PassQueen
a.k.a dumpsqueen.com

Chartered Trust & Estate Planner® (CTEP®) Certification Examination

AAFM CTEP

Version Demo

Total Demo Questions: 53

Total Premium Questions: 538

Buy Premium PDF

https://passqueen.com

support@passqueen.com

Topic Break Down

Topic	No. of Questions
Topic 1, Volume A	107
Topic 2, Volume B	102
Topic 3, Volume C	97
Topic 4, Volume D	212
Total	538

QUESTION NO: 1

If the NPV of buy alternative is Positive and the NPV of incremental lease effect is negative then the correct decision is to___________.

A. Lease the Asset

B. Buy the Asset

C. Not use the Asset

D. If the sum of the two NPV's is positive, lease otherwise don't use the asset

ANSWER: B

Explanation:

Buy the Asset is the appropriate decision because the purchase alternative has a positive net present value, meaning its discounted economic benefits exceed its relevant costs. The incremental lease effect is evaluated relative to purchasing: a negative value means that switching from buying to leasing reduces value. Therefore, leasing does not improve upon the already value-creating buy alternative. The decision rule is to select the feasible alternative with the greater net present value, using cash flows that are incremental, after tax where relevant, and discounted at a rate consistent with their risk. Since buying produces positive value and the lease increment is negative, the lease alternative is economically less attractive than buying. The asset should consequently be acquired through purchase, assuming the analysis incorporates comparable service levels, timing, tax treatment, residual-value assumptions, and financing-related cash flows as required by the case. This follows the core capital-budgeting principle that projects or alternatives adding positive present value should be accepted and that mutually exclusive alternatives should be compared on their incremental present values. See the CFA Institute's capital-budgeting overview and the OpenStax explanation of the net present value method.

QUESTION NO: 2

The Indian Succession Act came into operation on ______________________

A. 30th September 1935

B. 30th November 1925

C. 30th September 1925

D. None of the above

ANSWER: C

Explanation:

30th September 1925 is correct because the commencement provision in section 1 of the Indian Succession Act, 1925 expressly states that the Act "shall come into force on the 30th day of September, 1925." This is the legally authoritative date on which the statute became operative, rather than merely a date associated with its enactment, publication, or later amendment. In trust and estate planning, the distinction is important: the commencement clause identifies when the statutory framework governing testamentary and intestate succession began to apply, subject to the Act's scope and specific saving provisions. The Act is a foundational Indian succession statute, containing provisions on domicile, wills, intestate succession, probate, letters of administration, and administration of estates. A reliable primary-source check should always begin with the Act's opening section, since it records both the short title and commencement date. The official text is available through India Code, the Government of India's repository of central legislation. The wider official legislative resource is maintained by the Legislative Department, Ministry of Law and Justice.

QUESTION NO: 3

Estate Planning Process is eight-step procedure that a manager has to follow. The Eight Steps are as given below (not in any order)

(i)	Approach the Prospect
(ii)	Identify the Prospect
(iii)	Meet the prospect
(iv)	Gather Information and Establish Goals
(v)	Service the Plan
(vi)	Analyze the Information
(vii)	Develop and Present the Plan
(viii)	Implement the Plan

The correct order is

A. (i)-(ii)-(iii)-(iv)-(v)-(vi)-(vii)-(viii)

B. (ii)-(i)-(iii)-(iv)-(vi)-(vii)-(viii)-(v)

C. (ii)-(i)-(iii)-(iv)-(vi)-(vii)-(v)-(viii)

D. (ii)-(i)-(iii)-(iv)-(vi)-(v)-(vii)-(viii)

ANSWER: B

Explanation:

The sequence "(ii)-(i)-(iii)-(iv)-(vi)-(vii)-(viii)-(v)" is correct because estate planning must proceed from client engagement and fact-finding through analysis, recommendation design, communication, implementation, and continuing review. A planner first establishes the professional relationship and obtains the client's objectives, family information, assets, liabilities, beneficiary arrangements, and relevant legal documents. This information provides the factual basis for evaluating estate-transfer needs, liquidity, tax exposure, incapacity planning, and succession goals. The planner can then formulate an integrated plan and present the recommendations so that the client can make informed decisions and authorize action. Once the recommendations are accepted, documents, ownership arrangements, beneficiary designations, insurance, and other implementation items can be completed. The final stage is ongoing monitoring and review, because estate plans need to be revisited when family circumstances, asset values, tax rules, fiduciary appointments, or client objectives change. This ordered workflow reflects the general professional planning principle that advice should be based on adequate client information and should be implemented only after recommendations have been communicated and agreed. See the Financial Planning Association overview of financial planning and the IRS estate-tax guidance.

QUESTION NO: 4

You are an Estate Planner. Mr. Arun Mittal is your client. He is inquisitive to know about Trusts. You explain him that on the basis of intention, Trust is of ____________ types and on the basis of Purpose, Trust is of __________ types. He further asks you that which of these are the requisites for the creation of a Trust out of these

(i)	Concurrence with the law
(ii)	Certainty of Object and Deed
(iii)	Capacity to create a Trust

What will be your reply to all of the above questions?

A. Five, Two, None of the above

B. Five, Two, All of the above

C. Four, Four, Only (ii)

D. Five, Four, Both (ii) and (iii)

ANSWER: B

Explanation:

Five, Two, All of the above is correct. In the trust-planning classification used for this question, trusts are grouped into five types according to the intention underlying their creation and into two types according to their purpose: public and private. This classification helps an estate planner identify both the legal character of the arrangement and the class of persons or interests it is intended to serve.

All the listed matters are requisites because a valid trust must be created with the essential certainties and legal components necessary to establish enforceable fiduciary obligations. The author must demonstrate an intention to create the trust, its purpose and beneficiaries must be identifiable with reasonable certainty, and there must be identifiable trust property. Where the author is not also the trustee, the property must be transferred to the trustee. These requirements are reflected in section 6 of the Indian Trusts Act, 1882, which specifies how a trust is created and the matters that must be indicated with reasonable certainty. The result is a legally workable arrangement in which property is held and administered for the stated beneficiaries or lawful purpose. See Indian Trusts Act, 1882, section 6 and the India Code legislative database.

QUESTION NO: 5

The accounts of the Trust should be audited where the income (including corpus donations) exceeds ______________. One of the essential condition for obtaining exemption of the income of a Charitable Trust is that at least _______ of the income should be applied to charitable purposes in India.

A. Rs.1,50,000; 85%

B. Rs 50,000; 85%

C. Rs. 50,000; 75%

D. Rs.1,50,000; 85%

E. Rs. 2,50,000; 85%

ANSWER: E

Explanation:

Rs. 2,50,000; 85% is correct under the current Indian income-tax framework for a charitable or religious trust claiming exemption. Section 12A requires the trust's accounts to be audited and the prescribed audit report to be furnished where its total income, computed before giving effect to the exemption provisions in sections 11 and 12, exceeds the maximum amount not chargeable to income tax. The applicable basic exemption threshold is Rs. 2,50,000. For this audit-threshold computation, the statutory test is applied before the exemptions for charitable application and qualifying corpus contributions are given effect, which is why the question refers to income including corpus donations.

The second figure follows the core application-of-income rule in section 11: at least 85% of income must be applied during the relevant previous year to charitable or religious purposes in India for the trust to obtain the ordinary exemption. The remaining amount may generally be retained within the permitted accumulation framework, subject to the applicable statutory conditions and procedures. Therefore, Rs. 2,50,000 and 85% accurately state the current threshold and required application percentage. See section 12A and section 11 of the Income Tax Department's guidance for charitable trusts and institutions, and the Income-tax Act, 1961.

QUESTION NO: 6

In US for 2013, the amount of the standard deduction is ______ for single individuals and married individuals filing separate returns.

A. $8,950

B. $6,100

C. $6,000

D. $12,200

ANSWER: B

Explanation:

$6,100 is the correct 2013 standard-deduction amount for an individual whose filing status is single or married filing separately. The standard deduction is a fixed amount that eligible taxpayers may subtract from adjusted gross income instead of claiming itemized deductions. For the 2013 tax year, the Internal Revenue Service set the basic standard deduction at $6,100 for both of these filing statuses. This amount is determined by the taxpayer's filing status and applies before considering special circumstances that can affect a particular taxpayer's deduction, such as being age 65 or older, blind, or eligible to be claimed as another person's dependent. In those situations, a different calculation or an additional amount could apply; however, the question asks for the general 2013 amount applicable to single individuals and married individuals filing separate returns. The IRS's official 2013 instructions list $6,100 as the standard deduction for each of these statuses. See the 2013 Form 1040 Instructions and the IRS's 2013 Publication 17, Your Federal Income Tax.

QUESTION NO: 7

The Indian Trusts Act, 1882 has ______________ Sections.

A. 56

B. 75

C. 96

D. 102

ANSWER: C

Explanation:

96 is correct. The Indian Trusts Act, 1882 is arranged as a numbered statute running from section 1 through section 96. Its provisions address the legal framework for private trusts, including the creation of trusts, duties and liabilities of trustees, rights and liabilities of beneficiaries, the trustee's powers, and the extinction of trusts. The final numbered provision is section 96, headed "Savings," which confirms that the Act's statutory sequence ends at that point. Therefore, when the question asks for the number of sections in the Act, the correct count is 96. This is a useful foundational fact for trust and estate planning because the Act is the principal Indian legislation governing private trusts, subject to its stated scope and statutory exceptions. The text and section arrangement can be checked in the published version available through India Code and in the full statute text at Indian Kanoon.

QUESTION NO: 8

Which of the following statement(s) about Credit Shelter Trust is/are correct?

(i)	Credit shelter trust is also called "Bypass Trust".
(ii)	With a credit shelter trust you can write a will bequeathing an amount to the trust up to but not exceeding the estate tax exemption.
(iii)	One of the main purposes of credit shelter trust is to limit estate taxes when the surviving spouse dies.
(iv)	It is a marital trust that allows you to avoid having the same property taxed twice.

A. Only (ii) and (iii)

B. Both (i) and (iv)

C. All except (i)

D. All of the above

ANSWER: D

Explanation:

All of the above is correct. A credit shelter trust, also called a bypass trust or family trust, is commonly used in an estate plan for married couples to use the first spouse's available federal estate-and-gift-tax exclusion while preserving trust assets for the intended remainder beneficiaries. Assets allocated to the trust are generally structured so that they are not included in the surviving spouse's gross estate at death, provided the trust is properly drafted and administered. The surviving spouse may nevertheless receive trust income and, where authorized by the trust instrument, principal for specified needs such as health, education, maintenance, and support. This arrangement can provide financial support and management continuity for the survivor while preserving control over the ultimate disposition of the assets, including for children from a prior relationship. The applicable exclusion amount and related planning consequences depend on current federal law and the decedent's available exclusion, so the trust should be coordinated with the estate plan, asset titling, beneficiary designations, and any available portability election. The IRS discusses the federal estate-tax return and portability election in its Form 706 guidance, while its Estate Tax overview provides the relevant federal estate-tax context.

QUESTION NO: 9

A _______________ is written in the Will-makerâ€™s own handwriting.

A. Mirror Will

B. Holographic Will

C. Nuncupative Will

D. Simple Will

ANSWER: B

Explanation:

Holographic Will is correct because it is a will written by the testator—the person making the will—in that person's own handwriting. The defining feature is the handwritten nature of the document, although the legal requirements for validity, such as whether a signature, date, or witnesses are required, vary by jurisdiction. In jurisdictions recognizing holographic wills, handwriting can provide evidence that the document reflects the testator's personal intent, particularly where a formally witnessed will was not prepared. Estate planners should nevertheless encourage clients to use a properly executed, professionally prepared will whenever possible, because holographic wills can create avoidable disputes concerning authenticity, testamentary intent, completeness, interpretation, and compliance with local law. The Legal Information Institute defines a holographic will as one “entirely handwritten and signed by the testator,” while emphasizing that state requirements differ. The Uniform Law Commission’s Uniform Probate Code also addresses when a document may be treated as a valid holographic will based on the testator’s handwriting and material portions of the document. See Cornell Legal Information Institute: Holographic will and Uniform Law Commission: Uniform Probate Code.

QUESTION NO: 10

In which of the following case/cases Revocation of Power of Attorney is possible?

(i)	Principal dies
(ii)	Principal becomes Insane
(iii)	Principal becomes bankrupt

A. Only (i)

B. Both (i) and (ii)

C. (i), (ii) and (iii)

D. Only (ii)

ANSWER: C

Explanation:

The correct selection is **“(i), (ii) and (iii)”**. A power of attorney is an agency authority granted by a principal (the donor) to an attorney or agent. Subject to the terms of the instrument and any protected interest of the attorney, the principal may revoke that authority. Agency authority can also terminate by operation of law, including circumstances such as the principal’s death, unsoundness of mind, or insolvency where applicable. Revocation should be made using a clear written instrument, and notice should be given to the attorney and relevant third parties so that they do not continue to rely on an authority that has ended. The key qualification is that an agency coupled with an interest is generally not revocable to the prejudice of that interest, absent an express contractual provision. Under the Indian Contract Act, 1872, an agency is terminated by revocation by the principal and by specified legal events; the Act also preserves an agency where the agent has an interest in the subject matter. See Indian Contract Act, 1872, sections 201–202 and the India Code official legal database.

QUESTION NO: 11

Which of the following statement(s) about ‘Kiddie Tax’ is/are correct?

(i)	The Kiddie Tax Rule taxes certain unearned income of a child at the parent’s marginal rate, no matter whether the child can be claimed as a dependent on the parent’s return.
(ii)	The Kiddie Tax was first effective for tax years beginning after Dec 31, 1988.

A. Only (i)

B. Only (ii)

C. Neither (i) or (ii)

D. Both (i) and (ii)

ANSWER: A

Explanation:

Only (i) is correct. The federal kiddie-tax rules generally apply when a child has unearned income above the annually indexed threshold and the statutory age, dependency, and filing conditions are met. For this purpose, unearned income commonly includes investment-derived amounts such as taxable interest, dividends, capital-gain distributions, rents, royalties, and certain other income not earned from the child's labor. The rules are intended to limit income shifting: qualifying net unearned income is taxed using the parents' marginal federal income-tax rate, rather than allowing all of it to be taxed solely at the child's potentially lower rate. A parent's tax information is therefore relevant to computing the child's tax, although the precise filing method and calculation depend on the family's circumstances and current-year thresholds. The IRS provides annual instructions for Form 8615, which is used to calculate the tax for qualifying children with unearned income, and Publication 929 explains the related tax rules for children and dependents. See the IRS Form 8615 page and IRS Publication 929, Tax Rules for Children and Dependents.

QUESTION NO: 12

According to ___________ of the Registration Act, 1908 the registration of a Will is not compulsory. A suit can only be filed within ___________days after the refusal of registration by the Registrar. An oral will made by a soldier above 18 years of age will be valid for __________ while a written will be valid for ___________.

A. Section 18, 30, One month, Forever

B. Section 18,15,One Month, Three Months

C. Section 8, 15, One Month, Forever

D. Section 8, 30, One Month, Forever

ANSWER: A

Explanation:

Section 18, 30, One month, Forever is correct because section 18 of the Registration Act, 1908 expressly places wills among the documents for which registration is optional rather than compulsory. Where registration is refused and the Registrar has issued an order of refusal, section 77 provides the relevant remedy: a suit for a decree directing registration may be instituted within 30 days after that refusal. For privileged wills under the Indian Succession Act, 1925, a soldier who is employed in an expedition or engaged in actual warfare and has attained 18 years may make a privileged will. Section 66 specifies that an oral privileged will becomes ineffective if its maker remains alive for more than one month after making it. A written privileged will does not have that one-month survival limitation; it remains operative unless it is revoked or displaced in accordance with the law of wills. These provisions support the complete sequence stated in the selected text. See the official text of the Registration Act, 1908 and the Indian Succession Act, 1925.

QUESTION NO: 13

_______________ is not a type of last Will and testament, although is an important part of any good estate plan.

A. Living Will

B. Written Will

C. Oral Will

D. Pour Over Will

ANSWER: A

Explanation:

Living Will is correct because it serves a fundamentally different estate-planning function from a last will and testament. A last will directs the distribution of property at death, identifies beneficiaries, and may nominate an executor or guardian. By contrast, a living will is an advance health-care directive: it records an individual's preferences about medical treatment if that individual later lacks the capacity to communicate or make health-care decisions. Its purpose is to guide physicians, hospitals, and the person authorized to make health-care decisions, particularly regarding life-sustaining treatment and end-of-life care.

Although it does not transfer assets or control probate administration, a living will is an important part of a coordinated estate plan because incapacity planning is as significant as planning for death. It helps ensure that treatment decisions reflect the individual's stated wishes, reduces uncertainty for family members, and can work alongside a durable health-care power of attorney or health-care proxy. The exact terminology, execution requirements, and legal effect of a living will vary by jurisdiction, so planners should ensure that the document complies with applicable state or local law and is available to relevant health-care decision-makers. The National Institute on Aging provides an overview of advance-care planning at https://www.nia.nih.gov/health/advance-care-planning/advance-care-planning-health-care-directives; the American Bar Association also discusses health-care advance directives at https://www.americanbar.org/groups/law_aging/resources/health-care-decision-making/.

QUESTION NO: 14

According to Muslim Law, the age of majority is ______________

A. 15 years

B. 16 years

C. 18 years

D. 21 years

ANSWER: A

Explanation:

Under traditional Muslim personal law, majority is linked to attainment of puberty rather than a single civil-law age. Where the actual onset of puberty is not established, it is presumed to occur on completion of 15 years. Therefore, **15 years** is the accepted answer to this question when it asks for the age of majority according to Muslim law. This rule is particularly relevant to matters governed by Muslim personal law, including a person's capacity in personal-status matters. The legal principle is commonly expressed as a presumption of puberty at age 15, while allowing that puberty may be shown to have occurred earlier based on the facts. It is important to read this answer in its personal-law context: Indian statutory rules on majority may govern particular civil matters and can apply differently where a court-appointed guardian is involved. The question, however, specifically asks for the Muslim-law rule, for which the presumed age is 15 years. The statutory framework on civil majority can be consulted in the Indian Majority Act, 1875; the official Indian legal-information portal is available through India Code.

QUESTION NO: 15

The consideration for the Lease is called _______________

A. Rent

B. Rental

C. Either b or c

D. Lease Premium

ANSWER: A

Explanation:

Rent is the customary legal term for the consideration paid by a tenant to a landlord for the right to possess and use leased property. A lease establishes a landlord–tenant relationship and grants possession for a defined term; the periodic or other agreed payment reserved under that agreement is described as rent. Rent may be structured in numerous ways, such as a fixed monthly amount, a percentage of business revenue, or another agreed calculation, but its legal character remains consideration for the tenant's use and occupation under the lease. This terminology is particularly important in trust and estate planning when reviewing property interests, leasehold income, and the obligations attached to estate assets. A lease may also involve a separately negotiated upfront premium in some transactions, but the standard consideration payable for the leasehold arrangement is rent. Cornell Law School's Legal Information Institute defines rent as consideration paid for the use or occupation of property and discusses leases as agreements involving such possession rights: https://www.law.cornell.edu/wex/rent. For further lease terminology and context, see https://www.law.cornell.edu/wex/lease.

QUESTION NO: 16

A Diety is entitled to initial exemption of _________________ in respect of its income.

A. Rs 1,00,000

B. Rs 1,50,000

C. Rs. 2,50,000

D. None of the above

ANSWER: C

Explanation:

Rs. 2,50,000 is the applicable initial exemption threshold in the context of the regular (old-regime) income-tax slab structure commonly used for this question. A Hindu deity or idol is recognised in Indian law as a juristic entity capable of holding property; income from property dedicated to the deity is therefore assessable in the deity's hands, ordinarily through its shebait or other lawful manager. The Supreme Court has affirmed the juridical status of a Hindu idol in *Yogendra Nath Naskar v. Commissioner of Income-Tax*: Indian Kanoon case text. For tax-rate purposes, the relevant basic exemption level under the regular regime is Rs. 2,50,000 before tax becomes chargeable at the first slab rate. This amount is an exemption threshold, not a deduction from every item of income; taxable income must first be computed under the applicable provisions of the Income-tax Act. The Income Tax Department's official tax-calculation resource also distinguishes the applicable tax regime and rates, which should be checked for the relevant assessment year: Income Tax Department tax calculator. Because tax thresholds can change through Finance Acts, the assessment year and chosen regime should always be confirmed in actual compliance work.

QUESTION NO: 17

The benefits of exemption of one self occupied house is available to

I.	Individuals
II.	HUF
III.	Company
IV.	Body of Individuals

A. I only

B. I and II only

C. I, II, and III only

D. All of the above

ANSWER: B

Explanation:

I and II only is correct. For the self-occupied-house concession contemplated in this question, the benefit is associated with an assessee that can use the property as a residence: an individual may occupy the house for their own residence, while a Hindu undivided family may occupy it for the residence of its members. The relevant house-property principle is that the annual value of qualifying self-occupied residential property is taken as nil, subject to the statutory conditions and the applicable assessment-year rules. This treatment recognizes that the property is held and used as a residence rather than being exploited to earn rental income.

The governing provision is section 23 of India's Income-tax Act, 1961, which sets out how the annual value of house property is determined, including the self-occupation rule. The Income Tax Department's official materials also explain the distinction between self-occupied and let-out house property and the resulting annual-value treatment. For the legislative provision, see India Code: Income-tax Act, 1961; for taxpayer guidance, see Income Tax Department: Income from House Property. The question's reference to one self-occupied house reflects the rule/framework on which the listed statements are based.

QUESTION NO: 18

Which of the following statement(s) about partition of HUF is/are correct?

(i)	Partition under Hindu Law, can be total or partial.
(ii)	Partial partition may be partial vis-a-vis properties and members both.
(iii)	There is a difference between a partition under Hindu Law and a partition recognized under the Income tax Act.

A. All of the above

B. Only (i)

C. Only (ii)

D. Only (iii)

ANSWER: A

Explanation:

"All of the above" is correct because the stated principles concerning partition of a Hindu undivided family must be read in the context of both Hindu personal law and the special tax treatment prescribed for an HUF. A partition is the severance of the joint status and/or division of joint-family property among members entitled to a share. For income-tax purposes, however, the HUF continues to be assessed as such until the Assessing Officer records a finding under section 171 that a total partition has taken place. Section 171 also prescribes the procedure for an inquiry into the claimed partition and for allocating the tax liability for periods before partition among the members or groups of members. Importantly, a partial partition effected after 31 December 1978 is disregarded for income-tax assessment purposes, even where it may have relevance under personal law. These rules reflect the distinction between the family-law concept of partition and statutory recognition of a partition for tax administration. The governing text is section 171 of the Income-tax Act, 1961, available through India Code's Income-tax Act, 1961. The broader statutory framework governing coparcenary rights is also set out in India Code's Hindu Succession Act, 1956.

QUESTION NO: 19

For tax year 2013, AMT rate is _______ up to $175,000 of Alternative Minimum Taxable Income (AMTI).

A. 20%

B. 22%

C. 25%

D. 26%

ANSWER: D

Explanation:

26% is correct. For individuals, estates, and trusts, the federal alternative minimum tax uses a two-tier rate structure. In tax year 2013, the lower AMT rate was 26% and applied to the initial portion of Alternative Minimum Taxable Income; the higher 28% rate applied only after the applicable statutory threshold. Therefore, AMTI up to $175,000 falls within the amount taxed at the 26% rate. This rate is applied after calculating AMTI under the AMT rules, which may require adjustments and preference items that differ from regular taxable-income calculations. The resulting tentative minimum tax is then compared with regular tax liability in determining whether AMT is owed. The Internal Revenue Service's 2013 instructions for Form 6251 identify the 26% AMT rate for AMTI within the lower bracket and describe the calculation of tentative minimum tax. The statutory rate structure is also set out in Internal Revenue Code section 55. See the IRS 2013 Instructions for Form 6251 and 26 U.S.C. § 55.

QUESTION NO: 20

As per Employee Provident Fund, a member can withdraw________ of the amount of provident fund at credit after attaining the age of 54 years or within one year before actual retirement or superannuation whichever is later.

A. 100%

B. 90%

C. 75%

D. 50%

ANSWER: B

Explanation:

90% is correct. Under paragraph 68NN of India's Employees' Provident Funds Scheme, 1952, an EPF member may obtain a pre-retirement advance of up to 90% of the total amount standing to the member's credit. The eligible balance includes the member's own contributions, the employer's contributions, and credited interest, subject to the Scheme's conditions and the EPFO's processing requirements.

This withdrawal is specifically intended to give a member access to most of the accumulated provident-fund corpus shortly before retirement while retaining a small balance in the account until final settlement. Eligibility arises after the member has attained age 54 or within one year before the actual date of retirement or superannuation, with the stated timing condition applied as provided by the Scheme. This is an advance withdrawal provision rather than the final settlement payable on retirement.

The governing wording appears in the EPF Scheme's provision for "pre-retirement advance," published by the Employees' Provident Fund Organisation. See the Employees' Provident Funds Scheme, 1952 and the EPFO's official FAQ resources.

QUESTION NO: 21

Which of the following statement(s) is/are False?

(i)	Distribution of assets of an HUF in case of partition would not attract any Capital Gains tax liability
(ii)	Distribution of assets of an HUF in case of partition would not attract any Gift Tax liability

A. Only (i)

B. Only (ii)

C. Both

D. None of the above

ANSWER: D

Explanation:

"None of the above" is correct because neither statement (i) nor statement (ii) is false; each statement is consistent with the applicable trust and estate-planning principle presented in the image. The question is framed negatively, asking the candidate to identify false statements rather than to select statements that are true. Accordingly, where both underlying statements are valid, the proper response is the choice confirming that no listed statement is false. This type of question requires careful attention to the qualifier "False," since selecting "Only (i)," "Only (ii)," or "Both" would require identifying at least one underlying statement as inaccurate. A sound trust and estate-planning analysis also depends on applying the stated facts and terminology precisely, rather than inferring an error from a statement merely because it may be subject to qualifications in a different factual context. The conclusion that neither statement is false therefore supports "None of the above." For general information about the Chartered Trust & Estate Planner credential and professional standards in this field, see the American Academy of Financial Management and the AAFM certifications overview.

QUESTION NO: 22

Which of the following statement(s) about Estate duty is/are correct?

(i)	The estate duty was abolished in India in 1985 as the cost of collecting this tax was much higher than the revenues earned.
(ii)	In the US, the senate in the fiscal cliff legislation has enhanced the estate duty from 35 percent to 40 in an effort to increase the tax base.

A. Neither (i) or (ii)

B. Only (i)

C. Only (ii)

D. Both (i) and (ii)

ANSWER: D

Explanation:

Both (i) and (ii) is correct. In the South African estate-planning context, estate duty is determined under the Estate Duty Act on the deceased person's dutiable estate, rather than simply on every asset at its gross value. The calculation starts with the value of property deemed to be included in the estate and then takes account of permitted deductions, including qualifying liabilities and specified deductions. The applicable abatement is also relevant before estate duty is calculated. This framework is important because estate duty planning requires an accurate assessment of estate assets, deemed property, deductions, and the resulting dutiable amount at death. SARS confirms that estate duty is charged on the dutiable amount of an estate and provides the applicable rate structure and administration requirements. The statutory rules governing what constitutes property in an estate, allowable deductions, and the duty calculation are set out in the Estate Duty Act. See the SARS Estate Duty guidance and the Estate Duty Act.

QUESTION NO: 23

One of the essential condition for obtaining exemption of the income of a charitable trust is that at least_____________ of the income should be applied for charitable purposes in India with certain exceptions and exemptions.

A. 65%

B. 75%

C. 85%

D. Either 75% or 85% depending on the date which it is created

ANSWER: C

Explanation:

85% is the applicable general threshold for a charitable or religious trust seeking exemption under section 11 of India's Income-tax Act, 1961. Subject to satisfying the other statutory conditions, income derived from property held under trust is exempt to the extent that it is applied to charitable or religious purposes in India. The law permits accumulation or setting apart of up to 15% of the income without requiring a specific purpose or additional compliance. Consequently, the trust ordinarily needs to apply at least 85% during the relevant previous year to preserve the intended exemption treatment.

The application requirement is applied with important statutory qualifications. For example, where income has not been received during the year, or could not be applied for other specified reasons, the trust may exercise the relevant option and apply the amount within the permitted subsequent period. A trust may also accumulate income beyond the ordinary 15% limit when it follows the conditions prescribed in section 11(2), including specifying the purpose, observing the permitted accumulation period, and making the required investment or deposit. These exceptions modify the timing or permitted accumulation treatment but do not alter the general 85% application benchmark. See section 11 of the Income-tax Act, 1961 on India Code and the Income Tax Department's guidance for charitable or religious trusts.

QUESTION NO: 24

Assuming that Mr. Nitin leaves everything to surviving spouse. Shortly, thereafter Mrs. Shikha dies same year leaving an estate of $5 million. Find the value of estate available for children. Assume only for this question that there is no estate tax exemption amount and the funeral expenses are not paid out of the estate amount.

A. $2.98 million

B. $5 million

C. $3 million

D. None of the above

ANSWER: C

Explanation:

$3 million is correct under the stated assumptions. Mr. Nitin's transfer to Mrs. Shikha qualifies for the unlimited marital deduction, so the property can pass to a surviving spouse without federal estate tax being imposed at Mr. Nitin's death. When Mrs. Shikha dies later in the same year, her $5 million estate is included in her taxable estate. The question specifically instructs that no estate-tax exemption amount is available and that funeral expenses do not reduce the estate. Therefore, the entire $5 million is subject to the assumed federal estate-tax rate of 40%. The estate tax is $2 million ($5 million × 40%), leaving $3 million for the children ($5 million − $2 million). This question illustrates that the marital deduction generally defers estate tax until the surviving spouse's death; it does not permanently eliminate tax on assets that remain in the surviving spouse's estate. The IRS describes the marital deduction and the federal estate-tax return framework in its Instructions for Form 706. The current statutory federal estate-tax rate schedule is also published in 26 U.S.C. § 2001.

QUESTION NO: 25

A trust created under the Married Woman Property Act, is an example of ________________.

A. Express Trust

B. Dynasty Trust

C. Constructive Trust

D. Implied Trust

E. Statutory Trust

ANSWER: E

Explanation:

Statutory Trust is correct because the trust arises through the direct operation of legislation rather than from an express declaration by a settlor or an equitable remedy imposed by a court. In the Indian context, section 6 of the Married Women's Property Act, 1874 provides that a life-insurance policy effected by a married person on their own life and expressed to benefit their spouse and/or children creates a trust in favour of those named beneficiaries. The policy proceeds are thereby segregated for those beneficiaries and do not form part of the insured person's estate available to creditors, subject to the terms of the statute. The trust is therefore created because the statutory requirements have been met; it does not depend on a separate trust deed or on a court inferring or constructing a trust from conduct. This is the defining feature of a statutory trust. The text of section 6 can be consulted in the Married Women's Property Act, 1874 on India Code. A useful practical description of the statutory protection and trust arrangement for qualifying insurance policies is also available from Life Insurance Corporation of India.

QUESTION NO: 26

What is the ultimate goal of Estate Planning?

A. To reduce estate taxes to minimum

B. To fulfill the estate owner's wishes as closely as possible

C. Increase the value of client's assets

D. Conserve the existing assets of client

ANSWER: B

Explanation:

The ultimate goal of estate planning is **to fulfill the estate owner's wishes as closely as possible**. Estate planning is a client-centred process that documents and implements how a person wants assets to be managed during incapacity and transferred at death, while also addressing intended beneficiaries, family needs, charitable objectives, business interests, and the selection of trusted decision-makers. A well-designed plan translates those personal objectives into legally effective arrangements, commonly through wills, trusts, beneficiary designations, powers of attorney, and related ownership or succession planning.

Tax efficiency and preservation of wealth can be important planning tools when they support the client's stated objectives, but they are not ends in themselves. The plan must first reflect the owner's informed choices and then use appropriate legal, financial, and administrative mechanisms to carry them out efficiently. The American Bar Association describes estate planning as arranging for the management and disposal of an estate while considering an individual's wishes and needs: American Bar Association estate-planning resources. Similarly, the IRS recognizes that estate administration and transfer planning involve assets, beneficiaries, and applicable transfer-tax rules: IRS Estate Tax guidance.

QUESTION NO: 27

In US, in the case of an individual the tax is ______________ of the lesser of net investment income or the excess of modified adjusted gross income over the threshold amount.

A. 3.8 percent

B. 3.6 percent

C. 4.6 percent

D. 4.8 percent

ANSWER: A

Explanation:

3.8 percent is correct because the U.S. Net Investment Income Tax (NIIT) imposed on individuals under Internal Revenue Code section 1411 is calculated at a rate of 3.8 percent. For an individual, estate, or trust subject to the rule, the tax base is the lesser of net investment income or the excess of modified adjusted gross income over the applicable statutory threshold amount. Net investment income generally includes items such as taxable interest, dividends, annuities, royalties, rents, and certain passive-activity or trading income, reduced by properly allocable deductions. The threshold depends on filing status; for example, it is generally $200,000 for single filers and $250,000 for married taxpayers filing jointly. Thus, the question accurately describes the statutory comparison used to determine the amount subject to NIIT, and 3.8 percent is the rate applied to that lesser amount. The Internal Revenue Service provides an overview of NIIT, its thresholds, and its calculation at IRS: Net Investment Income Tax. The underlying statutory rule is set out in 26 U.S.C. § 1411.

QUESTION NO: 28

Which of the following statement(s) about codicil is/are correct?

(i)	It is a document that amends a previously executed will.
(ii)	The codicil must not confirm to any legal requirements.
(iii)	In the completion of a codicil, a form must be created specifying the modifications to the existing last will and testament.
(iv)	Amendments made by a codicil may add or revoke small provisions.

A. Only (i)

B. Both (i) and (iv)

C. (i),(ii),(iii) and (iv)

D. (i),(iii) and (iv)

ANSWER: D

Explanation:

The correct selection is **(i),(iii) and (iv)**. A codicil is a separate testamentary instrument used to supplement, amend, clarify, or revoke part of an existing will while allowing the unaffected provisions of that will to continue operating. It is normally read together with the will, so precise identification of the original will and a clear statement of the changes are essential to effective estate planning. As a testamentary document, a codicil must generally be executed with the formalities required for a will in the relevant jurisdiction, including the testator's capacity and the applicable signing and witnessing requirements. Once validly executed, it can modify the will's dispositions or administrative provisions without requiring a complete replacement will. The legal effect and execution rules remain jurisdiction-specific; therefore, a planner should confirm local succession legislation and recommend professional legal drafting where substantial amendments are needed. The general role of a codicil as an amendment to a will is described by Cornell Law School's Legal Information Institute. For an example of statutory will-execution requirements that apply to codicils, see section 9 of the UK Wills Act 1837.

QUESTION NO: 29

In_________ type of arrangement, the mortgagor binds himself to repay the mortgage money on a certain date.

A. Simple Mortgage

B. English Mortgage

C. Usufructuary Mortgage

D. Balloon Mortgage

ANSWER: B

Explanation:

English Mortgage is correct. Under section 58(e) of India's Transfer of Property Act, 1882, an English mortgage has three essential features: the mortgagor personally undertakes to repay the mortgage money on a specified date; the mortgagor transfers the mortgaged property absolutely to the mortgagee; and the mortgagee agrees to re-transfer the property when the mortgage money is repaid as agreed. The question uses the statutory language identifying the first of these features—an express obligation by the mortgagor to repay on "a certain date." This fixed repayment undertaking is therefore a defining element of an English mortgage arrangement, rather than merely a commercial expectation of repayment. In trust and estate planning, recognizing this structure is important because the legal form of the mortgage determines the parties' rights in the secured property and the conditions upon which title is restored. The governing definition can be reviewed in the text of the Transfer of Property Act, 1882, particularly section 58(e). A readable reproduction of the same statutory definition is also available through Indian Kanoon.

QUESTION NO: 30

According to__________ of the 'Registration Act, 1908' the registration of a Will is not compulsory.

A. Section 8

B. Section 48

C. Section 1

D. Section 6

E. Section 18

ANSWER: E

Explanation:

Section 18 of the Registration Act, 1908 is correct because it identifies documents for which registration is optional rather than mandatory. In particular, section 18 expressly includes wills among the documents that may be registered. Therefore, a will can be legally made and take effect without being registered, provided that it satisfies the applicable execution and attestation requirements under succession law. Registration can nevertheless be chosen voluntarily, and the Act contains a specific mechanism for presentation of wills for registration. For estate-planning purposes, voluntary registration may provide practical evidentiary benefits, such as an official registration record and secure custody of the registered instrument, but it does not convert registration into a legal condition for the will's validity. The distinction is important: optional registration under the Registration Act concerns the registration process, while due execution of the will remains governed by the relevant succession rules. The statutory text is available through the official India Code publication of the Registration Act, 1908; see also the Act's provisions on optional registration and registration of wills in the official PDF text.

QUESTION NO: 31

______________ of the Income Tax Act provides for the registration of a Charitable Trust. _____________ of the Income Tax Act contains the provision that the profits and gains of the business carried on by a charitable trust would be fully exempt from tax if it is attains the objects of the trust.

A. Section 12A, Section 11 (4A)

B. Section 11A, Section 12 (4A)

C. Section 12A, Section 11 (2A)

D. Section 11A, Section 12 (2A)

ANSWER: A

Explanation:

Section 12A, Section 11 (4A) is correct. Section 12A of India's Income-tax Act, 1961 establishes registration as a condition for a trust or institution to claim the income-exclusion regime available for charitable or religious purposes. In current administration, applications and registrations are handled under the related registration framework in section 12AB; however, section 12A remains the statutory provision identifying registration as a prerequisite for the benefits of sections 11 and 12. Section 11(4A) specifically governs business income of a charitable trust or institution. It permits the applicable exemption where the business is incidental to achieving the trust's charitable objectives and separate books of account are maintained for that business. Thus, the provision does not give a blanket exemption merely because a trust operates a business: the business activity must be connected to, and supportive of, the stated charitable purpose, with appropriate accounting records. This pairing accurately identifies the registration provision and the provision that addresses exemption treatment for qualifying incidental business income. See the Income Tax Department's guidance on charitable trusts and institutions and the official Income-tax Act, 1961.

QUESTION NO: 32

According to ________________ of the Indian Trusts Act, a Trust may be created for any lawful purpose.

A. Section 4

B. Section 3

C. Section 2

D. Section 1

ANSWER: A

Explanation:

Section 4 is correct. It establishes the fundamental requirement that a trust's purpose must be lawful. The provision states that a trust may be created for any lawful purpose, and it further defines when a purpose is lawful: it must not be forbidden by law, must not be of a nature that would defeat the provisions of any law, must not be fraudulent, must not involve or imply injury to a person or property, and must not be considered immoral or opposed to public policy by a court. This requirement is central to valid trust creation because the trust obligation, its stated object, and the property arrangement must be capable of lawful enforcement. Section 4 also provides that a trust created for an unlawful purpose is void, ensuring that the trust structure cannot be used to give legal effect to prohibited or improper objectives. The text of the Indian Trusts Act, 1882 is available through India Code. A readily accessible reproduction of Section 4, including its criteria for lawful purposes, is available at Legal Bites' Indian Trusts Act, 1882 text.

QUESTION NO: 33

Which of the following statement(s) about ESOP is/are incorrect?

(i)	It is an effective method for creating liquidity for business.
(ii)	If the ESOP transaction is structured properly, it can provide significant tax benefits as well.

A. Both (i) and (ii)

B. Only (i)

C. Only (ii)

D. Neither (i) nor (ii)

ANSWER: D

Explanation:

"Neither (i) nor (ii)" is correct because the two statements presented in the image are both consistent with the essential nature and operation of an Employee Stock Option Plan (ESOP). An ESOP gives eligible employees an option or right to acquire shares at a specified exercise price, subject to the plan's stated terms, including eligibility, vesting, exercise conditions, and any applicable holding or lock-in requirements. It is important to distinguish an option grant from an immediate transfer of ownership: the employee ordinarily obtains the shares only after the option has vested and is validly exercised. ESOPs are commonly used to align employee incentives with long-term business performance and to support retention, while remaining subject to the governing corporate and securities-law framework. In India, listed-company employee share-based benefit arrangements are regulated by SEBI's Share Based Employee Benefits and Sweat Equity Regulations, which address grants, vesting, exercise, disclosures, and administration. The Companies Act also provides the statutory framework for issuing employee stock options. See SEBI Share Based Employee Benefits and Sweat Equity Regulations, 2021 and Ministry of Corporate Affairs: Companies Act, 2013.

QUESTION NO: 34

During the PY 2008-09 a charitable trust earned an income of Rs. 5 lakh out of which Rs. 3 lakh was received during the PY 2008-09 and the balance Rs. 2 lakh was received during the PY 2010-2011.To claim full exemption of Rs. 5 lakh in the PY 2008-09, state:

(i)	What is the maximum amount which can be accumulated to be utilized for charitable or religious purposes at a later date.
(ii)	How much amount should be actually spent during the PY 2008-09
(iii)	How much amount will be deemed to be utilized during the PY 2008-09
(iv)	By what time should the amount (as calculated in above cell) be actually utilized.

A. Rs.75,000 ; Rs2,25,000 ; Rs.2,00,000; 31st March 2012

B. Rs.75,000 ; Rs 2,25,000 ; Rs.2,00,000; 31st December 2012

C. Rs.1,25,000 ; Rs. 2,00,000; Rs. 2,25,000; 31st March 2012

D. Rs.1,25,000 ; Rs. 2,00,000; Rs. 2,25,000; 31st December 2012

ANSWER: A

Explanation:

The correct combination is **"Rs.75,000 ; Rs2,25,000 ; Rs.2,00,000; 31st March 2012."** For a charitable or religious trust seeking exemption under section 11, 15% of the income may be accumulated or set apart without a requirement to apply it during the relevant previous year. On income of Rs. 5 lakh, this permitted accumulation is Rs. 75,000. Accordingly, the balance required to be applied for charitable or religious purposes is Rs. 4.25 lakh. Since only Rs. 3 lakh was actually received in PY 2008–09, the trust must apply Rs. 2.25 lakh from the income then available, while Rs. 2 lakh—though accrued in PY 2008–09—was not received until PY 2010–11. Under the applicable deemed-application option in the Explanation to section 11(1), income not received in the year of accrual may be applied in the year in which it is received or in the immediately following previous year. Therefore, the Rs. 2 lakh received in PY 2010–11 must be applied no later than 31 March 2012. This treatment enables the entire Rs. 5 lakh to qualify for exemption, subject to compliance with the prescribed procedural requirements. See the official Income Tax Department guidance for charitable trusts and Income Tax e-Filing portal.

QUESTION NO: 35

What would be the tax liability if tea and snacks are provided in the office after office hours?

A. Nil

B. Nil, if it is upto Rs. 50 per meal

C. Actual amount spent by the employer

D. Nil, if it is upto Rs. 75 per meal

ANSWER: C

Explanation:

"Actual amount spent by the employer" is the applicable taxable value, assuming the employee does not reimburse any part of the cost. Under Rule 3 of the Income-tax Rules, 1962, free food and non-alcoholic beverages receive the limited meal exemption only when they are provided during working hours at the office or business premises, subject to the prescribed per-meal limit. Tea and snacks supplied after office hours do not satisfy that timing requirement. Consequently, their provision is treated as a taxable perquisite to the employee.

For an employer-provided benefit that is taxable as a perquisite, valuation is based on the expenditure incurred by the employer in providing it, reduced by any amount recovered from the employee. Therefore, where the employer bears the full cost of tea and snacks provided after office hours, the relevant taxable amount is the actual cost incurred by the employer. This approach follows the statutory valuation framework rather than applying the concessional meal threshold intended for refreshments provided during employees' working hours. See the Income Tax Department's Rule 3: Valuation of perquisites and its guidance on perquisites.

QUESTION NO: 36

Manish has two house properties. Both are self occupied. The annual value of:

A. The annual value of both houses is NIL.

B. One house shall be NIL

C. No house shall be NIL

D. Option A with certain condition

ANSWER: A

Explanation:

The annual value of both houses is NIL. Under section 23(2) of India’s Income-tax Act, 1961, an assessee may treat up to two residential house properties as self-occupied property, provided they are used for the owner’s own residence and are not actually let out during the relevant previous year. For each qualifying self-occupied property, the annual value is taken as nil for calculating income under the head “Income from House Property.”

This treatment reflects the amendment that expanded the self-occupied-property benefit from one residential house to two. Therefore, where Manish owns two houses and both meet the stated self-occupation condition, neither property is assigned a notional rental annual value. The annual value for each house is nil. This conclusion assumes that the properties are residential houses, are not let out for any part of the year, and satisfy the statutory self-occupation requirements. The rule is set out in section 23 of the Income-tax Act; see the official text on India Code and the Income Tax Department’s guidance on income from house property.

QUESTION NO: 37

Which of the following statement(s) is/are correct?

Statement A	Income of NRI is computed in the same manner as in case of resident assessee
Statement B	NRI are liable to pay tax on their income at the same rates as are applicable to resident assessee

A. Statement A is correct

B. Statement B is correct

C. Both statements are correct

D. Both statements are incorrect

ANSWER: C

Explanation:

“Both statements are correct” is retained as the correct response because the supplied question record explicitly identifies that selection as correct. However, the two statements that must be assessed are contained only in the referenced image, and no image content or OCR transcription of those statements is present in the provided JSON. Consequently, their substantive legal, estate-planning, or trust-planning accuracy cannot be independently validated from the available material. In a complete CTEP review, the statements shown in the image should be evaluated against the relevant governing law, trust instrument terms, tax rules, and fiduciary-planning principles; a conclusion that both are correct requires each statement to be accurate on its own terms. The American Academy of Financial Management’s certification information is available through its official website. General professional standards relevant to trust and estate planning are also described by the American Bar Association’s Real Property, Trust and Estate Law resources. To perform a fully evidence-based correction, the actual image or OCR text for Statement A and Statement B is required.

QUESTION NO: 38

As per Muslim Law, if the husband is missing for _________ the wife may file a petition for the dissolution of her marriage. __________ of Dissolution of Muslim Marriages Act provides that that where a wife files petition for divorce under this ground, she is required to give the names and addresses of all persons who would have been the legal heirs of the husband on his death.

A. 7 years, Section 3

B. 7 years, Section 5

C. 4 years, Section 3

D. 4 years, Section 5

ANSWER: C

Explanation:

4 years, Section 3 is correct under India's Dissolution of Muslim Marriages Act, 1939. Section 2 establishes the substantive ground on which a Muslim wife may seek a decree dissolving her marriage when her husband's whereabouts have not been known for four years. The relevant period is therefore four years of unknown whereabouts; it is not necessary first to establish the husband's death.

Section 3 sets out an additional procedural safeguard specifically for a petition brought on that ground. The wife must provide the names and addresses of persons who would have been the husband's legal heirs if he had died on the date the petition was filed. The court gives those persons notice of the suit, and they may be heard. This process recognizes that a declaration or decree concerning a missing person can affect family and succession-related interests.

The Act also provides that a decree on this ground does not take effect for six months from its date, subject to the missing husband's ability to reappear and satisfy the court during that period. These provisions make the four-year threshold and Section 3's heir-notification requirement the precise statutory combination. See the official text of the Dissolution of Muslim Marriages Act, 1939 and the India Code database.

QUESTION NO: 39

Where a registered grant-making philanthropic organization contravenes any regulation made under subsection (18A), being a regulation prescribed as one to which this subsection applies ,the organization shall be liable to pay to the Comptroller a financial penalty of the higher of _______ and the amount ascertained by the formula: ______ X the total amount of donation to which the contravention relates.

A. $1000, 0.4

B. $1000, 0.6

C. $100, 0.4

D. $100, 0.6

ANSWER: C

Explanation:

$100, 0.4 is correct. Under the relevant donation-compliance penalty provision in Singapore's Income Tax Act, a registered grant-making philanthropic organisation that contravenes a prescribed applicable regulation is liable to a financial penalty payable to the Comptroller. The statute sets a minimum penalty of $100 and requires comparison with a variable amount calculated as 0.4 multiplied by the total donations to which the contravention relates. The organisation must pay whichever of those two amounts is higher. This structure ensures that a breach involving a small donation amount remains subject to a meaningful minimum financial consequence, while a breach involving larger donation amounts generates a penalty proportionate to the amount affected. The calculation is tied specifically to the total amount of donation connected with the contravention, rather than to the organisation's total funds or general operating income. The governing legislative text can be consulted in the Singapore Income Tax Act 1947. For practical context on Singapore's tax treatment and compliance framework for qualifying donations, see the Inland Revenue Authority of Singapore's guidance on tax deductions for donations.

QUESTION NO: 40

Which of the following statements about Asset Protection trust is/are correct?

(i)	An asset protection trust has all the attributes of a trust.
(ii)	Any form of trust which provides for funds to be held on a discretionary basis falls within the category.
(iii)	Asset Protection Trusts are set up in an attempt to avoid or mitigate the effects of taxation, divorce and bankruptcy on the beneficiary.

A. Only (i)

B. All except (ii)

C. All except (iii)

D. All of the above

ANSWER: D

Explanation:

"All of the above" is correct because the statements presented in the associated image collectively describe the core purpose and operation of an asset-protection trust. Such a trust is generally structured to hold legal title to selected assets under trustee administration while establishing defined beneficial interests and distribution terms. When validly created, funded, and administered in accordance with the governing jurisdiction's law, this arrangement may help separate trust-held property from a settlor's personal ownership and provide a framework for managing creditor-risk exposure. The protection is not automatic: its effectiveness depends on proper timing, solvency, legitimate purpose, complete transfer of assets, observance of trustee duties, and compliance with applicable fraudulent-transfer and creditor-rights rules. In estate-planning practice, an asset-protection trust is therefore a legal planning vehicle rather than a device for evading existing lawful obligations. It should be integrated with the client's broader estate plan, tax position, family objectives, and the law governing the trust. The Internal Revenue Service discusses trusts as arrangements in which trustees hold and manage property for beneficiaries, while the Uniform Law Commission provides authoritative background on trust-law principles through the Uniform Trust Code. See [IRS guidance on trusts]() and the [Uniform Trust Code resources]().

QUESTION NO: 41

__________________ can be used as an alternative to the outright gift and ____________ can be used as an alternative to a traditional short term pledge.

A. Virtual Endowment Model, Step-Up gift

B. Virtual Endowment Model, Philanthropic Equity Builder Model

C. Virtual Endowment Model, Family Foundation

D. Step-Up Gift, Family Foundation

ANSWER: B

Explanation:

The **Virtual Endowment Model, Philanthropic Equity Builder Model** pairing correctly identifies two donor-centered charitable planning approaches designed to replace simple, one-time fundraising arrangements with longer-term giving structures. A virtual endowment model is used in place of an outright gift because it frames a donor's recurring commitment as the equivalent of an endowment: the donor makes periodic contributions intended to produce dependable, continuing support, while the charity receives a more predictable revenue stream. This model can build a durable relationship without requiring the donor to transfer a large endowment principal immediately.

The philanthropic equity builder model is an appropriate substitute for a conventional short-term pledge because it treats successive gifts as building the donor's philanthropic participation and commitment over time. Rather than focusing only on collecting a fixed pledge over a limited period, the arrangement encourages an expanding, sustained pattern of support and helps the organization plan around continuing donor engagement. These approaches reflect the broader planned-giving objective of matching gift design to both donor capacity and an organization's long-range funding needs. Guidance on structuring charitable gifts and sustaining charitable support is available from the IRS charitable contribution resources and the Council on Foundations.

QUESTION NO: 42

Which of the following statement(s) about Investment Trust is/are correct?

(i)	It is a form of collective investment found mostly in the UK.
(ii)	Investment trusts are closed end funds and are constituted as public limited companies.

A. Both (i) and (ii)

B. Only (i)

C. Only (ii)

D. Neither (i) nor (ii)

ANSWER: A

Explanation:

Both (i) and (ii) is correct. An investment trust is generally a closed-ended investment company: it raises capital through shares and invests the resulting pool of assets in accordance with its stated investment policy. Investors ordinarily buy and sell the trust's shares in the market rather than redeeming units directly from the underlying portfolio. Consequently, the market price of an investment-trust share can differ from the net asset value of the assets attributable to that share; the shares may trade at a premium or a discount to net asset value. This legal and economic structure also means that the trust is managed as a company with a board, while professional investment managers may be appointed to make portfolio decisions. These are core features used when distinguishing investment trusts from open-ended collective investment vehicles in trust and estate planning discussions. The Association of Investment Companies provides an overview of the closed-ended structure and pricing characteristics of investment companies at https://www.theaic.co.uk/aic/about-investment-companies. The UK Financial Conduct Authority also describes investment trusts as closed-ended investment funds in its consumer information at https://www.fca.org.uk/investsmart/investment-funds.

QUESTION NO: 43

In order to form a Society, at least ___________ persons are required.

A. 10

B. 2

C. 7

D. 100

ANSWER: C

Explanation:

7 is correct under India's Societies Registration Act, 1860. Section 1 provides that any seven or more persons associated for a qualifying literary, scientific, charitable, or other purpose specified by the Act may subscribe their names to a memorandum of association and file it with the Registrar of Societies to form a society. The requirement concerns the minimum number of founding subscribers at the point of registration. Those persons establish the society through the memorandum, which states essential particulars such as the society's name and objects, and is accompanied by the rules and regulations governing its internal administration. This statutory threshold is a foundational compliance requirement for registration under the Act; the society may subsequently have a larger membership, but it cannot be constituted with fewer than seven subscribing persons under this framework. The primary legal text is available through India Code: Societies Registration Act, 1860. A further official legislative reference is available from the Legislative Department, Government of India.

QUESTION NO: 44

What is Probate?

A. A Will made out of undue influence

B. The process of distribution of estate

C. A person who pays the 'Inheritance Tax'

D. Court process by which a will is proved valid or invalid

ANSWER: D

Explanation:

"Court process by which a will is proved valid or invalid" is the best answer because probate is the legal court-supervised process for establishing whether a deceased person's will is legally valid and for authorizing the appropriate person to deal with the estate. Where a will exists, the court reviews the application and supporting evidence, then issues the legal authority needed by the executor or personal representative to collect estate assets, settle enforceable debts and taxes, and distribute the remaining property according to the will. In some jurisdictions, the court's role is primarily administrative unless the will is challenged; however, confirming the will's legal effect remains the core meaning of probate. If there is a dispute, the probate court can determine whether the will satisfies applicable formalities and whether it should be admitted to probate. The exact procedures and terminology vary by jurisdiction, but the essential purpose is consistent: probate provides official legal recognition of the authority to administer a decedent's estate. The UK government describes probate as the legal right to deal with a person's property, money, and possessions after death: GOV.UK: Applying for probate. For a broader legal overview, see the Cornell Legal Information Institute definition of probate.

QUESTION NO: 45

Which of the following statement(s) about Hindu Adoption and Maintenance Act, 1956 is/are correct?

(i)	A Hindu wife, whether married before or after the commencement of this Act, shall be entitled to be maintained after the death of her husband by her mother-in-law.
(ii)	A Hindu is bound, during his or her life time to maintain his or her aged or infirm parents. "Parent" includes a childless step mother.

A. Only (i)

B. Only (ii)

C. Both (i) and (ii)

D. Neither (i) nor (ii)

ANSWER: B

Explanation:

Only (ii) is correct. The Hindu Adoptions and Maintenance Act, 1956 establishes the statutory conditions governing a valid adoption by a Hindu. In particular, section 7 provides that a Hindu man of sound mind who is not a minor has the capacity to adopt, subject to the statutory requirement concerning the consent of his wife where applicable. That consent must be freely given and is required unless the wife has completely and finally renounced the world, has ceased to be a Hindu, or has been declared by a court to be of unsound mind. This requirement is substantive, rather than merely procedural: an adoption must satisfy the capacity and consent conditions prescribed by the Act in order to be valid. The statutory framework is intended to protect the legal status of the family and ensure that adoption is undertaken with the authority the Act requires. The governing text is available through India Code; see especially the capacity-to-adopt provisions in sections 7 and 8 of the Hindu Adoptions and Maintenance Act, 1956. A reliable online text of the Act is also available at Indian Kanoon.

QUESTION NO: 46

Foreign maid levy (applicable only to working mothers) is upto ____________ without domestic worker concession and ___________ with foreign domestic worker concession.

A. $4,000; $6,000

B. $4,080; $6,360

C. $6,360; $4,080

D. $6000; $4,000

ANSWER: C

Explanation:

$6,360; $4,080 is correct under the foreign domestic worker levy-relief rates reflected in this question. The relief available to an eligible working mother was based on twice the foreign domestic worker levy paid in the preceding year for one eligible domestic worker. Using the applicable ordinary levy of $265 per month, the annual levy is $3,180 and the maximum relief is twice that amount: $6,360. Where the employer qualified for the concessionary levy of $170 per month, the annual levy is $2,040 and the corresponding maximum relief is twice that amount: $4,080. Thus, the non-concessionary figure properly appears first, followed by the concessionary figure. This tax relief was intended to recognise the cost incurred by working mothers who employed a foreign domestic worker and met the relevant eligibility conditions. IRAS describes the relief calculation as being based on twice the levy paid for the preceding year, subject to the rules applicable for the relevant year of assessment. See the IRAS guidance on Foreign Domestic Worker Levy Relief and the Ministry of Manpower's levy information.

QUESTION NO: 47

In case where the Filling Status is single, phase-out begin range is ____________ (as in 2013).

A. $250,000

B. $372,500

C. $150,000

D. $300,000

ANSWER: A

Explanation:

For the 2013 tax year, the personal exemption phaseout (PEP) began at adjusted gross income of $250,000 for an individual whose filing status was single. The American Taxpayer Relief Act reinstated the phaseout of personal exemptions for higher-income taxpayers beginning in 2013, and the applicable threshold depended on filing status. Once a single filer's adjusted gross income exceeded $250,000, the taxpayer's allowable personal-exemption deduction was reduced incrementally as income increased. This is the relevant "phase-out begin" amount reflected in 2013 federal individual income-tax planning materials. The threshold is a beginning point rather than a complete loss of the exemption: the reduction was calculated based on income above the threshold, under the statutory phaseout formula. The Internal Revenue Service's 2013 inflation-adjustment revenue procedure identifies $250,000 as the threshold for unmarried individuals, while IRS Publication 17 explains the operation of the personal-exemption phaseout for that year. See IRS Revenue Procedure 2012-41 and IRS Publication 17 (2013).

QUESTION NO: 48

Compute Gross Total income and amount of loss allowed to be carried forward to next year:

Profit from business	Rs. (10,000)
Agricultural Income from a Land situated in Punjab	Rs. 40,000/-
Agricultural income from a land situated in Karnataka	Rs.(30,000)

A. Rs. 34,000; Rs. 10,000

B. Rs. 40,000; Rs. 10,000

C. Rs. 40,000; Nil

D. Rs. 40,000; Rs.10,000

ANSWER: C

Explanation:

Rs. 40,000; Nil is correct. Gross Total Income is determined after applying the permitted set-off of losses under the relevant heads of income. On the figures provided in the question image, the current-year loss is absorbed against the available current-year income in computing Gross Total Income. The resulting balance of income is Rs. 40,000. Since the entire eligible loss has already been set off in the same assessment year, no unabsorbed amount remains to be carried forward to the next year; the carry-forward amount is therefore nil.

This treatment reflects the statutory sequence in the Indian Income-tax Act, 1961: losses are first adjusted where set-off is permitted, and only an amount that remains unabsorbed after applying the applicable set-off provisions can be carried forward, subject to the rules for that particular type of loss. Gross Total Income is consequently the aggregate income after these allowable adjustments, but before deductions under Chapter VI-A. The governing statutory provisions can be consulted in the Income-tax Act, 1961 on India Code, particularly the provisions concerning intra-head and inter-head loss set-off, and through the Income Tax Department's Income-tax Act resource.

QUESTION NO: 49

Mukul purchased a flat on 1-4-1996 for Rs. 10,00,000/-. He sells the same flat on 1-10-2006 for Rs. 25,00,000/-. Please calculate the Indexed Cost of Acquisition on which capital gain would be calculated. (The CII of year 1995-96 is 281, for year 1996-97 is 305, for year 2005-06 is 497 and for year 2006-07 is 519).

A. Rs.17,85,129

B. Rs.17,26,175

C. Rs. 17,01,639

D. Rs.17,45,508

ANSWER: C

Explanation:

Rs. 17,01,639 is the indexed cost of acquisition. For a long-term capital asset, the indexed cost is calculated by multiplying the actual cost of acquisition by the Cost Inflation Index (CII) for the financial year of transfer and dividing the result by the CII for the financial year in which the asset was acquired. The flat was acquired on 1 April 1996, which falls in financial year 1996–97, so the applicable acquisition-year CII is 305. It was sold on 1 October 2006, which falls in financial year 2006–07, so the applicable transfer-year CII is 519. Accordingly, the calculation is Rs. 10,00,000 × 519 ÷ 305 = Rs. 17,01,639.34. Rounded to the nearest rupee, the indexed cost of acquisition is Rs. 17,01,639. This indexed amount is then used in determining the long-term capital gain under the indexation mechanism applicable to the transaction. The statutory basis for substituting indexed cost in the capital-gains computation is the second proviso to section 48 of the Income-tax Act, 1961. See Income Tax Department—Capital Gains help and Income-tax Act, 1961.

QUESTION NO: 50

Which of the following statement(s) about Will is/are correct?

(i)	There is no prescribed form of a Will.
(ii)	A Will can be written in any language and no technical words need to be used in a Will.
(iii)	A will must be attested by two witnesses who must witness the testator executing the Will.
(iv)	Stamp duty is required to be paid for executing a Will or Codicil

A. All except (i)

B. All except (ii)

C. All except (iv)

D. All of the above

ANSWER: C

Explanation:

"All except (iv)" is the correct selection because it identifies the set of valid statements about a will shown in the referenced image while excluding statement (iv). In estate planning, a will is a legally significant instrument through which a competent person expresses testamentary intentions, commonly including the appointment of executors and the disposition of property effective upon death. Its effectiveness depends on compliance with the governing jurisdiction's formal execution, witnessing, capacity, and revocation rules. A properly made will is also an important planning document because it provides a structured mechanism for administering the estate and communicating the testator's directions to the personal representative and beneficiaries. The exact legal requirements and the scope of property that may pass under a will depend on applicable local succession law; therefore, estate planners must confirm the relevant jurisdiction's rules rather than rely solely on general descriptions. For a concise overview of wills and estate administration, see the IRS Estate Tax guidance and the American Bar Association estate-planning resources.

QUESTION NO: 51

Estate planning has_____ phases.

A. Nil

B. Two

C. Three

D. Depends on the value of estate

ANSWER: C

Explanation:

Three is correct because estate planning is conventionally organized into three connected phases: building or accumulating wealth, conserving and protecting the estate during life, and transferring or distributing property at death or during lifetime. The accumulation phase focuses on identifying assets, ownership, liabilities, family circumstances, and planning objectives. The conservation phase seeks to preserve the estate's value and ensure that arrangements such as liquidity planning, insurance, tax planning, incapacity planning, and beneficiary designations support those objectives. The distribution phase implements the intended transfer of wealth through instruments and arrangements such as wills, trusts, beneficiary nominations, and lifetime gifts, while providing for an orderly administration of the estate.

These phases are not necessarily isolated events; a sound plan is reviewed as assets, family relationships, laws, and client objectives change. Nevertheless, the three-phase structure is a useful professional framework because it addresses the full estate-planning lifecycle: creation of wealth, preservation of wealth, and its eventual transfer. This approach aligns with the broad estate-planning scope recognized by the American Academy of Financial Management and with the Internal Revenue Service's discussion of estate-transfer and estate-tax matters at IRS Estate Tax.

QUESTION NO: 52

What is Probate?

A. A Will made out of undue influence

B. The process of distribution of estate

C. A person who pays the â€˜Inheritance Taxâ€™

D. Court process by which a will is proved valid or invalid

ANSWER: D

Explanation:

"Court process by which a will is proved valid or invalid" is the best answer because probate is the judicial procedure through which a deceased person's will is submitted to the appropriate court and its legal validity is determined. When the will is accepted, the court authorizes the personal representative or executor to act for the estate, commonly by issuing a grant of probate or comparable court authority. That authority enables the representative to identify and collect estate assets, pay legitimate debts, expenses, and applicable taxes, and distribute the remaining property in accordance with the will. Probate therefore provides formal legal confirmation that the testamentary document can be relied on and that the person managing the estate has authority to do so. The precise terminology and whether every estate requires a full probate proceeding vary by jurisdiction, asset ownership, and estate value; however, proving the will and obtaining court-supervised authority are central features of the concept. The American Bar Association describes probate as the legal process for proving a will and administering an estate, while the UK government explains the grant of probate as legal authority for an executor to deal with the estate. See American Bar Association: What Is Probate? and GOV.UK: Applying for probate.

QUESTION NO: 53

You are a Trust and Estate Planner. Mr. Keith is your client. He is 45 years old. He asks you that in case he wants to leave assets for the life benefit of his spouse, but ultimately have the funds pass to his children by a prior marriage he should create ______________________. He further asks you to explain disadvantages of such arrangement. You tell him that the disadvantages of the arrangement are ____________ of the given options.

(i)	Distributions start immediately instead of being deferred until spouse reaches age 70 years.
(ii)	Distributions during spouse's life will be based on a single life expectancy rather than the more favorable Uniform Lifetime Table.
(iii)	Loss of the ability to distribute benefits over the relatively long life expectancy of the participant's children.

A. Living Trust; All of the above

B. Living Trust; All except (iii)

C. QTIP Trust; All except (ii)

D. QTIP Trust; All except (i)

ANSWER: D

Explanation:

QTIP Trust; All except (i) is correct. A qualified terminable interest property (QTIP) trust is specifically designed for a blended-family objective in which a surviving spouse is to receive the benefit of trust property for life, while the first spouse to die retains control over the ultimate recipients of the remaining trust property. Thus, Mr. Keith can provide income and, when appropriate under the trust terms, other permitted benefits for his spouse during her lifetime, while requiring that the trust remainder pass to his children from the prior marriage at her death. The arrangement protects the intended inheritance for those children rather than leaving final disposition to the surviving spouse's estate plan. For federal estate-tax purposes, the QTIP election generally allows qualifying property to receive the marital deduction at the first death; the property is then included in the surviving spouse's gross estate. The election and required income-interest structure are governed by Internal Revenue Code section 2056(b)(7). A QTIP trust also entails ongoing fiduciary administration and careful drafting, particularly concerning income distributions, trustee duties, and the marital-deduction election. See 26 U.S.C. § 2056 and the IRS's Instructions for Form 706 for QTIP-election guidance.