Advance learning on Maintenance of Books of account (Theory)

In this advance learning we will learn about the provisions relating to maintenance of books of account as given in section 44AA. These provisions are as follows:

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.

Let’s first understand the meaning of terms “specified professions” and “non-specified professions”.

- For the purpose of maintenance of books of account, following professions are treated as “Specified professions”:
  - Legal
  - Medical
  - Engineering
  - Architectural
  - Accountancy
  - Company secretary
  - Technical consultancy
  - Interior decoration
  - Authorised representative (*)
  - Film artist ($)  
  - Information technology

  (*) “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.

  ($) “Film artist” means any person engaged in his professional capacity in the production of a cinematographic 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 screenplay writer, a dialogue writer, and a dress designer.

- For the purpose of maintenance of books of account following professions are treated as “non-specified professions”:

  “Non-specified professions” means professions other than “Specified professions” mentioned above.

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

  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 (see list given below).

**LIST OF BOOKS OF ACCOUNT SPECIFIED UNDER RULE 6F:**

(i) A cash book *(i.e., a record of all cash receipts and payments, kept and maintained from day-to-day giving the cash balance in hand of each day or at the end of a specified period not exceeding a month)*;

(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, a person engaged in medical profession *(i.e., a practitioner of any system of medicine – physicians, surgeons, dentists, pathologists, radiologists, vaids, hakims, etc.)* has to maintain following items:

- 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.

**Illustration**

Mr. Kumar is a Film artist. His annual gross receipts for past three years are as follows:

- Financial year 2012-13 : Rs. 8,40,000
- Financial year 2011-12 : Rs. 5,40,000
- Financial year 2010-11 : Rs. 4,40,000

In this case which books of account should he maintain in relation to his profession?

**Illustration**

Mr. Kapoor is a Dentist. His annual gross receipts for past three years are as follows:

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

(As amended by Finance Act, 2013)
Financial year 2011-12 : Rs. 6,52,000  
Financial year 2010-11 : Rs. 4,48,000

In this case which books of account should he maintain in relation to his profession?

The medical profession (i.e., practitioner of any system of medicine – physicians, surgeons, dentists, pathologists, radiologists, vaids, 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 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 such books of account:

- The aforesaid 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 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 out, such books of account and other documents may be kept and maintained at the respective places at which the profession is carried out.
- 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.

Illustration

Mr. Kapoor is a Dentist. He is carrying on his medical practice at 2 different places situated in Delhi. Out of these 2 places he declares one place as a principal place of his profession. However, he does not maintain separate books of account. His annual gross receipts for past three years were as follows:

- Financial year 2012-13 : Rs. 8,84,000
In this case, at which place should he maintain books of account in relation to his profession?

The following points should be kept in mind while deciding about the place of maintenance of books of account:

- The books of account and documents prescribed by rule 6F as well as in certain cases, additional books of account (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 out in more than one place and if separate books of account are not maintained, the books of account should be kept at the principal place of his profession.

Hence, Mr. Kapoor has to maintain books of account prescribed by rule 6F as well as the additional books of account at the principal place of his profession.

Illustration

Mr. Raja is an accountant. His annual gross receipts for past three years were as follows:

- Financial year 2012-13 : Rs. 1,84,000
- Financial year 2011-12 : Rs. 1,52,000
- Financial year 2010-11 : Rs. 1,25,000

In this case which books of account should he maintain in relation to his profession?

The profession of an accountant is covered under the definition of specified professions. Hence, a person engaged in the profession of accountancy 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. However, in case of a 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.

Illustration

Mr. Raja is an accountant. His annual gross receipts for past three years were as follows:

- Financial year 2012-13 : Rs. 1,84,000
- Financial year 2011-12 : Rs. 1,52,000
- Financial year 2010-11 : Rs. 1,25,000

In this case which books of account should he maintain in relation to his profession?

The profession of an accountant is covered under the definition of specified professions. Hence, a person engaged in the profession of accountancy 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. However, in case of a 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 taxable income.

In the given case the gross receipts of Mr. Raja do not exceed Rs. 1,50,000 in the financial year 2010-11 and, hence, he has to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income.

- 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 :

  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.

Further, these provisions also apply to an assessee to whom section 44AD or 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.

Illustration

Mr. Raja is running a proprietary concern under the name of Raja & Co. His annual turnover for past three years is as follows:

- Financial year 2012-13: Rs. 15,84,000
- Financial year 2011-12: Rs. 9,52,000
- Financial year 2010-11: Rs. 8,48,000

In this case which books of account should he maintain in relation to his business?

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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 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 total sales of Mr. Raja exceeded Rs. 10,00,000 in the financial year 2012-13 and, hence, he has to maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

- 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:

  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.

Illustration

Mr. Raja is running a proprietary concern under the name of Raja & Co. His annual turnover for past three years is as follows:

- Financial year 2012-13: Rs. 9,52,000
- Financial year 2011-12: Rs. 8,84,000
- Financial year 2010-11: Rs. 7,20,000

Further, his actual income does not exceed Rs. 1,20,000 in all these three years. In this case which books of account should he maintain in relation to his business?

**
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, the total sales of Mr. Raja do not exceed Rs. 10,00,000 in all the preceding three financial years as well as income for all the preceding three financial years is below Rs. 1,20,000 and, hence, he is not required to maintain any books of account.

- **Provisions in case of an assessee covered under section 44AD:**
  
  With effect from assessment year 2011-12, section 44AA has been amended so as to provide that in case of an assessee who is covered under the new 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.

**Illustration**

Mr. Raja is running a factory. The turnover of the factory during the previous year 2012-13 was Rs. 84,00,000. Mr. Raja wants to adopt the provisions of section 44AD. However, his actual income is only Rs. 5,00,000 which is lower than Rs. 6,72,000 (i.e., Rs. 84,00,000 * 8%) and, hence, decides to declare his actual income. In this case which books of account should he maintained in relation to his business?

**If an assessee is covered under the new 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 factory 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 Under which heads the provisions relating to maintenance of books of account as given in section 44AA are classified?

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.

Q.2 As per the provisions of section 44AA, which professions are treated as “specified professions”? Explain in details.

For the purpose of maintenance of books of account, following professions are treated as “Specified professions”:

- Legal
- Medical
- Engineering
- Architectural
- Accountancy
- Company secretary
- Technical consultancy
- Interior decoration
- Authorised representative (*)
- Film artist ($)
- Information technology

(*) “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.

($) “Film artist” means any person engaged in his professional capacity in the production of a cinematographic 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.

Q.3 As per the provisions of section 44AA, which professions are treated as “non-specified professions”?

“Non-specified professions” means professions other than “Specified professions” mentioned above.

Q.4 Which books of account are prescribed under rule 6F? Explain in detail.

List of books of account specified under rule 6F:

(i) A cash book (i.e., a record of all cash receipts and payments, kept and maintained from day-to-day and giving the cash balance in hand of each day or at the end of a specified period not exceeding a month);
(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 a person engaged in medical profession (i.e., a practitioner of any system of medicine – physicians, surgeons, dentists, pathologists, radiologists, vaids, hakims, etc.) has to maintain following items:

- 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.

Q.5 Explain with the help of an illustration the provisions relating to maintenance of books of account by the assessee engaged in any “specified professions” whose gross receipt exceeds Rs. 1,50,000.

Following illustrations will explain the provisions relating to maintenance of books of account by the assessee engaged in any “specified professions” whose gross receipt exceeds Rs. 1,50,000.

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.

**Illustration**

Mr. Kumar is a film artist. His annual gross receipts for past three years were as follows:

- Financial year 2012-13 : Rs. 8,40,000
- Financial year 2011-12 : Rs. 5,40,000
- Financial year 2010-11 : Rs. 4,40,000

In this case which books of account should he maintain in relation to his profession?

The profession of film artist is covered under the definition of specified professions. Hence, a person engaged in the profession of film artist 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. Kumar of the preceding three years exceeded Rs. 1,50,000 and, hence, he has to maintain books of specified under rule 6F. In other words, Mr. Kumar 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 Dentist. His annual gross receipts for past three years were as follows:

- Financial year 2012-13: Rs. 8,84,000
- Financial year 2011-12: Rs. 6,52,000
- Financial year 2010-11: Rs. 4,48,000

In this case which books of account should he maintain in relation to his profession?

**

The medical profession (i.e., practitioner of any system of medicine – physicians, surgeons, dentists, pathologists, radiologists, vaids, 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 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.6 Explain with the help of an illustration the provisions relating to place of maintenance of books of account as are prescribed by rule 6F.

Following illustration will explain the provisions relating to place of maintenance of books of account:

The aforesaid 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 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 be so kept and maintained till the assessment so reopened has been completed.

Illustration

Mr. Kapoor is a Dentist. He is carrying on his medical practice at 2 different places situated in Delhi. Out of these 2 places, he declared one place as a principal place of his profession. However, he does not maintain separate books of account. His annual gross receipts for past three years were as follows:

- Financial year 2012-13: Rs. 8,84,000
- Financial year 2011-12: Rs. 6,52,000
- Financial year 2010-11: Rs. 4,48,000

In this case, at which place should he maintain books of account in relation to his profession?

**

The following points should be kept in mind while deciding about the place of maintenance of books of account:

- The books of account and documents prescribed by rule 6F as well as in certain cases, additional books of account (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 and if separate books of account are not maintained, the books of account shall be kept at the principal place of his profession.

Hence, Mr. Kapoor has to maintain books of account prescribed by rule 6F as well as the additional books of account at the principal place of his profession.

Q.7 Explain with the help of an illustration the provisions relating to maintenance of books of account by the assessee engaged in any specified profession whose gross receipts do not exceed Rs. 1,50,000.

Following illustration will explain the provisions relating to maintenance of books of account by the assessee engaged in any specified profession whose gross receipts do not exceed Rs. 1,50,000.

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.

Illustration

Mr. Raja is an accountant. His annual gross receipts for past three years were as follows:

- Financial year 2012-13: Rs. 1,84,000
- Financial year 2011-12: Rs. 1,52,000
- Financial year 2010-11: Rs. 1,25,000

In this case which books of account should he maintain in relation to his profession?

**

The profession of an accountant is covered under the definition of specified professions. Hence, a person engaged in the profession of accountancy 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. However, 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 taxable income.

In the given case, the gross receipts of Mr. Raja do not exceed Rs. 1,50,000 in the financial year 2010-11 and, hence, he has to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income.

Q.8 Explain with the help of an illustration the provisions relating to maintenance of books of account by the assessee engaged in any non-specified profession or any business whose income/gross receipts exceed Rs. 1,20,000/10,00,000.

Following illustration will explain the provisions relating to maintenance of books of account by the assessee engaged in any non-specified profession or any business whose income/gross receipts exceed Rs. 1,20,000/10,00,000.

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.

Further, these provisions also apply to an assessee to whom section 44AD or 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.

Illustration

Mr. Raja is running a proprietary concern under the name of Raja & Co. His annual turnover for past three years was as follows:

- Financial year 2012-13 : Rs. 15,84,000
- Financial year 2011-12 : Rs. 9,52,000
- Financial year 2010-11 : Rs. 8,48,000

In this case which books of account should he maintain in relation to his business?

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, the total sales of Mr. Raja exceeded Rs. 10,00,000 in the financial year 2012-13 and, hence, he has to maintain such books of account and other documents as may enable the Assessing Officer to compute his total income.

Q.9 Explain with the help of an illustration the provisions relating to maintenance of books of account by the assessee engaged in any non-specified profession or any business whose income/gross receipts does not exceed Rs. 1,20,000/10,00,000.
Following illustration will explain the provisions relating to maintenance of books of account by the assessee engaged in any non-specified profession or any business whose income/gross receipts do not exceed Rs. 1,20,000/10,00,000.

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.

**Illustration**

Mr. Raja is running a proprietary concern under the name of Raja & Co. His annual turnover for past three years was as follows:
- Financial year 2012-13: Rs. 9,52,000
- Financial year 2011-12: Rs. 8,84,000
- Financial year 2010-11: Rs. 7,20,000

Further, his actual income did not exceed Rs. 1,20,000 in all these three years. In this case which books of account should he maintain in relation to his business?

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, the total sales of Mr. Raja do not exceed Rs. 10,00,000 in all the preceding three financial years as well as income for all the preceding three financial years is below Rs. 1,20,000 and, hence, he is not required to maintain any books of account.

**Q.10 Explain with the help of an illustration the provisions relating to maintenance of books of account by the assessee covered under section 44AD.**

Following illustration will explain the provisions relating to maintenance of books of account by the assessee covered under section 44AD.

With effect from assessment year 2011-12, section 44AA has been amended so as to provide that, in case of an assessee who is covered under the new 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) \[i.e., @ 8\%\];

(b) His income exceeds the maximum amount which is not chargeable to tax.

**Illustration**

Mr. Raja is running a factory. The turnover of the factory during the previous year 2012-13 was Rs. 84,00,000. Mr. Raja wants to adopt the provisions of section 44AD. However, his actual income is only Rs. 5,00,000 which is lower than Rs. 6,72,000 \(i.e., \text{Rs. 84,00,000 * 8\%}\) and, hence, decides to declare his actual income. In this case which books of account should he maintain in relation to his business?

**source : www.trpscheme.com**

(As amended by Finance Act, 2013)
If an assessee is covered under the new 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 factory 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. The provisions relating to maintenance of books of account are given under section ________.
(a) 44AA  (b) 44AB  
(c) 44AD  (d) 44AE

Correct answer: (a)

Justification of correct answer
Provisions relating to maintenance of books of account are given under section 44AA.
Thus, option (a) is the correct option.

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

Q2. The provisions relating to maintenance of books of account as given under section 44AA are applicable to an assessee who is engaged in any of the specified professions. However, such provisions of section 44AA are not applicable to an assessee who is engaged in any of the non-specified professions as well as the assessee who is carrying on any business.

(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.

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

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.

Q3. The provisions relating to maintenance of books of account as given under section 44AA are applicable to an assessee who is engaged in any of the non-specified professions. However, such provisions of section 44AA are not applicable to an assessee who is engaged in any of the specified professions as well as the assessee who is carrying on any business.

(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.

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

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.

Q4. The provisions relating to maintenance of books of account as given under section 44AA are applicable to an assessee who is engaged in any business. However, such provisions of section 44AA are not applicable to an assessee who is engaged in any of the specified professions as well as in any of the non-specified professions.

(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.

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

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

(a) 6A    (b) 6B

(c) 6D    (d) 6F

Correct answer: (d)

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 (d) is the correct option.

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

Q6. As per section 44AA and rule 6F, professions are bifurcated between “specified professions” and “non-specified professions”.

(a) True    (b) False

Correct answer: (a)

Justification of correct answer
As per section 44AA and rule 6F, professions are bifurcated between “specified professions” and “non-specified professions”.

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.

Q7. As per section 44AA and rule 6F, which of the following professions are prescribed as “specified professions”?
(a) Legal profession       (b) Company secretary profession
(c) Authorised representative profession    (d) All of the above

Correct answer: (d)

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 (d) is the correct option.

Comment on incorrect answer: Option (d) is the correct option since it covers all the specified professions. The other options, viz., options (a), (b) and (c) covering individual specified profession are not correct.

Q8. “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.

(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.

Q9. “Authorised representative” means a person, who represents any other person, on payment of any fee or remuneration before any _______ or _______ 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.

(a) Tribunal or Court       (b) Tribunal or any person
(c) Tribunal or authority    (d) Court or any person

Correct answer: (c)

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 (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 incorrect provision are not correct.

Q10. As per section 44AA and rule 6F, “film artist” profession is a “non-specified profession”.
(a) True  
(b) False

Correct answer: (b)

Justification of correct answer
As per section 44AA and rule 6F, “film artist” profession is a “specified profession”.

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. “Film artist” means any person engaged in his professional capacity in the production of cinematograph film, only produced by him and not by any other person as an actor, a camerman, 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.
(a) True  
(b) False

Correct answer: (b)

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 camerman, 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.

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. As per section 44AA and rule 6F, a “non-specified profession” is a profession other than a “specified profession”.
(a) True  
(b) False

Correct answer: (a)

Justification of correct answer
As per section 44AA and rule 6F, a “non-specified profession” is a profession other than a “specified 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.

source: www.trpscheme.com
Q13. As per section 44AA and rule 6F, all the persons engaged in “specified professions” are required to maintain the books of account as 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 professions 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 are required to maintain such books of account and other documents as may enable Assessing Officer to compute their taxable income under the Income-tax Act and not the books of account as prescribed by rule 6F. In other words, only the 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.

Q14. As per section 44AA and rule 6F, all the persons engaged in “specified professions” as well as all the persons carrying on any business are required to maintain the books of account as 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 professions 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 are required to maintain such books of account and other documents as may enable Assessing Officer to compute their taxable income under the Income-tax Act and not the books of account as prescribed by rule 6F. Moreover, under rule 6F, no books of account are specified for persons carrying on any business. In other words, 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.

Q15. Persons carrying on specified profession whose gross receipts in the profession do not exceed Rs. 1,50,000 in ____________ of the 3 years immediately preceding the previous year are required to maintain such books of account and other documents as may enable Assessing Officer to compute their taxable income under the Income-tax Act.

(a) All  (b) Any (one or more)

Correct answer: (b)

Justification of correct answer

Persons carrying on 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 are...
required to maintain such books of account and other documents as may enable Assessing Officer to compute their taxable income under the Income-tax Act.

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. Persons carrying on specified profession whose gross receipts in the profession do not exceed ________ in any (one or more) of the 3 years immediately preceding the previous year are required to maintain such books of account and other documents as may enable Assessing Officer to compute their taxable income under the Income-tax Act.

(a) Rs. 50,000   (b) Rs. 1,00,000
(c) Rs. 1,50,000   (d) Rs. 2,00,000

Correct answer: (c)

Justification of correct answer

Persons carrying on 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 are required to maintain such books of account and other documents as may enable Assessing Officer to compute their taxable income under the Income-tax Act.

Thus, option (c) is the correct option.

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

Q17. Mr. Raja is an interior decorator. His gross receipts for the past three years, i.e., Financial year 2012-13, 2011-12 and 2010-11 were Rs. 6,84,000, Rs. 3,52,000 and Rs. 1,48,000 respectively. Hence, 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

Persons carrying on 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 are required to maintain such books of account and other documents as may enable Assessing Officer to compute their taxable income under the Income-tax Act.

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

Q18. 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 and other documents as may enable Assessing Officer to compute their taxable income under the Income-tax Act.

As amended by Finance Act, 2013

source : www.trpscheme.com
Correct answer: (b)

Justification of correct answer

Persons carrying on specified professions whose gross receipts in the profession exceed Rs. 1,50,000 in all the 3 years immediately preceding the previous year (or where the profession has been newly set up in the previous year, his gross total receipts in the profession for that year are likely to exceed the said amount) are required to maintain 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.

Q19. Persons carrying on specified profession whose gross receipts in the profession (other than newly set-up profession) exceed Rs. 1,50,000 in ________________ are required to maintain the books of account as are prescribed by rule 6F.

(a) In the previous year
(b) In the financial year immediately preceding the previous year
(c) In all the 3 financial years immediately preceding the previous year
(d) In any of the 3 financial years immediately preceding the previous year

Correct answer: (c)

Justification of correct answer

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 (other than newly set-up profession) are required to maintain the books of account as are prescribed by rule 6F.

Thus, option (c) is the correct option.

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

Q20. Persons carrying on specified profession whose gross receipts in the profession (in case of newly set-up profession) are likely to exceed Rs. 1,50,000 in ________________ are required to maintain the books of account as are prescribed by rule 6F.

(a) In the previous year
(b) In the financial year immediately preceding the previous year
(c) In all the 3 financial years immediately preceding the previous year
(d) In any of the 3 financial years immediately preceding the previous year

Correct answer: (a)

Justification of correct answer

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 (or where the profession has been newly set up in the previous year, his gross total receipts in the profession for that year are likely to exceed the said amount) are required to maintain the books of account prescribed by rule 6F.

Thus, option (a) is the correct option.
Q21. Which of the following books of account are prescribed by rule 6F?

(a) A cash book   (b) A ledger
(c) A journal if mercantile system is followed   (d) All of the above

Correct answer: (d)

Justification of correct answer
Following books of account are prescribed by rule 6F:

(i) A cash book \( (i.e., \) a record of all cash receipts and payments, kept and maintained from day-to-day and giving the cash balance in hand of each day or at the end of a specified period not exceeding a month);

(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).

Thus, option (d) is the correct option.

Comment on incorrect answer: Option (d) is the correct option since it covers all the books of account. The other options, \( v\text{iz.}, \) options (a), (b) and (c) giving individual books of account are not correct.

Q22. As per rule 6F, a journal is to be maintained by the specified professionals irrespective of the method of accounting followed by them.

(a) True   (b) False

Correct answer: (b)

Justification of correct answer
As per rule 6F, a journal is to be maintained by the specified professionals who maintain books of account according to mercantile system of accounting.

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.

Q23. Mr. Raja is an interior decorator (maintains books of account on “cash” basis). His gross receipts for the past three years, \( i.e., \) Financial year 2012-13, 2011-12 and 2010-11 are Rs. 8,84,000, Rs. 6,52,000 and Rs. 3,48,000 respectively. Hence, he is liable to maintain books of account prescribed by rule 6F including a journal.

(a) True   (b) False

Correct answer: (b)

Justification of correct answer

(As amended by Finance Act, 2013)
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 books of account as are prescribed by rule 6F. However, a journal is to be maintained by the specified professionals who maintain books of account according to mercantile system of accounting.

In this case Mr. Raja is engaged in one of the specified professions and his taxable income exceeds Rs. 1,50,000 in all the three financial years. Hence, he is liable to maintain books of account as are prescribed by rule 6F excluding a journal since he maintains books of account on “cash” basis.

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.

Q24. As per rule 6F a cash book means a record of all cash receipts and payments kept and maintained from day-to-day and giving the cash balance in hand of each day or at the end of a specified period not exceeding ______.
(a) One day (b) One week
(c) One month (d) One year

Correct answer: (c)

Justification of correct answer

As per rule 6F a cash book means a record of all cash receipts and payments kept and maintained from day-to-day and giving the cash balance in hand of each day or at the end of a specified period not exceeding a month.

Thus, option (c) is the correct option.

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

Q25. As per rule 6F a ledger is to be maintained by the specified professionals irrespective of the method of accounting followed by them.
(a) True (b) False

Correct answer: (a)

Justification of correct answer

As per rule 6F, a ledger is to be maintained by the specified professionals irrespective of the method of accounting followed by them.

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.

Q26. As per rule 6F specified professionals are required to maintain original copies of all the bills issued by them.
(a) True (b) False

Correct answer: (b)

Justification of correct answer

As per rule 6F specified professionals are required to maintain carbon copies of bills (whether machine numbered or otherwise serially numbered) exceeding Rs. 25 issued by them and
carbon copies or counterfoils of machine numbered or otherwise serially numbered receipts issued 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.

Q27. As per rule 6F specified professionals are required to maintain carbon copies of bills (whether machine numbered or, otherwise serially numbered) exceeding________, issued by them and carbon copies or counterfoils of machine numbered or otherwise serially numbered receipts issued by them.

(a) Rs. 10  
(b) Rs. 15  
(c) Rs. 20  
(d) Rs. 25

Correct answer: (d)

Justification of correct answer
As per rule 6F specified professionals are required to maintain carbon copies of bills (whether machine numbered or otherwise serially numbered) exceeding Rs. 25 issued by them and carbon copies or counterfoils of machine numbered or otherwise serially numbered receipts issued by them.

Thus, option (d) is the correct option.

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

Q28. As per rule 6F specified professionals are required to maintain original bills/receipts issued to them 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: (a)

Justification of correct answer
As per rule 6F specified professionals are required to maintain original bills/receipts issued to them 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 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.

Q29. As per rule 6F specified professionals are required to maintain original bills/receipts issued to them in respect of expenditure. However, if bills/receipts are not issued and amount of expenditure does not exceed______, then they are required to maintain payment vouchers.

(a) Rs. 10  
(b) Rs. 20  
(c) Rs. 40  
(d) Rs. 50

Correct answer: (d)

Justification of correct answer
As per rule 6F specified professionals are required to maintain original bills/receipts issued to them in respect of expenditure (payment vouchers if bills/receipts are not issued and amount of expenditure does not exceed Rs. 50).

Thus, option (d) is the correct option.

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

Q30. Which of the following persons are included in the medical profession?
(a) Physicians   (b) Surgeons
(c) Dentists     (d) All of the above

Correct answer: (d)

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

Thus, option (d) is the correct option.

Comment on incorrect answer: Option (d) is the correct option since it covers all the medical professionals. The other options, viz., options (a), (b) and (c) covering individual medical professionals are not correct.

Q31. Which of the following specified professionals are required to maintain additional books of account/documents apart from books of account prescribed by rule 6F?
(a) Company secretary   (b) Film artist
(c) Medical professionals (d) All of the above

Correct answer: (c)

Justification of correct answer
Persons engaged in medical profession are required to maintain additional books of account/documents apart from books of account prescribed by rule 6F.

Thus, option (c) is the correct option.

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

Q32. In which of the following Form No. medical professionals are required to maintain a daily case register?
(a) Form No. 3A     (b) Form No. 3B
(c) Form No. 3C     (d) Form No. 3D

Correct answer: (c)

Justification of correct answer
Medical professionals are required to maintain a daily case register in Form No. 3C.

Thus, option (c) is the correct option.

Comment on incorrect answer: Option (c) is the correct option since it gives the correct Form No. The other options, viz., options (a), (b) and (d) giving incorrect Form No. are not correct.

Q33. Which of the following particulars are required to be shown in Form No. 3C?

(As amended by Finance Act, 2013)
Correct answer: (d)

Justification of correct answer

Medical professionals are required to maintain a daily case register in Form No. 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. Thus, option (d) is the correct option.

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

Q34. Medical professionals are required to maintain a daily case register in Form No. 3C showing date, patient’s name, nature of professional services rendered (i.e., general consultation, surgery, injection, visit, etc.,). However, the particulars of fees received and date of receipt are not required to be shown.

(a) True    (b) False

Correct answer: (b)

Justification of correct answer

Medical professionals are required to maintain a daily case register in Form No. 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. 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. Medical professionals are required to maintain a daily case register in Form No. 3C showing date, patient’s name, nature of professional services rendered (i.e., general consultation, surgery, injection, visit, etc.,) required to be shown in Form No. 3C?

(a) Yes     (b) No

Correct answer: (a)

Justification of correct answer

Medical professionals are required to maintain a daily case register in Form No. 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. 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.

Q36. Are the medical professionals required to maintain any other additional documents in addition to a daily case register in Form No. 3C?

(a) Yes     (b) No

Correct answer: (a)

Justification of correct answer

(As amended by Finance Act, 2013)
A person engaged in medical profession \( (i.e., \text{a practitioner of any system of medicine -- physicians, surgeons, dentists, pathologists, radiologists, vaids, hakims, etc.}) \) has to maintain following items in addition to books of account prescribed by rule 6F:

- A daily case register in prescribed form \( (i.e., \text{Form 3C}) \), showing date, patient’s name, nature of professional services rendered \( (i.e., \text{general consultation, surgery, injection, visit, etc.}) \), 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 (a) is the correct option.

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

Q37. Medical professionals are required to maintain inventory records of which of the following items?

(a) Drugs
(b) Medicines
(c) Other consumable accessories used for the purpose of his profession
(d) All of the above

Correct answer: (d)

Justification of correct answer

A person engaged in medical profession \( (i.e., \text{a practitioner of any system of medicine -- physicians, surgeons, dentists, pathologists, radiologists, vaids, hakims, etc.}) \) has to maintain following items in addition to books of account prescribed by rule 6F:

- A daily case register in prescribed form \( (i.e., \text{Form 3C}) \), showing date, patient’s name, nature of professional services rendered \( (i.e., \text{general consultation, surgery, injection, visit, etc.}) \), 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 (d) is the correct option.

Comment on incorrect answer: Option (d) is the correct option since it covers all the items. The other options, \( \text{viz., options (a), (b) and (c)} \) giving individual item are not correct.

Q38. Medical professionals are required to maintain inventory records of drugs and medicines only and not the records of any other consumable accessories used for the purpose of his profession.

(a) True \hspace{1cm} (b) False

Correct answer: (b)

Justification of correct answer

A person engaged in medical profession \( (i.e., \text{a practitioner of any system of medicine -- physicians, surgeons, dentists, pathologists, radiologists, vaids, hakims, etc.}) \) has to maintain following items in addition to books of account prescribed by rule 6F:
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, 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.

Q39. At which of the following places specified professionals (carrying on profession at one place only) are required to maintain the books of account prescribed by rule 6F (other than for the previous year which has come to an end)?

(a) At their residential place
(b) At the place where they carry on their profession
(c) (a) or (b) as per the choice of the professionals
(d) (a) or (b) as per the choice of the Assessing Officer

Correct answer: (b)

Justification of correct answer
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 specified professionals (carrying on their profession at one place only) at the place where they are carrying on their profession. Thus, option (b) is the correct option.

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

Q40. If a person is carrying on his profession at more than one place and separate books of account are not maintained for such places, then books of account and documents (other than those relating to previous year which has come to an end) should be kept at principal place of profession.

(a) True     (b) False

Correct answer: (a)

Justification of correct answer
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 specified professionals (carrying on their profession at one place only) at the place where they are carrying on the profession. Where the profession is carried on in more than one place and separate books of account are not maintained for each such place, at the principal place of their 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.

Q41. If a person is carrying on his profession at more than one place and declares one place as principal place of his profession and separate books of account are maintained for each place, then also books of account and other documents must be kept at principal place of profession.
True (b) False

Correct answer: (b)

Justification of correct answer

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 specified professionals (carrying on their profession at one place only) at the place where they are carrying on the profession. Where the profession is carried on in more than one place and separate books of account are not maintained then such books of account should be kept at the principal place of their profession. However, if the persons keep and maintain 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 either at the respective places at which the profession is carried on or at the principal place of their profession.

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.

Q42. For how many years the books of account and other documents should be kept and maintained by the person from the end of the relevant assessment year?

(a) 1 year (b) 5 years
(c) 6 years (d) 8 years

Correct answer: (c)

Justification of correct answer

The books of account and documents should be kept and maintained by the person for a period of 6 years from the end of the relevant assessment year.

Thus, option (c) is the correct option.

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

Q43. Where the assessment in relation to any assessment year has been reopened under section ________, 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.

(a) 144 (b) 147
(c) 154 (d) All of the above

Correct answer: (b)

Justification of correct answer

Where 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.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct section. The other options, viz., options (a), (c) and (d) giving the incorrect section are not correct.
Q44. Mr. Raja is an interior decorator (maintains books of account on “cash” basis). His gross receipts for the past three years, i.e., Financial years 2012-13, 2011-12 and 2010-11 were Rs. 8,84,000, Rs. 6,52,000 and Rs. 3,48,000 respectively. Which of the following books of account he is liable to maintain?

(a) A cash book  (b) A ledger
(c) (a) and (b) both  (d) He is not liable to maintain any books of account

Correct answer: (c)

Justification of correct answer

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 books of account as are prescribed by rule 6F. Following books of account are prescribed by rule 6F:

(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).

Thus, option (c) is the correct option.

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

Q45. All the persons carrying on “non-specified professions” are not required to maintain any books of account.

(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 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 other words, 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 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.

Q46. If a person is carrying on a non-specified profession or any business whose income does not exceed __________ and his total sales/gross receipts from such business or profession do not exceed __________, 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 __________).
exceed aforesaid limit), then such person is not required to maintain any books of account.

(a) Rs. 1,50,000 and Rs. 5,00,000  
(b) Rs. 1,50,000 and Rs. 10,00,000  
(c) Rs. 1,20,000 and Rs. 5,00,000  
(d) Rs. 1,20,000 and Rs. 10,00,000

Correct answer: (d)

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, option (d) is the correct option.

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

Q47. Which of the following books of account are to be maintained by the person who is carrying on a non-specified profession or any business whose income does not exceed 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)?

(a) A cash book  
(b) A ledger  
(c) A journal  
(d) Such persons are not required to maintain any books of account

Correct answer: (d)

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, option (d) is the correct option.

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

Q48. Which of the following persons are not required to maintain any books of account?

(a) Persons carrying on “non-specified professions” whose income and gross receipts do not exceed 1,20,000 and Rs. 10,00,000, respectively, in all the three years immediately preceding the previous year

(b) Persons carrying on any business whose income and total sales/gross receipts from such business do not exceed Rs. 1,20,000 and Rs. 10,00,000, respectively, in all the three years immediately preceding the previous year

(c) (a) and (b) both

(d) Persons carrying on specified profession

Correct answer: (c)
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, option (c) is the correct option.

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

Q49. Persons carrying on any business whose income and total sales/gross receipts from such business do not exceed Rs. 1,20,000 and Rs. 10,00,000, respectively, in all the three years immediately preceding the previous year are required to maintain books of account as are prescribed by rule 6F.
(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 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 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.

Q50. Persons carrying on “non-specified professions” whose income and gross receipts do not exceed 1,20,000 and Rs. 10,00,000, respectively, in all the three years immediately preceding the previous year are required to maintain such books of account and other documents as may enable Assessing Officer to compute their 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 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 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.

Q51. 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.

(As amended by Finance Act, 2013)
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, option (a) is the correct option.

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 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. Hence, Mr. Raja is not liable to maintain any books of account.

Thus, option (b) is the correct option.

Q53. All the persons carrying on any business are not required to maintain any books of account.

(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 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 other words, 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 source : www.trpscheme.com (As amended by Finance Act, 2013)
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 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.

Q54. Which of the following books of account are to be maintained by the person who is carrying on a non-specified profession or any business whose income exceeds 1,20,000 or his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any of 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)?

(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 under the Income-tax Act
(d) Such persons are not required 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.

Thus, option (c) is the correct option.

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

Q55. Which of the following persons are required to maintain such books of account and other documents as may enable the Assessing Officer to compute their total income under the Income-tax Act?

(a) Persons carrying on “non-specified professions” whose income or gross receipts exceeds 1,20,000 and Rs. 10,00,000 respectively in any of the three years immediately preceding the previous year
(b) Persons carrying on any business whose income or total sales/gross receipts from such business exceeds Rs. 1,20,000 and Rs. 10,00,000 respectively, in any of the three years immediately preceding the previous year
(c) Persons carrying on specified professions whose gross receipts do not exceed Rs. 1,50,000 in any of the three years immediately preceding the previous year
(d) All of the above

Correct answer: (d)

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.

Moreover, 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, option (d) is the correct option.

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

Q56. Persons carrying on any business whose income or total sales/gross receipts from such business exceed Rs. 1,20,000 and Rs. 10,00,000, respectively, in any of the three years immediately preceding the previous year are not required to maintain any books of account.

(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 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 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. Persons carrying on “non-specified professions” whose income or gross receipts exceed 1,20,000 and Rs. 10,00,000, respectively, in any of the three years immediately preceding the previous year are not required to maintain any books of account.

(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 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 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.

Q58. If a person is carrying on a non-specified profession or any business whose income exceeds Rs. 1,20,000 ______ his total sales/gross receipts from such business or profession exceed Rs. 10,00,000, in any of the three years immediately preceding the previous year (in case of new business or profession, income/gross receipt is likely to exceed aforesaid limit), then such person is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income.

(a) And    (b) Or
(c) And/or    (d) None of the above

Correct answer: (b)

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, option (b) is the correct option.

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

Q59. If a person is carrying on a non-specified profession or any business whose income exceeds Rs. 1,20,000 or his total sales/gross receipts from such business or profession 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 likely to exceed aforesaid limit), then such person is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income.

(a) Any of     (b) All
(c) (a) or (b) as per the choice of the assess    (d) None of the above

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, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct duration. The other options, viz., options (b), (c) and (d) giving the incorrect duration/provision are not correct.
Q60. Mr. Raja is running a factory. The turnover of the factory for the past three years, i.e., Financial years 2012-13, 2011-12 and 2010-11 were Rs. 12,84,000, Rs. 9,52,000 and Rs. 7,48,000 respectively. Further, his actual income from the factory for all these three years was above Rs. 1,20,000. 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 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 taxable income. Hence, Mr. Raja is required to maintain such books of account and other documents as may enable the Assessing Officer to compute his taxable income since his turnover for the financial year 2012-13 exceeds Rs. 10,00,000 as well as his income exceeds Rs. 1,20,000 in all the 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.

Q61. Persons adopting the provisions of sections 44AE, 44BB or 44BBB are not required to maintain any books of account as per section 44AA, even though they claim that the actual profits and gains from the business are lower than the profits and gains computed under these sections.

(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 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.

Q62. Person adopting the provisions of which of the following sections 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 under these sections?

(a) 44AE     (b) 44BB
(c) 44BBB     (d) All of the above

Correct answer: (d)

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...
sections 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 (d) is the correct option.

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

Q63. Which of the following books of account and other documents are required to be maintained by the person adopting the provisions sections 44AE, 44BB or 44BBB if he claims that the actual profits and gains from the business are lower than the profits and gains computed under these sections?

(a) A cash book
(b) A ledger
(c) A journal
(d) Such books of account and other documents as may enable the Assessing Officer to compute his taxable income under the Income-tax Act

Correct answer: (d)

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 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 (d) is the correct option.

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

Q64. Persons adopting the provisions of sections 44AE, 44BB or 44BBB are required to maintain such books of account and other documents as may enable the Assessing Officer to compute their taxable income under the Income-tax Act only if they claim that the actual profits and gains from the business are lower than the profits and gains computed under these sections and then income exceeds the maximum amount which is not chargeable to tax.

(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 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. Hence, it is not necessary that the income of the assessee should exceed the maximum amount which is not chargeable to tax.

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.
Q65. An assessee who is covered under section 44AD is not required to maintain any books of account, even though 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.

(a) True  (b) False

Correct answer: (b)

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.

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.

Q66. An assessee who is covered under section 44AD is required to maintain books of account prescribed by rule 6F 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.

(a) True  (b) False

Correct answer: (b)

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.

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.

Q67. Which of the following conditions are to be satisfied by an assessee who is covered under section 44AD so that 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?

(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%];
(b) His income exceeds the maximum amount which is not chargeable to tax
(c) (a) and (b) both
(d) None of the above

Correct answer: (c)

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.

Thus, option (c) is the correct option.

**Comment on incorrect answer:** Option (c) is the correct option since it covers both the conditions. The other options, viz., options (a), (b) and (d) giving individual condition/provisions are not correct.

Q68. Mr. Raja is engaged in the business of plying, hiring or leasing goods carriages. He owns 5 heavy goods vehicles and 4 light goods vehicles and wants to adopt the provisions of section 44AE. However, his actual income from the heavy goods vehicles as well as light goods vehicles is below Rs. 5,000 and Rs. 4,500, respectively, and, hence, he declares 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 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. Hence, Mr. Raja 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.

Q69. Mr. Raja is running a factory. The turnover of the factory during the previous year 2012-13 was Rs. 84,00,000 and he declares income as per the provisions of section 44AD (i.e., @ 8% of Rs. 84,00,000). Is he liable to maintain any books of account?

(a) Yes      (b) No

**Correct answer:** (b)

**Justification of correct answer**

An assessee adopting the provisions of section 44AD and declaring income as per the provisions of section 44AD is not required to maintain any books of account as per the provisions of section 44AA.

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.

Q70. Mr. Raja is running a factory. The turnover of the factory during the previous year 2012-13 was Rs. 84,00,000 and wants to adopt the provisions of section 44AD. However, his actual income is only Rs. 5,00,000 which is lower than Rs. 6,72,000 (i.e., Rs. 84,00,000 * 8%) and, hence, he declares his actual income. 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 under the Income-tax Act.

(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 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. Hence, Mr. Raja 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 since he fulfils both the above conditions.

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.