

**PHASE II – DESCRIPTIVE TYPE WRITTEN TEST**

**ACCOUNTANT**

**(Answer all questions)**

1. Critically evaluate the statement : “Investment decisions are directly related to financial decisions influenced by the cost of capital”. (3 marks)

2. What is meant by Letter of Credit and explain how it works. (3 marks)

3. Following information is available from the Finance department of the Royal Industries:

(1)The average receivable period is 45 days, while the average payable period is 30 days.

(2)The average inventory holding period is 75 days.

(3)The operating cash expenses of Royal Industries are ₹120 lakhs annually at a constant rate.

(4)Return on investment is 15%.

Number of days in a year is 360.

From the above information, compute:

(a)The cash cycle period in days, and cash turnover in terms of months.

(b)Minimum amount of cash to be maintained to meet the liability of payments as and when due and payable.

(c)The savings in terms of interest cost if the management successfully reduces the inventory holding period by 30 days. (5 marks)

Signature :

4. CA. G, was appointed by DP Ltd., as Statutory Auditor. While doing the audit of DP Ltd., CA. G observed that certain loans and advances were made without proper securities; certain trade receivables and trade payables were adjusted inter se; and personal expenses were charged to revenue. As a company auditor comment on the, reporting responsibilities of CA. G. (3 marks)

5. There are two firms A Ltd. and B. Ltd. The sales and cost information for these two firms are given below:

Particulars	A Ltd.	B Ltd.
Sales (Units)	10,000	10,000
Selling Price (per unit)	Rs.20	Rs.20
Variable Cost (per unit)	Rs.15	Rs.10
Fixed Cost	Rs.40,000	Rs.90,000

Analyse the cost information. (5 marks)

6. Activity ratio of the company is 80% and its capacity ratio is 120%. Find out its efficiency ratio. (3 marks)

7. How will you consider Income from construction and service contracts with reference to Section 43CB of Income Tax Act in relation to ICDS. (3 marks)



8. Mr. A's inward supplies for the month of Jan 2020 involves ITC of Rs. 1,00,000. GSTR-2A of Jan 2020 reflects Rs. 70,000. Calculate ITC that can be claimed in GSTR-3B of Jan 2020. (3 marks)

Signature :

9. Net Profit for the year 2013 -Rs.18,00,000  
Net Profit for the year 2014 -Rs.60,00,000  
No of equity shares outstanding until 30<sup>th</sup> September 2014 - Rs.20,00,000  
Bonus issue 1<sup>st</sup> October 2014 was 2 equity shares for each equity share  
outstanding at 30<sup>th</sup> September 2014.  
Calculate Basic Earnings per share. (2 marks)

Signature :