AAFM CTEP Practice Questions

Shared by Tyson on 06-11-2026

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Question 1

Question Type: MultipleChoice

Which of the following statement is true?

Exhibit:

(i)	Every estate has to be planned in one form or other
(ii)	An essential element of estate planning is to provide liquidity.

Options:

A- Only (i)
B- Only (ii)
C- Both (i) and (ii)
D- Neither (i) nor (ii)

Answer:

C

Question 2

Question Type: MultipleChoice

Mr. Pramod Jain (age 40 years) has life interest in a Trust property. The annual income from Trust property for last three years is as under:

I year	Rs. 35,000
II Year	Rs. 48,000
III Year	Rs. 37,000

The Trust has spent Rs. 5,000/- per year for collection of the income. The value of life interest of Re 1/- at the age of 40 is Rs. 10,093/-. The value of the property on the valuation date is Rs. 5 lakh. Find the value of life interest.

Options:

A- Rs. 3.84 lakh
B- Rs. 3 lakh
C- Rs. 3.27 lakh
D- Rs. 5 lakh

Answer:

A

Question 3

Question Type: MultipleChoice

The application for Registration of Trust has to be made in the prescribed Form No. _____ to the Chief Commissioner of Income Tax or the Commissioner of Income Tax of the area concerned.

Options:

A- Form 1A
B- Form 1B
C- Form 10A
D- Form 10B

Answer:

C

Question 4

Question Type: MultipleChoice

_____ is the most appropriate method for donors who prefer to make gifts at the end of their life and _____ is the most appropriate method for donors who prefer to give gifts during their lifetime.

Options:

A- Bequest and Outright Gift

B- Outright Gift and Bequest
C- Family Foundation and Life Income Gifts
D- Life Income Gifts and Family Foundation

Answer:

A

Question 5

Question Type: MultipleChoice

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.

Options:

A- Only (i)
B- Only (ii)
C- Both (i) and (ii)
D- Neither (i) nor (ii)

Answer:

B

Question 6

Question Type: MultipleChoice

For inheritance tax purposes, even if the individual was not at the time of transfer domiciled in the UK, he or she will be treated as domiciled in the UK if, at the time a transfer of value was made:

(i)	He or she was domiciled in the UK within _____ years immediately prior to the transfer, or
(ii)	He or she was resident in the UK in at least _____ of the 20 income tax years ending with the year in which the transfer was made.

Options:

A- Three,18
B- Four,18
C- Three,17
D- Four,17

Answer:

C

Question 7

Question Type: MultipleChoice

Mr. Subhash Bansal, a marketing manager is employed with IMFB limited. He took an advance of Rs. 1,20,000 against the salary of Rs. 30,000 per month in the month of March 2007. The gross salary of Mr. Adhikari for the assessment year 2012-13 shall be:

Options:

A- Rs. 3,60,000
B- Rs. 4,80,000
C- Rs. 2,40,000
D- Rs. 3,80,000

Answer:

A

Question 8

Question Type: MultipleChoice

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

(i)	A Living Trust removes the issues in obtaining Probate.
(ii)	A Living Trust is a method of systematic inheritance planning by a person of his or her immovable assets.

Options:

A- Both (i) and (ii)
B- Only (i)
C- Only (ii)
D- Neither (i) nor (ii)

Answer:

A

Question 9

Question Type: MultipleChoice

Estate planning has _____ steps.

Options:

A- Two
B- Three

C- Four
D- Five

Answer:

D

Question 10

Question Type: MultipleChoice

A trustee commuting a breach of trust not liable to pay interest except

(i)	Inadequate Survivor Income and Asset Transfer
(ii)	Where the breach consists of unreasonable delay in paying trust money to the beneficiary
(iii)	Where he can invest trust money & Accumulate interest & dividends

Options:

A- (i) & (ii)
B- (ii) & (iii)
C- Only (ii)
D- Yes, penal interest at the rate of 1% every month or part of the month of delay is chargeable for Non/Late filling of Return.

Answer:

D

Question 11

Question Type: MultipleChoice

To be qualified as a Simple Trust which of the following conditions has to be met?

(i)	The Trust Instrument must require that all the income be distributed currently.
(ii)	The Trust instrument must provide that no amounts are to be paid, permanently set aside, or used for charitable purposes
(iii)	The Trust must distribute 10% of the amount that is allocated to the corpus (principal) of the Trust.

Options:

A- Grantor Retained Income Trust
B- All except (i)
C- All except (ii)
D- All except (iii)

Answer:

D

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