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Chartered Trust & Estate Planner Examination

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5 Sample Questions • Full Bank: 472 Qs • Updated 14 Nov 2026

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General Practice Questions

QUESTION 1

Estate planning has _____ steps.

A) Two

B) Three

C) Four

D) Five

✓ Correct Answer: D

EXPLANATION:

✔ **Five **

Reasoning: The estate planning process is commonly structured into five distinct, widely recognized steps: 1) Initial data gathering and goal identification, 2) Analysis of current situation and strategy development, 3) Plan design and recommendation of tools, 4) Implementation of the plan (document drafting, asset titling), and 5) Ongoing review and maintenance. This comprehensive framework ensures thorough and adaptive planning. ✘

Why the other choices are incorrect:

- **Option A is incorrect:** Two steps are grossly insufficient for the complexities of estate planning, which involves multiple phases from data collection to ongoing review.
- **Option B is incorrect:** Three steps would oversimplify the process, likely missing crucial stages like detailed strategy development or the essential ongoing review and maintenance phase.
- **Option C is incorrect:** Four steps often omit a critical distinct phase, such as the initial information gathering or the continuous review process, leading to an incomplete planning approach.

Reference: https://www.fidelity.com/learning-center/personal-finance/5-steps-estate-planning

QUESTION 2

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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:

A) Rs. 4,80,000

B) Rs. 2,40,000

C) Rs. 3,80,000

D) Rs. 3,60,000

✓ Correct Answer: A

EXPLANATION:

✔

Reasoning: Gross salary includes the annual salary earned and any advance salary taxable in the relevant previous year. For AY 2012-13, the Previous Year is 2011-12. Annual salary is Rs. 30,000 * 12 months = Rs. 3,60,000. Assuming the "advance against salary" of Rs. 1,20,000 is treated as advance salary received and taxable in PY 2011-12 (implying a typo in the March 2007 date), the total gross salary is Rs. 3,60,000 + Rs. 1,20,000 = Rs. 4,80,000. ✘ **Why the other choices are incorrect:**

- **Option B is incorrect:** Rs. 2,40,000 is an arbitrary figure, not representing the full annual salary or correct inclusion of the advance.
- **Option C is incorrect:** Rs. 3,80,000 does not align with the given monthly salary multiplied by 12, nor the advance amount.
- **Option D is incorrect:** Rs. 3,60,000 represents only the annual salary, incorrectly excluding the taxable advance from the gross salary calculation.

QUESTION 3

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

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(i)	It is much like a Fixed Trust.
(ii)	In Discretionary Trust, no beneficiary (or potential beneficiary) obtains an income or capital distribution / allocation unless the trustee exercises the discretion they have in favour of a beneficiary.
(iii)	It gives the trustee the power to decide which beneficiary receives the funds but not the amount of the fund.
(iv)	In this trust, since no asset is clearly identifiable with any beneficiary, creditors cannot attach the trust assets in payment of a loan or liability.

A) All of the above

B) All except (i)

C) All except (iii)

D) Only (ii)

✔ **Correct Answer: C**

EXPLANATION:

✔ **Reasoning: Statements (i), (ii), and (iv) are correct**

✔ **Analysis:**

s of a Discretionary Trust, making "All except (iii)" the correct choice. ✘ **Why the other choices are incorrect:**

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- **Statement (i) is correct:** While different in beneficiary entitlement, both are express trusts sharing core structural elements (settlor, trustee, beneficiaries, trust property) and governed by fundamental trust law principles.
- **Statement (ii) is correct:** Beneficiaries in a discretionary trust have no absolute right to distributions; they only receive income or capital if the trustee exercises discretion in their favor.
- **Statement (iii) is incorrect:** Trustees in a Discretionary Trust typically have the power to decide *both* which beneficiary receives funds *and* the *amount* or proportion of funds they receive.
- **Statement (iv) is correct:** Due to beneficiaries having no defined interest in specific trust assets, creditors generally cannot attach trust assets to satisfy a beneficiary's personal debts.

QUESTION 4

_____ 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.

A) Bequest and Outright Gift

B) Outright Gift and Bequest

C) Family Foundation and Life Income Gifts

D) Life Income Gifts and Family Foundation

✓ Correct Answer: A

EXPLANATION:

✔

Reasoning: A bequest is a testamentary gift made via a will, effective at the donor's death, fitting "gifts at the end of their life." An outright gift is a direct transfer of assets during the donor's lifetime, perfectly suiting "gifts during their lifetime." ✘ **Why the other choices are incorrect:**

- **Option B is incorrect:** The order of the methods is reversed. "Outright Gift" is for lifetime, not end-of-life, and "Bequest" is for end-of-life, not lifetime.
- **Option C is incorrect:** A "Family Foundation" is a structure, not primarily a specific "method for gifts at end of life." "Life Income Gifts" are lifetime gifts, but "Outright Gift" is a more direct and universally applicable method for simple lifetime giving as opposed to a specific type involving retained income.

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- **Option D is incorrect:** This choice reverses the less appropriate options from C, making it incorrect for both order and method suitability.

QUESTION 5

Which of the following incomes are not included for computation of taxable income of a Trust/ Society?

(i)	Income set apart to the extent that it does not exceed 25% of the total income from the property.
(ii)	Income by way of voluntary contributions towards the corpus of the Trust.
(iii)	Income derived from the property held under Trust wholly for the charitable and religious purposes actually spent in these purposes in India
(iv)	In case of Trusts created before 1/4/1961, the income derived from the property held under Trust partially for the charitable and religious purposes.

A) All except (i)

B) All except (iv)

C) All except (ii)

D) All of the above

✔ Correct Answer: D

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EXPLANATION:

✔

Reasoning: All listed incomes are generally excluded from a Trust's taxable income under the Income Tax Act, 1961. (i) Income set apart up to 25% is exempt if Section 11(2) conditions are met. (ii) Voluntary contributions to corpus are exempt per Section 12(1). (iii) Income applied for wholly charitable/religious purposes is exempt per Section 11(1)(a). (iv) Income from pre-1961 partly charitable trusts is exempt if applied per Section 11(1)(c).

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