

# TRIBHUVAN UNIVERSITY

## FACULTY OF MANAGEMENT

**Model Question**

Full Marks: 100

Time: Hours

MBS / Fourth Semester / ACC 676: Accounting Theory and Financial Reporting

*Candidates are required to answer all the questions in their own words as far as practicable. Figures in the bracket indicate full marks*

### Group “A”

#### Case/Situational Analysis Questions

1. The following information was extracted from the book of A Ltd group as on 31, Chaitra 2071

Particular	A Ltd (Rs)	B Ltd (Rs)	C Ltd (Rs)
<b>Profit and Loss account</b>			
Balance on 31 <sup>st</sup> Chaitra 2069 after provision for dividend at 10% in respect of calendar year 2069 but excluding dividend received	50,000	36,000	26,000
Net trading profit earned during 2070	60,000	42,000	28,000
	110,000	78,000	54,000
Less: Dividend of 10% in 2071 in respect of calendar year 2070	40,000	30,000	20,000
	70,000	48,000	34,000
Net trading profit earned in 2071 (before taking into account proposed dividend of 10% in respect of calendar year 2071)	50,000	50,000	30,000
Retained earning	120,000	98,000	64,000
<b>Dividend Received:</b>			
From B Ltd in 2070	20,000	-	-
From B Ltd in 2071	25,000	-	-
From C Ltd in 2071	-	15,000	-
<b>Share Capital:</b>			
Authorized and fully paid equity shares of Rs 1 each	400,000	300,000	200,000
<b>Current liabilities</b>	20,000	5,000	17,000
	<b>585,000</b>	<b>418,000</b>	<b>281,000</b>
Fixed assets at cost less depreciation	210,000	188,000	261,000
<b>Current Assets</b>	60,000	30,000	20,000
<b>Investment at cost:</b>			
200,000 shares in B Ltd on 31, Chaitra 2069	250,000	-	-
50,000 shares in B Ltd on 31, Chaitra 2070	65,000	-	-
150,000 shares in C Ltd on 31, Chaitra 2070	-	200,000	-
	<b>585,000</b>	<b>418,000</b>	<b>281,000</b>

All of the company pay dividends of 10% on paid up share capital in Ashad following the end of accounting year. The receiving companies enter the dividends in their books when the dividends are received.

**Required:**

- a. Consolidated profit and loss account as on 31<sup>st</sup> Chaitra, 2071
- b. Consolidated Balance sheet as on 31<sup>st</sup> Chaitra, 2071

[7+8]

2. Do you think that financial reporting practices in Nepal are adequate and satisfactory? If not, what suggestions would you like to give to improve the financial practices?

[7+8]

## Group "B"

### Problem Solving Questions

Attempt any **TWO** questions

[2 × 9 = 18]

3. "Human resource accounting is the process of identifying and measuring data about human resources and communicating this information to interested parties", explain. (9)

4. A Noodles Factory located in a nearby community provides the following expenses relating to social loss and benefits for the year ending December 2014.

<u><b>i. Expenses made to provide benefits / facilities to the factory employees:</b></u>	<u><b>Rs.</b></u>
- Expenses relating to Medical & hospital facilities	175,340
- Education with childcare facilities	74,200
- Sport & recreational facilities	47,000
- Housing & transportation facilities with water, sanitation & electricity facilities	341,380
- Employees career development retirement & leave facilities	142,040
<u><b>ii. Expenses made to provide community facilities:</b></u>	
- Expenses relating to Local & municipality taxes	96,000
- Community job enrichment & facility improvement	158,400
<u><b>iii. Expenses made to provide benefit to general public:</b></u>	
- Expense relating to Tax paid to government	186,000
<b>-Cost incurred :</b>	
- to factory staff for voluntary work	54,800
- to factory community because of higher learning cost due to present factory	35,200
- to general public due consumption of government services	114,600

**Required:** Social Income Statement showing net social benefit to different parties (9)

5. The comparative Balance Sheet & Income Statement of Elite Commercial Bank for the year ending 31, 2010 are given below:

#### **Comparative Balance Sheets at the end of December 31, 2010**

<b>Liabilities</b>	<b>2009</b>	<b>2010</b>	<b>Assets</b>	<b>2009</b>	<b>2010</b>
Share capital	560,000	780,000	Cash at bank	132,000	157,000
Deposit a/c	978,000	1,262,000	Deposit with NRB	240,000	260,800
P/L a/c	70,500	80,600	Money at short notice	131,000	86,000
Current Liabilities	177,500	117,000	Investments	730,000	941,000
			Loan & advances	453,000	688,000
			Operational fixed assets	100,000	106,800
<b>Total</b>	<u><b>1,786,000</b></u>	<u><b>2,239,600</b></u>	<b>Total</b>	<u><b>1,786,000</b></u>	<u><b>2,239,600</b></u>

#### **Income Statement for the year ended December 31, 2010**

To Interest on deposits	258,300	By Interest & commission	701,000
To Salaries & allowances	320,000	By Dividend & brokerage	74,700
To stationery & printing	90,650		
To Income tax paid	15,200		
To Net profit	91,550		
	<u><b>775,700</b></u>		<u><b>775,700</b></u>

#### **Statement of retained earnings**

To Dividend paid	81,450	By Net profit	91,550
To Balance c/d	80,600	By P/L account b/d	70,500
	<u><b>162,050</b></u>		<u><b>162,050</b></u>

**Required:**

Cash Flow Statement in proper format complying Company Act and Accounting Standards

(9)

**Group "C"**Concept Oriented Short Answer QuestionsAttempt any **FOUR** questions

(4×3 = 12)

6. Explain in brief about the Accounting Standard Board of Nepal.

7. Write about the different approaches of accounting theory.

8. Distinguish between a stock dividend and a stock split.

9. The following information is provided:

Year	Yearly expected Remuneration	Accounting rate of return	Rate of return in the economy
1	450,000	12	15
2	550,000	14	15
3	650,000	16	20
4	750,000	18	20

Discount rate applicable is 12%

**Required:** PV of Human Resources using the Hermanson's adjusted discount of future wage model

10. The following is the Balance Sheet of a US branch of Nepal Garments Ltd., a Nepalese Garment Exporter:

**Balance Sheet as on December 31, 2014**

Assets	Rs.	Rs.
Cash		40,000
Account Receivable		80,000
Closing Stock		40,000
Fixed assets less: Depreciation		126,000
Net assets employed		<b>286,000</b>
<b>Liabilities</b>		
Head Office Current A/c		
Opening balance	165,000	
Net profit	121,000	<b>286,000</b>

**Additional information**

Fixed assets were acquired on the date when the exchange rate was \$1 = NRs70

Exchange rate at the beginning and end of the year was Rs.70 per \$ and Rs.80 per \$ respectively

**Required:** Restated Balance Sheet on \$ value

11. The Following information is provided:

Sales revenue	Rs 50,00,000
Materials used	10,00,000
Salaries and wages	900,000
Depreciation	400,000
Income tax	800,000
Supplies used	200,000
Utilities expenses	300,000
Interest expenses	200,000
Dividends paid	300,000

**Required:** Multi-step income statement using preferred format, comply with the company acts and accounting standard

**TRIBHUVAN UNIVERSITY**  
**FACULTY OF MANAGEMENT**

**Model Question**

Full Marks: 100

Time: Hours

MBS / Fourth Semester / ACC 673: Cost Management

*Candidates are required to answer all the questions in their own words as far as practicable.*

*Figures in the bracket indicate full marks*

**Group "A"**

Case/Situational Analysis Questions

**Compulsory Questions**

1. ABC Company Ltd. manufactures two types of chocolates 'A' and 'B' for the chocolate industry.

Chocolates	Sales Units	SPPU
A	20,000	60
B	10,000	50

Direct and indirect costs incurred on these two parts are as follows:

<i>Particulars</i>	<i>A</i>	<i>B</i>	<i>Total</i>
Direct material cost (Rs.)	2,00,000	1,00,000	3,00,000
Labour cost (Rs.)	1,60,000	1,00,000	2,60,000
Indirect cost:			
Machine set-up cost (Rs.)			2,60,000
Testing cost (Rs.)			2,30,000
Engineering cost (Rs.)			3,50,000

Additional information is as follows:

<i>Particulars</i>	<i>A</i>	<i>B</i>
Production batch size	2,000 units	1,000 units
Set up time per batch	28 hours	24 hours
Testing time per unit	15 hours	8 hours
Engineering cost incurred on each product	1.90 lakhs	1.60 lakhs

A foreign competitor has introduced new product very similar to product 'A' of ABC Ltd, so the company calls for a meeting and comes up with a proposal to change the design of product 'A'.

The expected effect of the new design is as follows:

- To maintain the company's share and profit, company has to reduce the price to Rs.50
- Direct material cost is expected to decrease by Rs.2 per unit
- Labour cost is expected to decrease by Rs.4 per unit

- Set-up time will be 26 hours for each set-up.
- Time required for testing each unit will be reduced by 2 hours.
- Engineering cost and batch size will be unchanged.

Required:

- a. Calculate full cost per unit for 'A' and 'B' using Activity-Based Costing.
- b. Effect of new proposal (7+8=15)

2. A leading garment manufacturing company is operating its business in Nepal since last 5 years. Yearly sales of the company have been increasing. One day in a strategy meeting the company's Chief Executive Officer said "due to high demand of our products, if we raise the price of our products we will not lose our customers and the company's break-even point will also become lower". The Account Controller responded saying "then we should raise our price, so that our company will be able to increase its profit more than the previous years".

Required: With whom do you agree and disagree? Why? (15)

### Group "B"

#### Problem Solving Questions

Attempt any **TWO** questions [2 × 9 = 18]

3. "If every manager minimizes cost of the process he or she supervises, overall costs of the company will decrease." Do you think this would be a wise strategy? Discuss.
4. ABC Company sells two products 'A' and 'B', to two types of customers, Urban and Rural. Data relating to two products and customers are as follows:

	Product A	Product B	Total
Sales (Rs.)	60,00,000	30,00,000	90,00,000
Contribution Margin Ratio (%)	40	60	46.7
Operating costs traced to products (Rs.)	21,00,000	10,00,000	31,00,000
	Customer Urban	Customer Rural	Total
Customer Sales:			
Product A	90%	10%	100%
Product B	10%	80%	100%
Operating costs traced to customers (Rs.)	24,00,000	7,00,000	31,00,000

Required:

- a. Product line profitability showing return on sales
- b. Customer profitability analysis (3+6=9)

5. The following data are available for a manufacturing company for the month of Ashad:

	Units	Complete (%)	Costs (Rs.)
Beginning WIP inventory, Ashad	11000		
Direct Materials		75	11180
Conversion Costs		70	13720
Units started in Ashad	6000		
Costs incurred in March:			
Direct Materials			8500
Conversion Costs			8400
Ending WIP Inventory	3000		
Direct Materials		80	
Conversion Costs		60	
Required:			
a. Production cost report using Weighted Average Process Costing method			
b. Production cost reporting using FIFO Process Costing method			(2x4.5=9)

### Group "C"

#### Concept Oriented Short Answer Questions

Attempt any **FOUR** questions (4×3 = 12)

- Write about the ethical issues in strategic investment analysis.
- Explain the three different categories of product cost in manufacturing operation.
- How can opportunity costs be important in decision making?
- Asian Paints manufactures three products A, B and C from a joint process. Joint process costs for 2060 were Rs.60,000

Relevant data with sales value and additional costs if processed further are as follows:

Products	Production Units	Sales at split off point	Sales after further process	Further processing cost
A	20000	40000	60000	15000
B	10000	70000	90000	22000
C	12000	30000	60000	20000

Required: Profit of product B, assuming that joint products costs are allocated using Net Realizable Value Method

- An overhead cost of a manufacturing company and other related information have been presented below:

Output (DMH)	Overhead Costs (Rs.)
100	300
200	500

300	700
400	900

The standard direct machine hour is 2 hours per unit.

**Required:**

- a. Segregation of costs by using Regression Method
- b. Total costs for 300 units

11. A Community Health Center run by donations and support is considering opening a new branch office to reduce travel costs incurred by patients and staff. An account controller who volunteers at the center made the following estimates of cash flow related to the new center over the next five years.

Years	Cash Flow (Rs.)
1	8000
2	10000
3	12000
4	13000
5	15000

Required: What is the most the center should commit for a five year lease on building, fixtures and other start up costs if the discount rate is 8%.

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# TRIBHUVAN UNIVERSITY

## FACULTY OF MANAGEMENT

**Model Question**

Full Marks: 100

Time: Hours

MBS / Fourth Semester / ACC 677: Management Control System
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*Candidates are required to answer all the questions in their own words as far as practicable. Figures in the bracket indicate full marks*

### Group “A”

#### Case/Situational Analysis Questions

#### Compulsory Questions

1. The management committee of **Everest Soap Company** has been feeling unhappy with the past performance of its company. Hence, they decided to adopt master budget from the current year and have given instructions to the account controller of the company to make systematic analysis of the company's budget.

**The Balance Sheet of a company for the year 2071 was given below**

Liabilities	Rs.	Assets	Rs.
Capital	500000	Fixed Assets	450000
12% Debenture	100000	Inventory:	
		Merchandise: 12000 units @ Rs.5	60000
		Finished Goods: 12000 units @ Rs.12.5	150000
P/L account	66000	Account Receivable	
		Falgun Sales	16000
		Chaitra Sales	60000
Accumulated Depreciation	90000	Cash	20000
	<b>756000</b>		<b>756000</b>

The actual and forecasted sales of the coming year are

Months	Sales units	Production units
Falgun	5000	-
Chaitra	7500	-
Baisakh	10000	12000
Jestha	15000	12000
Ashad	17500	14000
Shrawan	15000	12000

SPPU will be Rs.20. Sales would be 20% on cash and 80% on credit. Credit sales would realize 50% in the month of sales, 30% in the next month, 16% in the following next month of sales and bad debts will be 4%. All expenses including purchase would be paid in the same month of expenses and purchases. Administration and distribution expenses would be 15% of sales. Depreciation 10% per year on fixed assets and closing stock of finished goods on Ashad will be 7500 units. Material inventory will be 40% production needs of next month and each unit of finished goods required 2.5 kg of material at a cost of Rs.12.5.

The company would desire to have minimum cash balance of Rs. 20000. The 12 % debenture will retire on Baisakh 1<sup>st</sup> with 10% premium. Commercial Bank has given approval to avail loan to the industry in the multiple of Rs.10000 @ 12% p.a. The loan provides provision to reimburse in the multiple of Rs.1000 with the interest on principle repaid.

Required:

- a. Material purchase budget for three months ending Ashad, 2072
- b. Cash collection and disbursement Budget for three months ending Ashad, 2072
- c. Budget Income Statement for three months ending Ashad, 2072
- d. Budgeted Balance Sheet for three months ending Ashad, 2072 (3+6+3+3=15)

2. Nepalese Commercial Banks have to go for merger between two or more than two Financial Institutions, after the directives given by Nepal Rastra Bank about the increase in total capital of Commercial Banks. In this context, how would you design a Management Control System for Commercial Banks? Explain. (15)

### Group "B"

#### Problem Solving Questions

Attempt any **TWO** questions

[2 × 9 = 18]

3. "Management Control System is used to make planning and control decisions, to motivate employees behavior, and to evaluate performances", discuss.
4. A renowned manufacturing company has three independent divisions; they are Division X, Division Y and Division Z. It also deals with two companies: supplier company A and buying company B.

These divisions enjoy full autonomy. The Division X can buy part 'MN' either from Division Y or from supplier company A at a market price of Rs.100 per unit. If Division X buys from company A, Company A in turn buys a component from Division Z for Rs.50 per unit. The outlay costs to Division Z of supplying the components are Rs.30 per unit. Division Y would incur the outlay costs of Rs.65 per unit for producing part 'MN' for Division X. Division Y can supply the part 'MN' to the buying company B at the same market price of Rs.100 per unit for which outlay costs also remain same, i.e. Rs.65 per unit.

Required:

- a. What transfer price should be used for maximizing the overall company's net income i.e. cash flow?
  - b. If there is no capacity constraints then what will the year transfer price? Show supporting calculations (2x4.5 = 9)
5. You are furnished with the following details relating to S & S Company Limited.

(Rs. in Lakhs)

Investment Centre	Cash Rs.	Stock Rs.	Debtors Rs.	Fixed Assets Rs.	Budgeted Profit Rs.
1	20	40	60	180	60
2	30	40	50	130	25
3	10	20	40	100	17

The corporate cost of capital in current assets is 5% and rate of return by the company for investing in fixed assets is 8%.

Required:

- a. Return on Investment (ROI) and Economic Value Added (EVA)
- b. Show the difference between the two methods of investment centre evaluation.  
(2x4.5 = 9)

**Group “C”**

Concept Oriented Short Answer Questions

Attempt any **FOUR** questions (4x3 = 12)

6. “Zero-based budgeting contributes in a number of ways to the profitability and prosperity of the organization’, explain.
7. Differentiate between revenue and expense centre.
8. Explain the behavioral considerations of management control system.
9. The sales data for a period in respect of two products are given below:

	Standard			Actual		
Product	Quantity	Price	Value	Quantity	Price	Value
X	6000	2	12000	7000	2.5	17500
Y	5000	3	15000	6000	3.5	21000

Required: Sales Price, Sales Value and Sales Mix Variances

10. The following Flexible Budgets data are available for two levels of activities:

<b>Output (DMH)</b>	<b>1500</b>	<b>2000</b>
Direct Material	12000	16000
Direct Labour	9000	12000
Depreciation	8000	8000
Supervision	4000	4000
Heat & Light	1500	1800

The standard direct machine hour is 0.5 hour per unit.

**Required:** Total Costs for 3500 units

11. The actual and budgeted data of Department A for the month of Baisakh are:

Budgeted data:

Production units – 500 units

Labour hours required to produce each unit – 0.6 hours

Rate per hour – Rs.5

Actual data:

Production units – 520 units

Total labour hours required for production – 300 hours

Rate per hour – Rs.6

**Required:** Performance report for Department A for the month of Baisakh

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**Tribhuvan University**  
**Corporate Taxation**  
**MBS 4<sup>th</sup> Semester**  
**Model Question**

**Full Marks: 60**

**Pass Marks: 27**

*Short Answer Questions*

Attempt any Four Questions

[4×3=12]

1. “Tax is a compulsory contribution by a person to the government” Discuss.
2. “Self assessment system is only effective in developed countries where the public are fully aware of taxation system”. Do you agree?
3. “One of the main features of Income Tax Act 2058 is payment of tax on instalment system” justify this statement as per the provision regarding instalment system.
4. ABC Company submitted a return of its income to the tax office. An investigation made by the officer and found Rs. 200,000 income concealed. It is proved that the company had intention to hide the income.  
**Required:** Fee chargeable to the Company.
5. Mrs. Rakshya provides the following details of her income of previous year. You are required to calculate tax payable by Mrs. Rakshya. Taxable income from domestic investment Rs 500,000, Taxable income from investment in India Rs 200,000, Tax paid to Indian government Rs.40,000. Unrelieved previous loss of domestic business was Rs.300,000.
6. Kathmandu Dealer sold a washing machine at a list price of Rs.18000. It provides 10% discount to its customers. The dealer paid Rs.1,820 as input tax to the government. Calculate the amount of VAT required submitting to tax office in this transaction.

*Analytical Answer Questions*

Attempt any TWO Questions

[ 9×2=18]

7. Tax planning is neither tax evasion nor tax avoidance but the minimization of tax liabilities by an effective utilization of available tax concessions and rebate in the IT Act linking with other planning and decision making function of management. Elucidate.
8. Following are the income detail of Mr. Ashok Rana for the relevant income year as:
  - Interest on fixed deposit Rs. 95,000 (net)
  - Natural resource payment received Rs 150,000
  - Interest from Pvt. party Rs. 170,000 (net)
  - Income from lottery Rs. 50,000 net (after deducting casual tax)
  - Prize / gifts received in respect of investment Rs. 10,000
  - Income from letting a machinery Rs. 150,000 (gross) Amount received from computer let out Rs. 30,000 (net)
  - Gain from an unapproved retirement fund Rs. 100,000

- Amount received in lieu of accepting restriction related to investment Rs. 100000
- Income from foreign investment (in the form of dividend) Rs. 80,000 (net)
- Sales proceeds from sale of share Rs 300,000.

Expenditures claimed:

- Interest collection charge Rs. 300 total from bank and private party.
- Purchase of a lottery ticket Rs. 100
- Income tax paid to foreign government Rs. 10,000
- Eligible repairs relating to block 'B' & 'D' assets are Rs. 1,500 and Rs. 500 respectively
- Eligible depreciation relating to block 'B' & 'D' assets are Rs. 5,357 and Rs. 7,143 respectively
- Purchase cost of share sold was Rs. 250,000.

**Required:** Compute tax liability

9. a. A consumer purchased a rice-cooker from a retailer at Rs. 565. This product passed through two middlemen-importer and retailer. A profit margin of 5% on cost price was included by both middlemen. However, overhead cost Rs. 20 and Rs. 10 were incurred by importer and retailer respectively. (1+4)

**Required:**

∂ Cost price of the importer.

- VAT charged at different level of sales.

- b. "Effectiveness of Value Added Tax depends upon the tax consciousness of the people." Discuss. (4)

Long Answer Questions

Attempt any ALL Questions

[15×2=30]

10. Given below is the Trading & Profit and Loss account of Padma Industry P. Ltd. situated in underdeveloped area:

Dr.	Profit and Loss Account		Cr.
Particulars	Rs.	Particulars	Rs.
To Opening stock	1,52,000	By Sales	1,60,58,000
To Purchases	30,25,000	By Closing stock	1,76,000
To Wages	15,00,000		
To Custom duty	1,30,000		
To Carriage inward	15,000		
To Insurance on purchase	10,000		
To Gross profit	1,14,02,000		
	1,62,34,000		1,62,34,000
To Salaries	2,25,000	By Gross profit	1,14,02,000
To Interest on loan	2,90,000	By Dividend from a bank (net)	95,000
To Commission and brokerage	36,000	By Interest income from credit sale	2,20,000
To Legal fees	12,000	By Commission and discount	20,000
To Audit expenses	40,000	income	42,000
To R & D cost	1,20,000	By Bad debts recovered	1,44,000
To Pollution control cost	18,00,000	By Rent from staff quarters	

To Provision for bad debts	75,000	By Gain on sale of vacant land used in business	20,00,000
To Printing and stationeries	1,40,000		
To Life insurance premium (Staff)	47,000	By Gain on sale of non-business of chargeable assets	2,20,000
To Fire insurance premium	1,05,000		
To Telephone and electricity expenses	35,000	By Gain on disposal of depreciable assets (Block 'C')	60,000
To Office expenses	80,000		43,000
To Utility expenses	22,500	By Sundry income	
To Papers and periodicals	12,000		
To Advertisement	3,20,000		
To Entertainment expenses	82,000		
To Provision for taxation	1,68,000		
To Miscellaneous expenses	5,000		
To Donation to Radha Madhav Trust	2,50,000		
To Depreciation	1,64,000		
To Net profit	1,02,17,500		
	1,42,46,000		1,42,46,000

**Additional information:**

- Opening stock was overvalued by 10% and closing stock was undervalued by 20%.
- Allowable depreciation was Rs. 1,35,000.
- Salary includes contribution to unrecognized retirement fund Rs. 22,000 and Rs. 24,000 to an advisor without deducting tax at source.
- Dividend to the shareholders Rs. 41,000 was not shown in above statement.
- 40% of bad debts recovered was not allowed previously.
- Purchases include Rs. 3,00,000 for purchase of machinery.
- Legal expenses include Rs. 2,500 to acquire the title of newly purchased machinery.
- Loss from business last year stood Rs. 28,25,000
- Income received from natural resources Rs. 2,55,000 (net) was omitted to show in profit and loss a/c.
- Miscellaneous expenses include medical treatment of an employee Rs. 2,000.

**Required:**

- ∂ Assessable income from business
- Assessable income from investment
- ÷ Statement of total taxable income
- ≠ Tax liability

11. a. A special industry is to be established by investing capital outlay of Rs. 100,00,000. The industry expects the following profit before tax and without considering transportation expenses:

Year	1	2	3	4	5
Profit (Rs.)	6,00,000	5,00,000	6,25,000	7,00,000	9,80,000

There is no restrictions from the government to establish the industry in any area, however, Income Tax Act, 2058 has provided certain concessions for location at different places.

The alternative locations are Humla (highly undeveloped), Parbat (undeveloped) and Kavrepalanchok (underdeveloped).

The industry will provide direct employment to at least 350 Nepalese workers during the year of operation and onwards continuously.

The industry fixes the single price for all its products and the cost of transportation to Kathmandu (main market is Kathmandu) are as follows:

Humla to Kathmandu                      Π Rs 10 per unit of product

Parbat to Kathmandu                    Π Rs. 7 per unit of product

Kavrepalanchok to Kathmandu Π Rs. 5 per unit of product

Units of product produced in year 1, 2, 3, 4 and 5 will be 30,000; 25,000; 32,500; 35,000 and 40,000 respectively. Assume sale is equal to production.

**Required:**

As a tax planner, where would you recommend to locate the industry? Use the tax rate applicable as per Income Tax Act, 2058 (Ignore depreciation).                      (8)

- b. After incurring Rs. 1,00,000 and Rs. 75,000 losses respectively for the past two years, a manufacturing company anticipates the following before tax operating results in the next three years.

Year 3	Rs. 1,00,000
Year 4	Rs. 1,55,000
Year 5	Rs. 2,80,000

On the light of these expected financial performances, the company would like to undertake the following activities and seeks your advice to the effect of tax planning to reduce the tax liability. The activities anticipated are:

- To pay cash dividend of Rs. 50,000.
- To donate Rs. 1,00,000 to PADT (a religious heritage of Nepal).
- To purchase trade mark of Rs. 50,000 for a period of 2 years and 11 months.
- To purchase life insurance policy for staff with annual premium of Rs. 30,000.
- To install a pollution control device at a cost of Rs. 1,50,000.
- To redeem a bank loan of Rs. 2,00,000.

**Required:**

∂ Timing of activities with justifications.                      (4)

• Amount of tax payable from 3 to 5 years.                      (3)

**[Note:** *The students should not limit themselves to the chapters mentioned in this Model Questions as questions can be asked from any chapter (within the syllabus) in the examination]*

## Contemporary Auditing

MBS 4<sup>th</sup> Semester

Model Question

Full Marks: 60

Pass Marks : 27

Time :

*Candidates are required to give their answer in their own words as far as practicable.*

*The figures in the margin indicate full marks.*

### Short Answer Questions:

Attempt any Four Questions:

[4x3= 12]

1. Explain in brief 'Human Resource Auditing'.
2. Rectify the following errors: (3x1=3)
  - a) An account of Rs.20,000 a credit sale to Mahesh Thapa correctly entered in the Sales book, has been debited to his account as Rs.22,000.
  - b) A loan of Rs.5,00,000 received from Nepal Bank Ltd. was debited to Bank Account.
  - c) An amount of Rs.5,000 withdrawn by the proprietor for his personal use has been debited to trade expenses account.
3. State how an auditor would verify the inventory.
4. Clarify the meaning of audit risk.
5. From the following data find out the Capital Turnover Ratio and Net Profit Ratio.

Year	NPBIT	Net Capital Employed	Sales (figure in Lakh)
2014	22	25	220
2015	32	27	320

6. An auditor while auditing found the following risk:

Inherent risk : 80%

Control risk : 25%

Acceptable audit risk : 8%

Find out : Detection Risk (dr)

### Analytical Answer Questions

Attempt any TWO Questions:

[2X9 = 18]

7. Discuss on characteristics of an electronic data processing (EDP) environment in audit work.
8. Write the types of opinion an auditor can give while reporting in financial statement. Also differentiate the report with certificate.
9. a) The sample size was determined 50 without considering the size of population. If the population later on determined to be 7,000, calculate the revised sample size. (5)  
b) Determine the sample size from the following information : (4)  
Accuracy of precisions of the estimate is 20,000.  
Estimated standard deviation : 40  
Coefficient of reliability is 1.28  
Population size : 6,500

### Long Answer Questions

Attempt ALL the Questions

[2X15 = 30]

10. Describe the provisions of auditing in prevailing Company Act of Nepal.
11. Express the purpose of Auditing Standard and explain any two issues covered by Auditing Standard in Nepal.

**[Note:** *The students should not limit themselves to the chapters mentioned in this Model Questions as questions can be asked from any chapter (within the syllabus) in the examination*]

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