

MCQ on Enquiry before assessment u/s 142(2A) Class Date - 24.08.2025

1. Under Section 142(2A), inventory valuation can be directed by the Assessing Officer in which of the following situations?

- a) When the accounts are complicated**
- b) When there is doubt regarding the authenticity of income
- c) When the taxpayer fails to furnish a return of income
- d) When the accounts are simple and easy to understand

2. Who bears the cost of the special audit under Section 142(2A)?

- a) The taxpayer
- b) The Assessing Officer
- c) The Chartered Accountant conducting the audit
- d) The Income Tax Department**

3. What is the primary factor that may lead to a special audit under Section 142(2A)?

- a) Large volume of transactions
- b) Complexity of accounts**
- c) Failure to file the tax return on time
- d) High amount of tax liability

4. Before ordering a special audit under Section 142(2A), the Assessing Officer must seek prior approval from which authority?

- a) The Principal Commissioner or Commissioner of Income Tax**
- b) The Director General of Income Tax
- c) The Finance Minister
- d) The Central Board of Direct Taxes (CBDT)

5. Under Section 142(2A)(ii), how much time is generally allowed for the completion of the special audit once it has been ordered?

- a) 30 days
- b) 60 days
- c) 90 days
- d) 180 days**

6. What happens if the special audit report under Section 142(2A)(ii) is not submitted within the prescribed time?

- a) The taxpayer is penalized
- b) The Assessing Officer can extend the time limit**
- c) The audit is automatically canceled
- d) The taxpayer's accounts are deemed as audited

7. Who is eligible to conduct inventory valuation under Section 142(2A)(ii)?

- a) Any chartered accountant
- b) An internal auditor of the company
- c) A chartered accountant nominated by the Assessing Officer
- d) The practicing Cost Accountant**

8. The special audit under Section 142(2A) is considered necessary when:

- a) The taxpayer requests for it
- b) The Assessing Officer feels that the nature and volume of transactions are complex**
- c) There is no discrepancy in the tax returns
- d) The accounts are audited under any other law

9. Can the taxpayer be given an opportunity of being heard before the Assessing Officer orders a special audit under Section 142(2A)?

- a) Yes, the taxpayer must be given an opportunity of being heard**
- b) No, the Assessing Officer can order the audit without any prior notice
- c) Only if the tax liability exceeds Rs. 10 lakh
- d) Only for companies and large corporations

10. Which of the following is NOT a valid reason for initiating a special audit under Section 142(2A)?

- a) Complexity of accounts
- b) Doubt about the correctness of accounts
- c) Large tax refunds due to the taxpayer**
- d) Volume of transactions requiring thorough verification