

Answer the given MCQ Questions:

- 1) **What is the key difference between tax planning and tax evasion?**
 - A. Tax planning is illegal, while tax evasion is legal
 - B. Tax planning is legal and ethical, while tax evasion is illegal and unethical
 - C. Both are illegal methods of reducing tax
- 2) **Which of the following is an example of tax evasion?**
 - A. Claiming deductions under Section 80C
 - B. Showing unrecorded sales
 - C. Investing in government bonds
- 3) **Tax planning helps in achieving which of the following?**
 - A. Increased penalties
 - B. Social and economic objectives
 - C. Criminal prosecution
- 4) **Which of the following is *not* a characteristic of tax planning?**
 - A. Legal and responsible behavior
 - B. Avoiding taxes through fake documents
 - C. Claiming allowable deductions and exemptions
- 5) **Which section deals with deductions from gross total income in tax planning?**
 - A. Section 70C
 - B. Section 80G
 - C. Sections 80C to 80U
- 6) **Claiming personal expenses as business expenses is an example of:**
 - A. Tax planning
 - B. Tax exemption
 - C. Tax evasion
- 7) **One of the main objectives of tax planning is:**
 - A. To evade taxes using illegal methods
 - B. To increase tax burden
 - C. To reduce tax liability within legal limits
- 8) **Tax evasion may result in:**
 - A. Legal rewards
 - B. Penalty and prosecution

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Test Series

Self-Made Assignment - Advance Accounting

Principle of Taxation - Tax Planning and Tax Evasion

C. Tax exemption

9) Which of the following is considered ethical and legal?

- A. Tax avoidance
- B. Tax evasion
- C. Tax planning

10) Which of these requires a deep understanding of law and economic conditions?

- A. Tax evasion
- B. Tax planning
- C. Tax fraud

11) Unrecorded sales are a sign of:

- A. Sound accounting
- B. Tax avoidance
- C. Tax evasion

12) Proper tax planning can lead to:

- A. Higher tax burden
- B. Unproductive investments
- C. Productive investment and fiscal discipline

13) Charging personal travel as a business expense is an example of:

- A. Legitimate business deduction
- B. Tax planning
- C. Tax evasion

14) Which of the following is encouraged by the government to meet social and economic goals?

- A. Tax evasion
- B. Tax planning
- C. Tax avoidance

15) Taking advantage of deductions under Section 80C is an example of:

- A. Tax evasion
- B. Tax planning
- C. Tax avoidance