**1. Under Section 144 of the Income Tax Act, 1961, the assessing officer is required to make a best judgment assessment if the taxpayer:**

* A) Fails to file a return of income within the specified time.
* B) Is unable to produce books of accounts despite repeated notices.
* C) Fails to comply with a notice under Section 142(1).
* D) All of the above.

**Answer: D) All of the above**

**2. In which of the following situations is the assessing officer NOT permitted to make a best judgment assessment under Section 144?**

* A) The taxpayer fails to attend the hearing despite being notified.
* B) The taxpayer has not submitted the required documents in response to the notice.
* C) The taxpayer refuses to disclose the correct income in the return of income.
* D) The taxpayer’s return is filed on time but the assessment is incomplete due to a clerical error.

**Answer: D) The taxpayer’s return is filed on time but the assessment is incomplete due to a clerical error**

**3. According to the Income Tax Act, the best judgment assessment should be based on:**

* A) The maximum possible income that the assessing officer can assume.
* B) The circumstances of the case and material available.
* C) Assumptions that favor the taxpayer.
* D) The tax liabilities of other similar taxpayers.

**Answer: B) The circumstances of the case and material available**

**4. In a best judgment assessment under Section 144, if the assessing officer determines that the income declared by the taxpayer is understated, the officer is allowed to:**

* A) Estimate the income on the basis of industry standards or past history.
* B) Assume the income to be double the declared amount without supporting evidence.
* C) Adopt the income shown by the taxpayer in the previous year.
* D) Ignore the taxpayer's income and impose a penalty directly.

**Answer: A) Estimate the income on the basis of industry standards or past history**

**5. Which of the following is true regarding the right of the taxpayer to appeal a best judgment assessment under Section 144?**

* A) The taxpayer can appeal only on the grounds of incorrect estimation of income.
* B) The taxpayer cannot challenge the decision of best judgment assessment in any case.
* C) The taxpayer can appeal the best judgment assessment to the Commissioner of Income Tax (Appeals) under Section 246A.
* D) The taxpayer must accept the best judgment assessment without any recourse to an appeal.

**Answer: C) The taxpayer can appeal the best judgment assessment to the Commissioner of Income Tax (Appeals) under Section 246A.**

**6. When an assessing officer exercises best judgment to make an assessment under Section 144, what standard of reasoning must be followed?**

* A) The officer must make an arbitrary decision based on the overall income potential of the taxpayer.
* B) The officer must follow a prescriptive set of rules without considering the taxpayer’s specific facts.
* C) The officer must adopt a rational and reasonable approach based on available material and evidence.
* D) The officer must rely solely on his personal discretion without evidence to support the assessment.

**Answer: C) The officer must adopt a rational and reasonable approach based on available material and evidence**

**7. If a taxpayer disagrees with the order passed by the Dispute Resolution Panel (DRP), what is the next step available to the taxpayer?**

* A) File an appeal directly with the Income Tax Appellate Tribunal (ITAT)
* B) File a writ petition in the High Court
* C) Approach the Central Government for review
* D) File a review petition before the DRP itself

**Answer: A) File an appeal directly with the Income Tax Appellate Tribunal (ITAT)**

**8. Which of the following is NOT a function of the Dispute Resolution Panel (DRP)?**

* A) To provide an alternative dispute resolution mechanism in certain cases.
* B) To issue a draft assessment order and facilitate its modification or acceptance.
* C) To act as an appellate authority over orders passed by the assessing officer.
* D) To provide an opportunity for taxpayers to settle disputes without going to the tribunal.

**Answer: C) To act as an appellate authority over orders passed by the assessing officer.**

**9. A taxpayer can approach the Dispute Resolution Panel (DRP) in case of a dispute arising from which of the following?**

* A) A regular assessment order
* B) A draft assessment order
* C) A penalty order
* D) A demand order

**Answer: B) A draft assessment order**

**10. What is the time frame within which the Dispute Resolution Panel (DRP) is required to dispose of the objections raised by the taxpayer?**

* A) Within 6 months from the date of receipt of the objections.
* B) Within 12 months from the date of receipt of the objections.
* C) Within 30 days from the date of receipt of the objections.
* D) Within 90 days from the date of receipt of the objections.

**Answer: D) Within 90 days from the date of receipt of the objections.**