

नेपाल राष्ट्र बैंक  
केन्द्रीय कार्यालय  
अधिकृत तृतीय (CA/CPA/ACCA) पदको खुल्ला प्रतियोगितात्मक लिखित परीक्षा  
मिति : २०६७/०८/१७  
प्रथम पत्र

समय :- ४ घण्टा

पूर्णाङ्क :- १००

विषय : Principles and Practices of Accounting and Auditing.

समूह "क" (१)

(१० x २ = २०)

**Write the Correct Answer.**

1. A Cash Flow Statement is summarized version of all cash transactions that had taken place in the reporting entity during the accounting period:
  - a) True
  - b) False
2. The Funds Flow Statement is recognized integral part of the financial statement which is required to be included along with the published accounts:
  - a) True
  - b) False
3. Whether it is the responsibility of the auditors to select or determine the accounting policies of an enterprise?
  - a) True
  - b) False
4. Should an enterprise recognize contingent liabilities?
  - a) True
  - b) False
5. Cost of a business combination shall be the aggregate of (IFRS 3) NAS 21:
  - a) Amount paid on acquisition
  - b) the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer,
6. For the purpose of calculating basic earnings per share (NAS 26), the number of ordinary shares shall be:
  - a) The total no of outstanding ordinary share at the close of the accounting period.
  - b) The weighted average number of ordinary shares outstanding during the period.

7. Investment property (NAS 19) is:
- property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both
  - property- used in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.
8. The "benchmark treatment" for Borrowing costs (as per NAS 8) is:
- Borrowing costs shall be recognised as an expense in the period in which they are incurred.
  - Borrowing costs shall be recognised as an expense in the period in which they are incurred, except to the extent that they are capitalized
9. Which of the following could appear in calculation of net cash from operating activities under indirect method?
- Depreciation, increase in debtors, decrease in creditors, proceeds of sale of plant.
  - Increase in creditors, decrease in stock, profit on sale of plant, depreciation.
  - Increase in creditors, depreciation, decrease in debtors, proceeds of sale of plant.
  - Interest paid, equity dividends paid, purchase of plant.
10. Proposed dividend should be disclosed on the face of the financial statements:
- True
  - False

समूह "क" (२)

(१० x २ = २०)

**Write the Correct Answer.**

11. What provides highest level of assurance?
- Audit.
  - Agreed-upon procedures.
  - Review.
  - It depends on nature of engagement.
12. The exercise of 'due professional care' requires that an auditor:
- Examine all available corroborating evidence.
  - Critically review the judgement exercised at every level on the engagement.
  - Attain the proper balance of professional experience and formal education.

3. The element of the audit planning process most likely to be agreed with the client before implementation of the audit strategy in the determination of:
- Methods of statistical sampling to be used in confirming accounts receivables.
  - Schedules and analyses to be prepared by the client's staff.
  - Pending legal matters to be included in the inquiry of the client's lawyer.
  - Evidence to be gathered to provide a sufficient basis for the auditor's opinion.
4. If the auditor makes an assessment that there is low level of control risk and inherent risk for a client, what should the auditor do?
- Perform substantive procedures.
  - Perform no control tests because of the low level of control risk
  - Perform a relatively small number of substantive procedures.
  - Re-evaluate acceptable level of audit risk.
5. If the acceptable level of detection risk decreases, the assurance directly provided from:
- Substantive procedures should increase.
  - Substantive procedures should decrease.
  - Test of control should increase.
  - Test of control should decrease.
16. An advantage of using statistical sampling techniques is that such techniques:
- Mathematically measure risk.
  - Eliminate the need for judgement decisions.
  - Define the value of tolerable error and risk of incorrect acceptance required to provide audit satisfaction.
  - Have been established in the court to be superior to judgemental sampling.
17. Which of the following most likely would be detected by an auditor's review of an entity's sales cut-off?
- Unauthorized goods returned for credit.
  - Excessive sales discounts.
  - Overlapping of year-end accounts receivable.
  - Unrecorded sales for the year.
18. What does a performance audit not involve a review of?
- Use of human and financial resources.
  - Government policy decisions.
  - Actions taken in administering a new program.
  - Procedures followed for remedying identified weaknesses.

19. Which of the following need not be included in the engagement letter for a review?
- A requirement that distribution of the report is restricted to identified parties.
  - The scope of the review to be performed.
  - A sample of the report to be submitted.
  - A statement that an audit is not being performed.
20. The primary evidence regarding year-end bank balances is documented in the:
- Bank deposit schedule.
  - Interbank transfer schedule.
  - Bank reconciliation.
  - Bank confirmation letter.

समूह "क" (३)

(२ x ५ = १०)

21. What are the main criteria for recognizing revenue from sale of goods?
22. Briefly explain the disclosure requirements under IFRS 7- Financial Instruments: Disclosures (which replaced IAS 30 -Disclosures in the Financial Statements of Banks and similar Financial Institutions). Please elaborate whether the same is applicable in the case of a central bank.

समूह "ख"

कुनै एक प्रश्नको उत्तर दिनुहोस्।

(१ x २० = २०)

23. The accountant of a manufacturing company is not clear about the provisions and contingent liabilities. He is seeking your advice on clarification and also how to disclose them in the financial statements. You are required to explain him in detail about provisions and contingent liabilities giving examples and what disclosures are to be made in the financial statements.

24. A bank has agreed to lend a cement factory Rs. 100 million in term loan and Rs. 30 million in working capital loan. The total project cost of the factory is Rs. 200 million comprising of Rs. 160 million in fixed cost and Rs. 40 million in working capital.

During the construction period, the factory has submitted the bank a request for opening for Letters of Credit for import of machineries worth Rs. 60 million. The factory has also requested the bank to utilize the approved term loan of Rs. 100 million for the purpose.

The bank has declined the request of the factory, and has come up with the following proposition:

- A cash margin at 10% shall be deposited by the factory against such LC.
- On receipt of document, the factory shall deposit further requisite amount in proportion of the approved debt-equity ratio.

At this situation, explaining that the factory needs equity for completion of construction and commissioning of equipments, and with a view to satisfy the bank's demand, the factory has requested the bank for immediate release of Rs. 6 million (for deposit of margin money) against the approved working capital loan. The factory has also requested the bank to release further Rs. 24 million out of the approved working capital loan at the time of releasing the document. The bank has declined saying that the working capital loan was not for such purpose.

The factory did not understand the stand taken by the bank. They hold the view that the bank should have agreed to extend the requested facility as per the loan agreement. The factory has sought your opinion on the behaviour of the bank and course of action available in the hands of the factory so that the LC may be opened and release of documents.

समूह "ग"

(२ x १५ = ३०)

5. Consider the following independent and material situations:

- a) You are finalizing the audit of Zenith Trading Company and note the net profit is Rs.1,500,000 in the directors' report compared with Rs.750,000 in the profit and loss statement. From discussion with management, you find out that the difference is due to the fact that management did not agree with your adjustment to correct the provision for doubtful debts. Your figure is fairly stated.
- b) You are finalizing the audit of Annapurna Trading Company and note the net profit is Rs.500,000 in the directors' report compared with Rs.950,000 in the profit and loss statement. From discussion with management, you find out that the difference is due to an adjustment to inventory that had not been reflected in the draft financial statements that had been given to the auditor. After reviewing the inventory adjustment, you are satisfied that is fair. The directors refused to amend the financial statements to reflect the adjustment.
- c) As part of your audit of Gandaki Garment factory you intend to conduct physical verification of company's stock. During physical verification you found substantial stockholding of purple flared jeans. You believe all of this amount should be written off. In a subsequent physical verification of the stock of purple flared jeans, you find that the last sale was in the FY 2064/65 and the total value of stock on hand was Rs.450,000 (25% of total stock). In your subsequent discussion with management, it was made very clear that it would not adjust the financial statements because management believed these jeans would soon be back in fashion.

You are required to discuss the types of audit opinion that you need to issue for each of the above three situation giving reasons thereof.

26. Justify the necessity of recognizing deferred taxation (NAS 9 Income Taxes). Illustrate how it is determined.

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मिति : २०६७/०८/१८

द्वितीय पत्र

समय :- ४ घण्टा

पूर्णाङ्क :- १००

विषय : Acts, Rules / Regulations and Directives.

कुनै पाँच प्रश्नको उत्तर दिनुहोस्। प्रश्नको उत्तर नेपाली वा अंग्रेजी माध्यमबाट दिन सकिनेछ। (५ x २० = १००)

1. Define performing and Non-performing loans and describe its classification and accounting treatment as per NRB Directive No. 2. How should a bank treat interest accrued or received on such loan?
2. What are processes of declaring the Bank and Financial Institutions as problematic under Nepal Rastra Bank Act 2058? What action can Nepal Rastra Bank take against such problematic Banks and Financial Institutions?
3. Mr. A Shrestha is CEO of the XYZ Bank Ltd. and his detail of income drawn from the bank is as following:
  - Basic salary Rs. 500,000 /month.
  - Different Allowances Rs. 275,000 / month.
  - Leave payment received one month basic salary.
  - Bank has provided Housing and Vehicle facilities.
  - The bank also provides two security guards, one gardener and one servant for which the bank pays monthly salary of Rs. 7500 each.
  - The Bank had paid hotel expenses of Rs. 250,000 during official travel made in the financial year.

He has contributed 10% of basic salary in approved retirement fund and the bank's contribution is the same.

He has also provided following additional information to bank:

- He has paid life insurance premium of Rs. 75,000 for the policy of Rs. 1,500,000.
- Donation paid to the recognized institution is Rs. 120,000.
- His rental Income is Rs 500,000 and Interest income from bank deposit is Rs.75,000.
- He has also received dividend from the various investment amounting to Rs.45,000.

Considering the relevant provision of the Income Tax Act calculate the monthly TDS amount to be deducted from salary of Mr. Shrestha during FY 2067/68.

4. Nepal Rastra Bank recently issued the guidelines on restriction on the Salary & Allowances to the CEO's of the Bank & Financial Institutions. Discuss the contents of the guidelines and do you think the guideline is appropriate in current context?
5. Discuss the processes of merger of two licensed financial institution and its implications on income tax liability. What incentives has provided by the government in the current budget announcement?
6. Discuss the following:
  - a. Tax refund process under Value Added Tax Act and Rules.
  - b. Issue of shares in premium and treatment of share premium account with reference of Company Act, Security Act and Regulation issued by Nepal Rastra Bank.

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तृतीय पत्र

समय :- ४ घण्टा

पूर्णाङ्क :- १००

विषय : Financial Management

कुनै पाँच प्रश्नको उत्तर दिनुहोस् । प्रश्नको उत्तर नेपाली वा अंग्रेजी माध्यमबाट दिन सकिनेछ ।

1. Very recently, Nepal Stock Exchange Limited has come up with the concept of Central Depository System and that the process is already on for setting up a separate company for the purpose. Please explain the basic functionalities of the CDS company, including precautionary notes that the company should be aware of in the operation of the proposed company. (20)
2. Write short Notes on: (4 x 5 = 20)
  - a) Repo
  - b) Reverse Repo
  - c) Outright Purchase
  - d) Outright SalesWith reference to the existing practices in Nepal.
3. What are the basic economic forces that lead to merger and acquisition? Explain citing also the references from Nepalese situation. (20)
4.
  - a) What do you mean by working capital management? Explain how working capital management policies affect profitability, liquidity and structural health. (10)
  - b) What are the objectives of portfolio management? Explain briefly factors affecting investment decisions in portfolio management. (10)
5.
  - a) What are the issues that need to be considered by a Nepali investor to incorporate of Company within the Net Present Value (NPV) model for the evaluation of foreign investment proposals? (10)
  - b) Write a brief note on project appraisal under inflationary conditions (10)



6. A Balance Sheet of a Company is given below:

<u>Balance Sheet</u>	<u>Ashad 2067</u>	<u>Ashad 2066</u>
<u>Assets side</u>	<u>Rs. in 000</u>	<u>Rs. in 000</u>
Cash balance	100	75
Balance with banks	215	530
Fixed deposits (maturity 1 year later)	500	0
Investment in Shares of subsidiary co.	1,000	1,000
Trade Debtors	570	425
Inventory : Raw Materials	300	250
Inventory : Finished products	750	600
Inventory : Work in Progress	150	130
Share capital calls in arrears	360	360
Fixed Assets	2,285	2,190
Building construction work in progress	650	350
Advance Income Tax	<u>120</u>	<u>90</u>
	<u>7,000</u>	<u>6,000</u>
 <u>Liabilities Side</u>		
Trade Creditors	400	390
Working Capital Loan	780	600
Term Loan	3,500	3,000
Accrued Payable	200	160
Borrowing from Directors	700	500
Share Capital	1,000	1000
Retained earnings	300	260
Provision for Income Tax	<u>120</u>	<u>90</u>
	<u>7,000</u>	<u>6,000</u>

- a) From the above balance sheet, calculate the following ratios: (10)
- Acid Test Ratio (liquidity)
  - Financial Leverage Ratio
  - Inventory Turnover Ratio
  - Debtors Turnover Ratio
  - Working Capital & Net Working Capital
- b) Give your brief comment on basic changes in the financial position of the company. (10)

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