mr. Raja is liable to maintain a daily case register in Form No. 3C and record of inventories.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provision. The other option, *viz.*, option (b) giving the incorrect provision is not correct.

Q37. Mr. Kapoor is a doctor. His annual gross receipts in the past three years are as follows:

Financial year 2012-13: Rs. 8,84,000

Financial year 2011-12: Rs. 6,52,000

Financial year 2010-11: Rs. 4,25,000

Hence, he is liable to maintain books of account as are prescribed by rule 6F. Further, he maintains record of inventories like drugs, medicines, etc. However, he does not maintain a daily case register in Form No. 3C? Is he liable to maintain such case register?

(a) Yes

(b) No

Correct answer: (a)

Justification of correct answer

Only the persons who are engaged in medical profession whose gross receipts in the profession exceed Rs. 1,50,000 in all the 3 years immediately preceding the previous year are required to maintain additional books of account and other documents (*i.e.*, a daily case register in Form No. 3C and record of inventories) apart from the books of account as are prescribed by rule 6F. Hence, Mr. Raja is liable to maintain a daily case register in Form No. 3C and record of inventories.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provision. The other option, *viz.*, option (b) giving the incorrect provision is not correct.

Q38. Mr. Kapoor is a doctor. He is carrying on his practice at two different places situated in same city and declares one place as his principal place of business. However, he does not maintain separate books of account for these two places. His annual gross receipts from these places in the past three years are as follows:

Financial year 2012-13: Rs. 8,84,000

Financial year 2011-12: Rs. 6,52,000

Financial year 2010-11: Rs. 4,25,000

In this case, at which of the following places he is liable to maintain books of account as are prescribed by rule 6F (including additional books of account and documents)?

(a) At his residential place

(b) At respective places where he carries on his profession

(c) At principal place of his profession

(d) At any place as per the choice of Mr. Kapoor

Correct answer: (c)

Justification of correct answer

As per section 44AA, the books of account and documents (other than those relating to previous year which has come to an end) should be kept and maintained by the person at the place where he is carrying on his profession. Moreover, where the profession is carried on in more than one place, the books of account shall be kept at the principal place of his profession.

Hence, Mr. Kapoor is liable to maintain books of account as are prescribed by rule 6F (including additional books of account and documents) at a principal place of his profession.

Thus, option (c) is the correct option.

Comment on incorrect answer: Option (c) is the correct option since it gives the correct place of maintenance of books of account. The other options, *viz.*, options (a), (b) and (d) giving incorrect place/provision are not correct.

Q39. Mr. Kapoor is a doctor. He is carrying on his practice at two different places situated in same city. Further, he maintains separate books of account for these two places. His total annual gross receipts from these places in the past three years are as follows:

Financial year 2012-13: Rs. 8,84,000

Financial year 2011-12: Rs. 6,52,000

Financial year 2010-11: Rs. 4,25,000

In this case, he is liable to maintain books of account as are prescribed by rule 6F (including additional books of account and documents) in respect of both of these places at the respective places at which he carries on his profession.

- (a) True (b) False

Correct answer: (a)

Justification of correct answer

As per section 44AA, the books of account and documents (other than those relating to previous year which has come to an end) should be kept and maintained by the person at the place where he is carrying on his profession. Moreover, where the profession is carried on in more than one place, the books of account shall be kept at the principal place of his profession. However, if the person keeps and maintains separate books of account in respect of each place where the profession is carried on, such books of account and other documents may be kept and maintained at the respective places at which the profession is carried on.

Hence, Mr. Kapoor is liable to maintain books of account as are prescribed by rule 6F (including additional books of account and documents) in respect of both the places at respective places of his profession.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q40. Persons carrying on specified profession who are liable to maintain books of account and documents as are prescribed by rule 6F should keep and maintain such books of account for a period of 8 years from the end of the relevant assessment year.

- (a) True (b) False

Correct answer: (b)

Justification of correct answer

Persons carrying on specified profession who are liable to maintain books of account and documents as are prescribed by rule 6F should keep and maintain such books of account for a period of 6 years from the end of the relevant assessment year.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q41. Persons carrying on specified profession who are liable to maintain books of account and documents as are prescribed by rule 6F should keep and maintain such books of account and documents for a period of 6 years from the end of the relevant _____.

- (a) Assessment year (b) Previous year

Correct answer: (a)

Justification of correct answer

Persons carrying on specified profession who are liable to maintain books of account and documents as are prescribed by rule 6F should keep and maintain such books of account for a period of 6 years from the end of the relevant assessment year.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provision. The other option, viz., option (b) giving the incorrect provision is not correct.

Q42. Mr. Raja is an accountant. His annual gross receipts in all the past three years are below Rs. 1,50,000. In this case he is liable to maintain books of account as are prescribed by rule 6F.

(a) True

(b) False

Correct answer: (b)

Justification of correct answer

In case of person carrying on specified profession whose gross receipt from such profession does not exceed Rs. 1,50,000 in any one of the three years immediately preceding previous year (in case of new profession the likely receipt of first year does not exceed Rs. 1,50,000), shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In this case Mr. Raja is engaged in one of the specified professions and his gross receipts in all the past three financial years are below Rs. 1,50,000. Hence, he is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q43. Mr. Raja is an accountant. His annual gross receipts in all the past three years are as follows:

Financial year 2012-13: Rs. 4,84,000

Financial year 2011-12: Rs. 2,52,000

Financial year 2010-11: Rs. 1,48,000

In this case which of the following books of account he is liable to maintain?

(a) Books of account as are prescribed by rule 6F

(b) Such books of account and other documents as may enable the Assessing Officer to compute his taxable income

(c) (a) or (b) as per the choice of Mr. Raja

(d) He is not liable to maintain any books of account

Correct answer: (b)

Justification of correct answer

In case of person carrying on specified profession whose gross receipt from such profession does not exceed Rs. 1,50,000 in any one of the three years immediately preceding previous year (in case of new profession the likely receipt of first year does not exceed Rs. 1,50,000), shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In this case, Mr. Raja is engaged in one of the specified professions and his gross receipt in the financial year 2010-11 is below Rs. 1,50,000. Hence, he is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct books of account. The other options, viz., options (a), (b) and (d) giving incorrect books of account/provision are not correct.

Q44. Where the profession has been newly set-up by the person in the previous year and his gross receipts from that profession for the previous year are not likely to exceed Rs. 1,50,000 is not liable to maintain any books of account.

- (a) True (b) False

Correct answer: (b)

Justification of correct answer

In case of person carrying on specified profession whose gross receipt from such profession does not exceed Rs. 1,50,000 in any one of the three years immediately preceding previous year (in case of new profession the likely receipt of first year does not exceed Rs. 1,50,000), shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q45. Mr. Raja started his profession of accountancy during the current financial year only. However, his gross receipt for the current year is not likely to exceed Rs. 1,50,000. Is he liable to maintain any books of account?

- (a) Yes (b) No

Correct answer: (a)

Justification of correct answer

In case of person carrying on specified profession whose gross receipt from such profession does not exceed Rs. 1,50,000 in any one of the three years immediately preceding previous year (in case of new profession the likely receipt of first year does not exceed Rs. 1,50,000), shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income. Hence, Mr. Raja is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provision. The other option, viz., option (b) giving incorrect provision is not correct.

Q46. If a person is carrying on a non-specified profession or any business whose income does not exceed Rs. 1,20,000 and his total sales/gross receipts from such business or profession do not exceed Rs. 10,00,000, in all the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt is not likely to exceed aforesaid limit), then such person is not required to maintain any books of account.

- (a) True (b) False

Correct answer: (a)

Justification of correct answer

If a person is carrying on a non-specified profession or any business whose income does not exceed Rs. 1,20,000 and his total sales/gross receipts from such business or profession do not exceed Rs. 10,00,000, in all the three years immediately preceding the previous year (in case

of new business or profession, income/gross receipt is not likely to exceed aforesaid limit), then such person is not required to maintain any books of account.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q47. Mr. Raja is a teacher. His annual gross receipts for the past three years are Rs. 8,84,000, Rs. 6,52,000 and Rs. 4,20,000 respectively. Further, his actual income from such profession does not exceed Rs. 1,20,000 in all the past three years. Hence, he is not liable to maintain any books of account.

- (a) True (b) False

Correct answer: (a)

Justification of correct answer

If a person is carrying on a non-specified profession or any business whose income does not exceed Rs. 1,20,000 and his total sales/gross receipts from such business or profession do not exceed Rs. 10,00,000, in all the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt is not likely to exceed aforesaid limit), then such person is not required to maintain any books of account. In this case Mr. Raja is engaged in one of the non-specified professions and fulfils both the above conditions. Hence, he is not liable to maintain any books of account.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q48. Mr. Raja is running a factory. His annual turnover for the past three years was Rs. 9,52,000, Rs. 7,50,000 and Rs. 6,84,000 respectively. Further, his actual income from such business in the past three years was Rs. 1,18,000, Rs. 1,05,000 and Rs. 98,000. Is he liable to maintain any books of account?

- (a) Yes (b) No

Correct answer: (b)

Justification of correct answer

If a person is carrying on a non-specified profession or any business whose income does not exceed Rs. 1,20,000 and his total sales/gross receipts from such business or profession do not exceed Rs. 10,00,000, in the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt is not likely to exceed aforesaid limit), then such person is not required to maintain any books of account. In the given case Mr. Raja is engaged in the business and fulfils both the above conditions. Hence, he is not liable to maintain any books of account.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct provision. The other option, viz., option (a) giving the incorrect provision is not correct.

Q49. Mr. Raja is a teacher. His annual gross receipts for the past three years are Rs. 8,84,000, Rs. 6,52,000 and Rs. 4,20,000 respectively. Further, his actual income from such profession in the past three years was Rs. 1,52,000, Rs. 1,25,000 and Rs. 1,18,000. In this case which of the following books of account he is liable to maintain?

- (a) A cash book
(b) A ledger

- (c) Such books of account and other documents as may enable the Assessing Officer to compute his taxable income
- (d) He is not liable to maintain any books of account

Correct answer: (c)

Justification of correct answer

If a person is carrying on a non-specified profession or any business, income from which business or profession exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In the given case, even though the gross receipts of Mr. Raja do not exceed Rs. 10,00,000 in all the three years immediately preceding the previous year, his actual income exceeded Rs. 1,20,000 in the past two years and, hence, he is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

Thus, option (c) is the correct option.

Comment on incorrect answer: Option (c) is the correct option since it gives the correct provision. The other options, viz., options (a), (b) and (d) giving the incorrect books of account/provision are not correct.

Q50. Mr. Raja is running a factory. His annual turnover during the past three years was Rs. 8,52,000, Rs. 7,84,000 and Rs. 6,40,000 respectively. Further, his actual income from such business in the past three years was Rs. 1,60,000, Rs. 1,32,000 and Rs. 84,000. Is he liable to maintain any books of account?

- (a) Yes
- (b) No

Correct answer: (a)

Justification of correct answer

If a person is carrying on a non-specified profession or any business, income from which exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In the given case, even though the turnover of Mr. Raja does not exceed Rs. 10,00,000 in the three years immediately preceding the previous year, his actual income exceeds Rs. 1,20,000 in the past two years and, hence, he is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provision. The other option, viz., option (b) giving the incorrect provision is not correct.

Q51. Mr. Raja is a teacher. His annual gross receipts for the past three years were Rs. 10,84,000, Rs. 8,40,000 and Rs. 6,52,000 respectively. Further, his actual income from such profession in the past three years was Rs. 1,16,000, Rs. 1,05,000 and Rs. 88,000. In this case which of the following books of account he is liable to maintain?

- (a) A cash book

- (b) A ledger
- (c) Such books of account and other documents as may enable the Assessing Officer to compute his taxable income
- (d) He is not liable to maintain any books of account

Correct answer: (c)

Justification of correct answer

If a person is carrying on a non-specified profession or any business, income from which exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In the given case, the gross receipts of Mr. Raja in one of the past three years exceeded Rs. 10,00,000 and, hence, he is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute his total income, even though his actual income does not exceed Rs. 1,20,000 in the past three years.

Thus, option (c) is the correct option.

Comment on incorrect answer: Option (c) is the correct option since it gives the correct provision. The other options, viz., options (a), (b) and (d) giving the incorrect books of account/provision are not correct.

Q52. Mr. Raja is running a factory. His annual turnover for the past three years was Rs. 10,84,000, Rs. 8,52,000 and Rs. 7,20,000 respectively. Further, his actual income from such business in the past three years was Rs. 1,19,000, Rs. 1,02,000 and Rs. 88,000. Is he liable to maintain any books of account?

- (a) Yes
- (b) No

Correct answer: (a)

Justification of correct answer

If a person is carrying on a non-specified profession or any business, income from which exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In the given case the annual turnover of Mr. Raja exceeded Rs. 10,00,000 in one of the three years and, hence, he is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute his total income, even though his actual income does not exceed Rs. 1,20,000 in all the past three years.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provision. The other option, viz., option (b) giving the incorrect provision is not correct.

Q53. If a person is carrying on a non-specified profession or any business, income from which exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000 in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain

such books of account and other documents as may enable the Assessing Officer to compute his total income.

- (a) True (b) False

Correct answer: (a)

Justification of correct answer

If a person is carrying on a non-specified profession or any business, income from which business or profession exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q54. Miss Khushi is running a beauty parlour. Her annual gross receipts for the past three years were Rs. 10,84,000, Rs. 8,52,000 and Rs. 6,25,000 respectively. Further, her actual income from such profession in the past three years was Rs. 2,52,000, Rs. 1,84,000 and Rs. 1,18,000. In this case, she is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute her taxable income.

- (a) True (b) False

Correct answer: (a)

Justification of correct answer

If a person is carrying on a non-specified profession or any business, income from which exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In the given case Miss Khushi is engaged in one of the non-specified professions and her gross receipts from such profession exceed Rs. 10,00,000 in one of the past three years as well as her actual income from such profession also exceeds Rs. 1,20,000 in the past two years and, hence, she is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute her total income.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q55. Mr Soham is running a proprietary concern under the name of Soham & Co. The annual turnover of the firm for the past three years was Rs. 12,52,000, Rs. 10,10,000 and Rs. 8,84,000 respectively. Further, his actual income from such business in the past three years was Rs. 5,52,000, Rs. 4,84,000 and Rs. 3,60,000. In this case is he liable to maintain any books of account?

- (a) Yes (b) No

Correct answer: (a)

Justification of correct answer

If a person is carrying on a non-specified profession or any business, income from which exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In the given case, Mr. Soham is running a proprietary concern and his annual turnover from such business exceeded Rs. 10,00,000 in the past two years as well as his actual income from such business also exceeded Rs. 1,20,000 in the past three years and, hence, he is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provision. The other option, viz., option (b) giving the incorrect provision is not correct.

Q56. Miss Khushi is running a beauty parlour. Her annual gross receipts for the past three years were Rs. 10,84,000, Rs. 8,52,000 and Rs. 6,25,000 respectively. Further, her actual income from such profession in the past three years was Rs. 1,19,000, Rs. 1,01,000 and Rs. 95,000. In this case she is not liable to maintain any books of account since her actual income does not exceed Rs. 1,20,000 in the past three years.

- (a) True (b) False

Correct answer: (b)

Justification of correct answer

If a person is carrying on a non-specified profession or any business, income from which exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In the given case Miss Khushi is engaged in one of the non-specified professions and her gross receipts from such profession exceed Rs. 10,00,000 in one of the past three years and, hence, she is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute her total income, even though her actual income does not exceed Rs. 1,20,000 in the past three years.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q57. Mr Soham is running a proprietary concern under the name of Soham & Co. The annual turnover of the firm for the past three years was Rs. 12,52,000, Rs. 10,10,000 and Rs. 8,84,000 respectively. Further, his actual income from such business in the past three years was Rs. 1,15,000, Rs. 1,00,000 and Rs. 84,000. In this case which of the following books of account is he liable to maintain?

- (a) A cash book
(b) A ledger
(c) Such books of account and other documents as may enable the Assessing Officer to compute his taxable income
(d) He is not liable to maintain any books of account

Correct answer: (c)

Justification of correct answer

If a person is carrying on a non-specified profession or any business, income from which exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In the given case, Mr. Soham is running a proprietary concern and his annual turnover from such business exceeded Rs. 10,00,000 in the past two years and, hence, he is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute his total income, even though his actual income does not exceed Rs. 1,20,000 in the past three years.

Thus, option (c) is the correct option.

Comment on incorrect answer: Option (c) is the correct option since it gives the correct provision. The other options, viz., options (a), (b) and (d) giving the incorrect books of account/provision are not correct.

Q58. Miss Khushi is running a beauty parlour. Her annual gross receipts for the past three years were Rs. 8,84,000, Rs. 7,52,000 and Rs. 6,25,000 respectively. Further, her actual income from such profession in the past three years was Rs. 1,52,000, Rs. 1,24,000 and Rs. 88,000. In this case, she is not liable to maintain any books of account, since her annual gross receipts does not exceed Rs. 10,00,000 in the past three years.

(a) True

(b) False

Correct answer: (b)

Justification of correct answer

If a person is carrying on a non-specified profession or any business, income from which exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In the given case Miss Khushi is engaged in one of the non-specified professions and her actual income from such profession exceeded Rs. 1,20,000 in the past two years and, hence, she is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute her total income, even though her annual gross receipts does not exceed Rs. 10,00,000 in the past three years.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q59. Mr Soham is running a proprietary concern under the name of Soham & Co. The annual turnover of the firm for the past three years was Rs. 9,52,000, Rs. 8,10,000 and Rs. 7,84,000 respectively. Further, his actual income from such business in the past three years was Rs. 1,60,000, Rs. 1,25,000 and Rs. 98,000. In this case which of the following books of account he is liable to maintain?

(a) A cash book

(b) A ledger

- (c) Such books of account and other documents as may enable the Assessing Officer to compute his taxable income
- (d) He is not liable to maintain any books of account

Correct answer: (c)

Justification of correct answer

If a person is carrying on a non-specified profession or any business, income from which exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any one of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt of that previous year is likely to exceed above limit), then such person shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

In the given case, Mr. Soham is running a proprietary concern and his actual income from such business exceeded Rs. 1,20,000 in the past two years and, hence, he is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute his total income, even though his annual turnover did not exceed Rs. 10,00,000 in the past three years.

Thus, option (c) is the correct option.

Comment on incorrect answer: Option (c) is the correct option since it gives the correct provision. The other options, viz., options (a), (b) and (d) giving the incorrect books of account/provision are not correct.

Q60. Miss Khushi is running a beauty parlour. Her annual gross receipts for the past three years were Rs. 8,84,000, Rs. 7,52,000 and Rs. 6,25,000 respectively. Further, her actual income from such profession in the past three years were Rs. 1,18,500, Rs. 1,05,000 and Rs. 94,000. In this case she is not liable to maintain any books of account.

- (a) True
- (b) False

Correct answer: (a)

Justification of correct answer

If a person is carrying on a non-specified profession or any business whose income does not exceed Rs. 1,20,000 and his total sales/gross receipts from such business or profession do not exceed Rs. 10,00,000, in the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt is not likely to exceed aforesaid limit), then such person is not required to maintain any books of account.

In the given case Miss Khushi is engaged in one of the non-specified professions and her actual income as well as gross receipts from such profession do not exceed Rs. 1,20,000 and Rs. 10,00,000, respectively, in the past three years and, hence, she is not liable to maintain any books of account.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q61. Mr Soham is running a proprietary concern under the name of Soham & Co. The annual turnover of the firm for the past three years was Rs. 9,52,000, Rs. 8,10,000 and Rs. 7,84,000 respectively. Further, his actual income from such business in the past three years was Rs. 1,12,000, Rs. 1,02,000 and Rs. 94,000. In this case he is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income.

- (a) True
- (b) False

Correct answer: (b)

Justification of correct answer

If a person is carrying on a non-specified profession or any business whose income does not exceed Rs. 1,20,000 and his total sales/gross receipts from such business or profession do not exceed Rs. 10,00,000 in the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt is not likely to exceed aforesaid limit), then such person is not required to maintain any books of account.

In the given case Mr. Soham is running a proprietary concern and his actual income as well as annual turnover from such business does not exceed Rs. 1,20,000 and Rs. 10,00,000 respectively, in the past three years and, hence, he is not liable to maintain any books of account.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q62. Persons adopting the provisions of sections 44AE or 44BB or 44BBB are required to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income, even though they declare income as per the provisions of section 44AE or 44BB or 44BBB.

- (a) True (b) False

Correct answer: (b)

Justification of correct answer

An assessee to whom section 44AE or 44BB or 44BBB applies, and who declares his business income to be lower than the income computed as per the provisions of aforesaid sections then only he is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q63. An assessee adopting the provisions of section 44AE is not required to maintain any books of account, even though he claims that his business income to be lower than the income computed as per the provisions of section 44AE.

- (a) True (b) False

Correct answer: (b)

Justification of correct answer

An assessee to whom section 44AE or 44BB or 44BBB applies, and who declares his business income to be lower than the income computed as per the provisions of aforesaid sections then he is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q64. Is an assessee adopting the provisions of section 44BB or 44BBB required to maintain any books of account and other documents if he declares that his business income to be lower than the income computed as per the provisions of section 44BB or 44BBB?

- (a) Yes (b) No

Correct answer: (a)

Justification of correct answer

An assessee to whom section 44AE or 44BB or 44BBB applies, and who declares his business income to be lower than the income computed as per the provisions of aforesaid sections then he is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provision. The other option, viz., option (b) giving the incorrect provision is not correct.

Q65. Mr. Raja is engaged in the business of plying, hiring or leasing goods carriages. He owns 4 heavy goods vehicles and 5 light goods vehicles and declares income as per the provisions of section 44AE. In this case is he liable to maintain any books of account?

(a) Yes (b) No

Correct answer: (b)

Justification of correct answer

An assessee to whom section 44AE or 44BB or 44BBB applies, and who declares his business income to be lower than the income computed as per the provisions of aforesaid sections then only he is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act.

In this case Mr. Raja has declared income as per the provisions of section 44AE and, hence, he is not liable to maintain any books of account.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct provision. The other option, viz., option (a) giving the incorrect provision is not correct.

Q66. Mr. Raja is engaged in the business of plying, hiring or leasing goods carriages. He owns 4 heavy goods vehicles and 5 light goods vehicles and wants to adopt the provisions of section 44AE. However, his actual income from heavy goods vehicles as well as light goods vehicles is more than Rs. 5,000 per month and Rs. 4,500 per month respectively, and, hence, declares his actual income. In this case is he liable to maintain any books of account?

(a) Yes (b) No

Correct answer: (b)

Justification of correct answer

An assessee to whom section 44AE or 44BB or 44BBB applies, and who declares his business income to be lower than the income computed as per the provisions of aforesaid sections then only he is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act.

In this case Mr. Raja has declared higher income than the income computed as per the provisions of section 44AE and, hence, he is not liable to maintain any books of account.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct provision. The other option, viz., option (a) giving the incorrect provision is not correct.

Q67. Mr. Raja is engaged in the business of plying, hiring or leasing goods carriages. He owns 4 heavy goods vehicles and 5 light goods vehicles and wants to adopt the

provisions of section 44AE. However, his actual income from heavy goods vehicles as well as light goods vehicles is below Rs. 5,000 per month and Rs. 4,500 per month respectively, and, hence, he declares his actual income. In this case is he liable to maintain any books of account?

- (a) Yes (b) No

Correct answer: (a)

Justification of correct answer

An assessee to whom section 44AE or 44BB or 44BBB applies, and who declares his business income to be lower than the income computed as per the provisions of aforesaid sections then only he is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act.

In this case the actual income of Mr. Raja from heavy goods vehicles as well as light goods vehicle is lower than Rs. 5,000 per month and Rs. 4,500 per month respectively and hence, he is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provision. The other option, viz., option (b) giving the incorrect provision is not correct.

Q68. An assessee who is covered under section 44AD is not required to maintain any books of account, even though he declares higher income than the income computed as per the provisions of section 44AD (i.e., @ 8% of turnover or gross receipts for the year).

- (a) True (b) False

Correct answer: (a)

Justification of correct answer

An assessee who is covered under section 44AD is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act only if he claims that the actual profits and gains from the business are lower than the profits and gains computed as per section 44AD and his income exceeds the maximum amount which is not chargeable to tax.

In other words, if an assessee declares higher income than the income computed as per the provisions of section 44AD is not required to maintain any books of account.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q69. Mr. Raja is running a proprietary concern under the name of Raja & Co. The turnover of the firm during the previous year 2012-13 was Rs. 84,52,252 and he declared income as per the provisions of section 44AD. Hence, he is not liable to maintain any books of account.

- (a) True (b) False

Correct answer: (a)

Justification of correct answer

An assessee who is covered under section 44AD is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act only if he claims that the actual profits and gains from the

business are lower than the profits and gains computed as per section 44AD and his income exceeds the maximum amount which is not chargeable to tax.

In other words, if an assessee declares income as per the provisions of section 44AD, then he is not liable to maintain any books of account. Hence, Mr. Raja is not liable to maintain any books of account.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q70. Mr. Raja is running a proprietary concern under the name of Raja & Co. The turnover of the firm during the previous year 2012-13 was Rs. 84,52,252 and he wants to declare income as per the provisions of section 44AD. However, his actual income is only Rs. 5,50,000 which is lower than Rs. 6,76,180 (i.e., Rs. 84,52,252 * 8%) and, hence, declares his actual income. In this case is he liable to maintain any books of account?

(a) Yes

(b) No

Correct answer: (a)

Justification of correct answer

An assessee who is covered under section 44AD is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act, if he claims that the actual profits and gains from the business are lower than the profits and gains computed as per section 44AD and his income exceeds the maximum amount which is not chargeable to tax.

In this case Mr. Raja fulfils the above mentioned conditions and, hence, he is liable to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provision. The other option, viz., option (b) giving incorrect provision is not correct.