

**ACCOUNTING FOR TAXES ON INCOME**

1. As per AS 22 on 'Accounting for Taxes on Income', tax expense is:
  - a. Current tax + deferred tax charged to profit and loss account
  - b. Current tax-deferred tax credited to profit and loss account
  - c. Either (a) or (b)
  - d. Deferred tax charged to profit and loss account
  
2. G Ltd. has provided the following information:  
Depreciation as per accounting records = ₹ 2,00,000  
Depreciation as per tax records = ₹ 5,00,000.  
Unamortized preliminary expenses as per tax record = ₹ 30,000  
There is adequate evidence of future profit sufficiency. How much deferred tax asset/liability should be recognized as transition adjustment when the tax rate is 50%?
  - a. Deferred Tax asset = ₹ 2,70,000.
  - b. Deferred Tax asset = ₹ 1,35,000.
  - c. Deferred Tax Liability = ₹ 2,70,000
  - d. Deferred Tax Liability = ₹ 1,35,000.
  
3. State which of the followings statements are correct:
  - A. There are no pre-conditions required to recognize deferred tax liability,
  - B. Deferred tax asset under all circumstances can only be created if and only if there is reasonable certainty that future taxable income will arise.
  - a. Both are correct.
  - b. Only (1) is correct.
  - c. Only (2) is correct.
  - d. None of the statements are correct.
  
4. Which of the following statement are incorrect:
  - a. Only timing differences result in creation of deferred tax.
  - b. Permanent differences do not result in recognition of deferred tax.
  - c. The tax rate used for measurement of deferred tax is substantively enacted tax rate.
  - d. The entity has to recognize deferred tax liability/asset arising out of timing difference. There are no conditions which are required to evaluated for their recognition.
  
5. According to AS 22, how should deferred tax assets and liabilities be measured?
  - a. At the enacted or substantively enacted tax rates
  - b. At the highest current tax rate
  - c. At the average of historical tax rates
  - d. At the lowest current tax rate
  
6. How does AS 22 recommend accounting for the tax effect of timing differences that reverse during the tax holiday period?
  - a. Ignored in financial statements
  - b. Recognized in the profit and loss statement
  - c. Adjusted against the revaluation reserve
  - d. Amortized over an extended period

7. According to AS 22, what is the primary objective of accounting for taxes on income?
  - a. To minimize tax liabilities
  - b. To ensure compliance with tax laws
  - c. To reflect the impact of income taxes in financial statements
  - d. To maximize deferred tax assets
8. How does AS 22 recommend accounting for deferred tax assets arising from unabsorbed depreciation and carry-forward of losses?
  - a. Recognized in full without any limitations
  - b. Recognized only to the extent of virtual certainty of future taxable profits
  - c. Ignored in financial statements
  - d. Amortized over a fixed period
9. Permanent differences do not result in.....
  - a. Deferred taxes
  - b. Deferred liabilities
  - c. Deferred taxes or deferred liabilities
  - d. None of the above

**Answers:**

1. (c)
2. (d)
3. (a)
4. (d)
5. (a)
6. (a)
7. (c)
8. (b)
9. (c)