Quick Review Questions

For Newly Qualified

Chartered Accountants

August-September-October 2007

Committee for Members in Industry
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)
New Delhi

Our Inspiration

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This background material has been prepared for use in educational programmes conducted by the Institute of Chartered Accountants of India. The views expressed herein do not necessarily represent the view of the Council of the Institute or any of its Committees.

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FOREWORD

The Institute of Chartered Accountants of India has been tirelessly striving its best to create Complete Business Solution Providers commensurate with the expectations of the Corporates. Moreover, with a greater percentage of the Members of the Institute opting for serving in industries, the need for grooming the members with the demands of the industries has acquired significant importance.

The Committee for the Members in industry has been regularly updating its booklet 'How to Face An interview Board' for helping and grooming the newly qualified members facing the Campus interviews.

I am happy to note another initiative of the Committee for Members in Industry of bringing out a booklet consisting of the questions on General Knowledge, for helping our young members to prepare for the interviews.

I appreciate the efforts put in by CA.Uttam Prakash Agarwal, Chairman, CMII and Secretary, CMII for publishing this type of booklet, for the first time.

I wish our new members success in their careers.

(CA. SUNIL TALATI)
President

Place: New Delhi
Date: 20th August 2007

PREFACE

A Chartered Accountant acquires a multi -faceted knowledge viz. Auditing, Accounts and Finance, Taxation, Costing, Law etc. through a unique academic programme of the Chartered Accountancy course, blended with practical knowledge. However on becoming a Chartered Accountant, he is not adequately aware of the current and the issues relating to General Knowledge.

Considering this, the Committee for Members in Industry has come out with this booklet covering General Knowledge questions. But, you all understand that the scope of General Knowledge is very vast and hence cannot be covered in this small booklet. However, an attempt has been made to cover a variety of questions in the subjects like history, economics, finance, politics etc.

The booklet has been divided into two parts, Part A and Part B. Part A dealing with the questions with one word answer and Part B with questions with some detailed answers.

I would like to place my sincere gratitude to CA.Ved Jain, Vice President of the Institute, who had inspired the Committee to publish this booklet.

I would take this privilege of thanking CA. Nitin Kumar Parekh, Co-opted member of the Committee and Shri Binay Jha, from the HR Deptt.of Reliance Industries who have prepared the basic draft. I would also like to thank Mr. Surinder Pal, Secretary, Committee for Members in Industry and the officials of the CMII Secretariat for their excellent contribution towards finalizing this publication at a very short time.

I hope that this booklet would help the newly qualified members to face the interviews with more confidence.

I wish our newly qualified members of ICAI a wonderful career ahead.

(CA. Uttam Prakash Agarwal)
Chairman
Committee for Members in Industry

Place: Mumbai
Date: 20th August 2007

COMMITTEE FOR MEMBERS IN INDUSTRY

MISSION

The mission of the Committee for Member in Industry is to encourage and enhance close links between the Institute and the Chartered Accountants working in industries in various capacities so as to provide for them, a base of reference in terms of knowledge, expertise, skills and assistance in individual career growth through the development of extensive and intensive relationship with organizations, agencies of the Government, Departments and Ministries of the Central and State Government in such manner as to provide the maximum possible exposures to the world of trade, commerce, industry and Governance, while simultaneously pursuing the goal of providing the maximum of employment opportunities.

OBJECTIVES

- To organize campus interviews with participation of all possible employer organizations for all the fresh Chartered Accountants seeking employment through the Institute
- To provide assistance to members in industry for their career growth.
- To consider the ways and means to enhance the participation of the members in employment in the activities of the Institute
- To explore and develop fresh avenues of employment for members.
- To provide sector specific assistance in improvement of skills of members in employment.
- To develop a Data Bank Sector wise listings the leading members of the Institute.

CONTENTS

Recommendatory Dress Code For Members Of ICAI

With a view to ensure dignity in appearance and as a part of brand building of the profession, the Council of ICAI has prescribed the following dress code:

1. Male members may wear Indian National dress (i.e. a long buttoned up coat on dhoti or churidar pyjama) or full sleeves shirts with trousers and shoes.
2. Female members may wear saree or salwar kamiz or trousers and shirt.
3. Members are encouraged to wear a suit or a blazer with tie (preferably of ICAI) as may be appropriate to the occasion.
4. Where, however, members appear before any judicial forum and they have been prescribed a dress for appearing before such forum, then such dress shall apply in lieu of the dress mentioned above.
5. Similarly, in respect of members in employment the dress shall be governed by the rules, if any, prescribed by the concerned organisation, in lieu of the dress mentioned above.

Considering that the purpose of prescribing the dress code is to uphold the dignity and to enhance decorum, members are particularly required to adhere to the dress code when they represent before any statutory authority or when attending a business meeting or important events. On all other occasions, members are advised to be properly dressed in their professional capacity.

PART - A

1. What is a statement of oath for use as evidence in legal proceedings?
   - AFFIDAVIT
2. What is an exclusive right of an author in his works?
   - COPYRIGHT
3. What is an Agreement under seal between two or more persons called?
   - COVENANT
4. What is a directive from a court of law ordering a person to appear before it at a specified date, time and place?
   - SUMMONS
5. Which place in the world is called "The Gift of Nile"?
   - EGYPT
6. Which city in India is called "The City of Golden Temple"?
   - AMRITSAR
7. Which country is called "The Dark Continent"?
   - AFRICA
8. In India, which city is called "The City of Palaces"?
   - KOLKATA
9. In which city is the "Brindaban Gardens"?
   - MYSORE
10. Where is the "Jagannath Temple" situated in the country?
    - PURI
11. "Buland Darwaza" is located in which part of India?
    - FATEHPUR SIKRI
12. Which famous caves is situated in Aurangabad, Maharashtra?
    - ELLORA
13. Which is the famous Masjid in Delhi?
    - JAMA MASJID
14. Who is the Chief Minister of Gujarat & to which party does he belong?
    - NARENDRA MODI & BJP (Bharatiya Janata Party)
15. What is the condensed atmospheric water vapours due to cooling of the air called ?
    - DEW
16. What is it called when the atmospheric moisture touches cold earth and condenses on dust particles?
    - FOG

17. What is a part of desert where water and vegetation are found?
    - OASIS
18. What is the Land covered with Natural grass called ?
    - SAVANNA
19. What is Anand city in Gujarat famous for?
    - AMUL
20. What is any disobedience of the court verdict?
    - CONTEMPT OF COURT
21. Where is Vijay Ghat situated?
    - NEW DELHI
22. Where is Bhabha Atomic Research Center situated?
    - MUMBAI
23. What is the right to reject any resolution or enactment by the legislature called?
    - VETO
24. Which Indian Economist received the Noble Prize in the year 1998?
    - AMARTYA SEN
25. Where is the Head Quarters of the Central Railway Zone situated?
    - MUMBAI
26. Which is a natural port in the western coast of India?
    - COCHIN
27. Which is a Deepest port in the India situated in the Eastern Coast?
    - VISAKHAPATNAM
28. Which is India's oldest & biggest Nuclear Power Station?
    - TARAPUR
29. Which country in the world has the highest Life Expectancy?
    - JAPAN
30. What is a technical device designed to find instantaneous solutions of huge and complex calculation based on the information already fed?
    - COMPUTER
31. Under what Head have ESOPs been bought into? (Ref Union Budget 2007-08)
    - FBT
32. Has Bio-Diesel been fully exempted from Excise Duty? (Ref Union Budget 2007-08)
    - YES
33. What has been made as a single identity card for all securities/ stocks/MFs related transactions? (Ref Union Budget 2007-08)
    - PAN Card
34. How much is the exemption limit for women increased to? (Ref Union Budget 2007-08)
    - Rs. 145000/-
35. Has there been any change in the CENVAT rate? (Ref Union Budget 2007-08)
    - NO
36. To what percent has Ad valorem duty been brought down to from 8%? (Ref Union Budget 2007-08)
    - 6%
37. How much has the E-Governance allocation increased from Rs.395 crores to? (Ref Union Budget 2007-08)
    - Rs.719 crores

38. Has the surcharge on Corporate income tax on companies below Rs. One crore removed?
(Ref Union Budget 2007-08)
- YES

39. How much % reduction in Duty has taken place on sunflower oil?
(Ref Union Budget 2007-08)
- 15%

40. What's the limit below which Surcharge on Corporate Income Tax on companies won't be levied?
(Ref Union Budget 2007-08)
- ONE CRORE

41. What is an investment that is taken out specifically to reduce or cancel out the risk in another investment?
- HEDGE

42. What are financial instruments whose price and value derive from the value of assets underlying them called?
- DERIVATIVES

43. Decisions relating to working capital and short term financing are called?
- WORKING CAPITAL MANAGEMENT

44. A potential negative impact to an asset or some characteristic of value that may arise from some present process or future event is called?
- RISK

45. What is the borrowing by a country from foreign countries to meet the expenditure when domestic resources fall short called?
- NATIONAL DEBT

46. What is a command from a superior officer or a judge to a subordinate; right given to a person to act in the name of another called?
- MANDATE

47. What is general and continuing rise in prices or fall in the value of money, leading to rising wages and loss of savings called?
- INFLATION

48. What is a tax levied by a municipal committee or a local body on goods brought within the municipal limits of a town called?
- OCTROI

49. What is a form of market in which there are few sellers of a commodity who control it's pricing and marketing called?
- OLIGOPOLY

50. Which type of discount is given by a manufacturer to its dealer or by a higher grade dealer to a lower grade dealer called?
- TRADE

51. What's the term that applies to the most reliable industrial shares of reputed companies which have a stable growth and least risk involved in investment in such companies by the public?
- BLUE CHIP

52. What is the profit called when an asset is sold for more than the price at which it was bought?
- CAPITAL GAIN

53. What is a term with several closely-related meanings in business management, finance and economics, related to saving or

deferring consumption?

- INVESTMENT

54. What is the planning process used to determine a firm's long term investments such as new machinery, replacement machinery, new plants, new products, and research & development projects called?
    - CAPITAL BUDGETING
55. What is a fungible, negotiable instrument representing financial value broadly categorized into debt and equity such as bonds and common stocks, respectively?
    - SECURITY
56. Non-monetary assets that cannot be seen, touched or physically measured and which are created through time and / or effort are called?
    - INTANGIBLE
57. What is the standard framework of guidelines for financial accounting ? It includes the standards, conventions, and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements.
    - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)
58. What is the fall in the value of an asset called?
    - DEPRECIATION
59. Who is the first lady President of India?
    - PRATIBHA PATIL
60. What is it called when an asset is either in cash or in form of a deposit in the current account of the commercial bank?
    - LIQUID
61. What is a guarantee given to an exporter by the importer of his goods that he will pay immediately for the goods ordered by him?
    - LETTER OF CREDIT
62. What is the tax levied on certain commodities produced and consumed in the country and on licenses of certain trades?
    - EXCISE DUTY
63. What is a term used for those countries in Africa, Asia & Latin America which are undergoing complex process of modernization?
    - DEVELOPING COUNTRIES
64. What is a Bank Account from which withdrawals are allowed without any restriction on frequency or amount so long as there is a credit limit?
    - CURRENT ACCOUNT
65. What is a written acknowledgement of debt issued as security by a company on its property called?
    - DEBENTURE
66. What is a stock which is built up of some commodity to meet requirements in emergencies, i.e. when scarcity occurs called?
    - BUFFER
67. What are the ports which are exempted from payment of

custom duty on articles of commerce, primarily to encourage tourism called?

- FREE PORT

68. What is the gap between the value of visible and tangible exports and visible imports are called?
    - TRADE GAP
69. What are all commodities which are limited in quantity as compared to their demand called?
    - ECONOMIC GOODS
70. What is a human activity which integrates recognition of risk, risk assessment, developing strategies to manage it, and mitigation of risk using managerial resources called?
    - RISK MANAGEMENT
71. What is Accounting Standard 23?
    - Accounting for Investments in Associates in Consolidated Financial Statements
72. What is Accounting Standard 14?
    - Accounting for Amalgamations
73. A condition or situation the ultimate outcome of which will be known or determined only on the occurrence or non-occurrence of uncertain future event/s called?
    - CONTINGENCY
74. On which factor should one focus to be adopted for earnings per share (EPS) calculation?
    - DENOMINATOR
75. Senior citizens (individuals >= 65 years) at any time during the relevant previous year have benefit pertaining to premium of medical insurance. How much is the limit?
    - Rs.15000/-
76. What in financial means merger of either one or more companies with another company or merger of two or more companies to form one company called?
    - AMALGAMATION
77. Any bank appointed by the Reserve Bank of India as its agent under the provisions of sub-section (1) of section 45 of the Reserve Bank of India Act, 1934 (2 of 1934) called?
    - AUTHORISED BANK
78. What is FUV?
    - FILEVALIDATION UTILITY
79. What is the Surcharge applicable if total income exceeds Rs.10,00,000/-?
    - 10%
80. What is the payment in respect of trademark, which is used to earn income from any source in India and is taxable u/s 9(1)(vi)(c) despite the fact that the payer does not carry on business activities in India called?
    - ROYALTY
81. What is a tax leviable on the taxable securities transaction covered under the provision of chapter VII of the Finance No.(2) Act 2004 called?
    - SECUTRITY TRANSACTION TAX (STT)

82. What is the risk involved when an auditor gives inappropriate audit opinion on an materially misstated financial statement called?
- AUDIT RISK

83. A method that represents the value of the business with reference to the asset base of the entity and the attached liabilities on the valuation date called?
- NET ASSETS

84. A derivative instrument whose pay-offs depends on the prevalent interest rates over the period of time. What is the underlying variable in such instrument called?
- RATE OF INTEREST

85. In Corporate Governance which Section provides for appointment of a person as a Director in a maximum of 15 companies?
- Section 275

86. What is a process by which shares are offered at a price which is based on the Bids received by the company called?
- BOOK BUILDING

87. What is the term used for the permanent cancellation of the listed securities in compliance with the SEBI (Delisting of Securities) Guidelines, 2003 called?
- DELISTING

88. A person appointed by the testator to execute the Will as per the provisions of the Will is called?
- EXECUTOR

89. What is charged for every assessment year in the hands of individuals, HUFs and all companies (private as well as public) on the net wealth as on 31st March?
- WEALTH TAX

90. What refers to various schemes of offering an equity stake by a Company to its employees?
- ESOPs

91. Legal Phrase for English meaning "from the beginning"?
- AB INITIO

92. Legal Phrase for English meaning "existing condition"?
- STATUS QUO

93. Legal Phrase for English meaning "as a matter of grace or favour"?
- EX GRATIA

94. Legal Phrase for English meaning "mode of operating; the way in which a thing, cause etc. operates"?
- MODUS OPERANDI

95. In India, we are in which 5 Year Commission Plan?
- 11th

96. Who is the Finance Minister of India?
- Mr. P CHIDAMBARAM

97. Who is the Prime Minister of India?
- Mr. MANMOHAN SINGH

98. Who was the first Prime Minister of India
- Mr. JAWAHARLAL NEHRU

99. Who is the President of India?
- Ms. PRATIBHA PATIL

100. Who was the first President of India?
- Dr. RAJENDRAPRASAD

101. What is unique about the new President of India?

- SHE IS THE FIRST WOMAN PRESIDENT OF INDIA.

102. Who is the Chief Justice of Supreme Court of India?

- Mr. K G BALAKRISHNAN

103. Who drafted the first constitution of India?

- Dr. BABASAHEB AMBEDKAR

104. Which is the smallest country in the world?

- VATICAN CITY

105. Which is the second largest populated country in the world?

- INDIA

106. Which is our national anthem?

- JANA GANA MAN ADHINAYAKA

107. Which is our national animal?

- TIGER

108. Which is our national bird?

- PEACOCK

109. Which is our national flower?

- LOTUS

110. Which is our national tree?

- BANYAN

111. Which is our national fruit?

- MANGO

112. Who presents budget in the parliament ?

- FINANCE MINISTER

113. Who approves the finance bill ?

- PRESIDENT OF INDIA

114. Who produces the largest quantity of tea in the world ?

- INDIA

115. Which company is the largest producer of polyester yarn in the world ?

- RELIANCE INDUSTRIES LTD.

116. Who is considered to be a role model for best corporate governance practices in India ?

- Mr. NARAYAN MURTHY

117. Who has promoted the company in the name of Financial Technologies ?

- Mr. JIGNESH SHAH

118. Which is the highest honour of the film industry in India ?

- DADASAHEB PHALKE AWARD

"To accomplish great things, we must dream as well as act"

– ANATOLE FRANCE

PART - B

1. What is the difference between MLA and MP?

MLA is a member of the Legislative Assembly, which is state level body, whereas MP is a Member of the Parliament, which is central level body.

2. What % OBC quota is being talked about for IIT/IIM ?

The % quota talked about for OBC in IIT/IIM is 27%.

3. What is Public Interest Litigation ?

Any citizen can file case in the court of law for matters of general public interest when it is felt that the public at large is affected. This is called Public Interest Litigation.

4. What is meaning of 'suo moto?

Suo moto means on its own. The courts in India enjoy suo moto powers to take up matters of general public interest without anybody filing a case for the same.

5. What do you understand by ex-parte order?

It is the order passed by the court in the absence of the party affected by the same or without giving any opportunity to be heard in the matter.

6. What is law of limitation ?

The law of limitation bars the legal remedy of the contract after a specified period of time.

7. What is specific performance of contract ?

It is the right available to the affected party to enforce the performance of the contract rather than seek only financial compensation for breach of the contract.

8. Which agreements can be considered to be in restraint of trade ?

The agreements which deprive the parties from enjoying their fundamental rights of trade and business can be termed as in restraint of trade. The principle of reasonableness is applied in such cases.

9. What is doctrine of Indoor Management ?

It is the principle applicable to the corporate entity and means that while dealing with a company the outsiders are entitled to assume that whatever internal permissions /procedures are to be followed for any agreements/actions are duly complied with.

10. What is the meaning of Ultra Virus ?

Ultra means in excess and virus means powers.Thus ultra virus means in excess of the authority which may have been granted.

11. What is conglomerate form of merger ?

It is a merger of two or more entities engaged in different lines of business.

12. What is pooling of interest method of accounting ?

In this method of accounting, the assets and liabilities are taken at their book values without any revaluation to be done and consideration is discharged in the form of shares. Accounting Standard-14 governs the accounting treatment.

13. What is the due diligence process ?

It is the process to find the suitability and worth of the target business in terms of technical, marketing, financial, legal and other parameters.

14. What is discounting and how it is different from compounding ?

The discounting is followed to find the present values of different future cash flows. Compounding is followed to work out future value of different future cash flows.

15. What is weighted average cost of capital ?

It is weighted average cost of debt and equity.

16. When does IRR and NPV give the same results ?

When the rate of discounting taken is equal to IRR, IRR and NPV give same results.

17. What is margin of safety in marginal costing ?

It is the % level of activity above breakeven point. It is the level till what the level of activity can go down before the unit may start incurring losses.

18. What do you understand by cost-volume-profit relationship ?

It is the relationship to understand the changes in the cost and profit in tune with changes in volume. Fixed costs remaining fixed the changes in volume directly affect the contribution and therefore the profit.

19. What is Marshal's law ?

The Marshal's law suggest that other things remaining constant, increase in demand leads to increase in price and vice versa.

20. What is law of diminishing returns ?

The law of diminishing returns mentions that the value of every marginal increase in intake does not produce equal amount of value or satisfaction and every incremental input brings lower benefit.

21. What do you understand by 'Indifference Curve ?'

It is the curve on which one is indifferent in terms of choice to be exercised on some parameters.

22. What is liquidity preference theory ?

The theory says that people like to retain the liquidity rather than part with the same and thus there is a need to provide return for parting with liquidity.

23. What happens to interest rate if RBI sells government securities to banks ?

By selling government securities, the RBI takes away liquidity from the market, which can push interest rate upwards.

24. What measures RBI takes to control inflation ?

Curtailing the available liquidity and changes in interest rates.

25. What is the role of SEBI ?

Who heads SEBI?: The role of SEBI is to regulate the operations of stock markets and issue of securities in the market so as to protect the interests of shareholders. It prescribes appropriate disclosure norms. SEBI is headed by Mr. Damodaran.

26. What is the objective of competition Act ?

To regulate the activities leading to control/ combination of units which can lead to unfair trade practices.

27. How is Octroi different from excise ?

Octroi is an entry tax and is applicable when goods enter specified boundaries. Excise is a levy on the manufacture of specified goods.

28. What is the principle of VAT ?

The principle says that the tax should be collected on the amount of value added at each stage of production or sale.

29. Why VAT is considered better system than sales tax ?

Sales tax leads to what is called cascading effect of tax, whereas VAT is a progressive system.

30. What is sales tax exemption and what is sales tax deferment ?

In sales tax exemption, on specified purchase and sales no sales tax is to be charged or paid to the government. In case of sales tax deferment, the sales tax is charged and collected from buyers but its payment to government is to be deferred-generally for a period of 6 years.

31. What is the meaning of devaluation of rupee ?

It is down gradation of local currency vis-à-vis a foreign currency by government actions to bring economic parity.

32. What is the meaning of Stagflation ?

It is a situation of inflation in the face of stagnation of economy.

33. What is oligopoly ?

A market situation with very few producers/sellers of the product, wherein there is a possibility of a cartel.

34. What is the retirement age for Ministers ?

There is no retirement age for Ministers.

CA. Sunil Talati, President ICAI and CA. Uttam Prakash Agarwal, Chairman, CMII alongwith CA.V. Balakrishnan, CFO. Infosys Technologies Limited CA. Vijay Kumar Garg, CA. K. Raghu and CA. K.P. Khandelwal releasing the booklet on 'How to Face An Interview Board'.

CA. Sunil Talati, President ICAI, CA. Uttam Prakash Agarwal, Chairman, CMII and other members of the CMII at one of the meetings of the Committee.

Glimpses of a few programmes organized by the Committee for Members in Industry

Add a few priceless assets to your organisation's intellectual capital.

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Be there. Give your think-tank the winning edge!

CA. Sunil Talati,
President, ICAI

CA. Ved Jain,
Vice-President, ICAI

CA. Uttam Prakash Agarwal,
Chairman, Committee for Members in Industry

Some of the industry leaders who have participated in our Campus Placement Programme :

IndianOil, Coca-Cola, ITC Limited, WIPRO, ESSEL MINING, OLAM, Bank of America, irevna, Reliance, Tech Mahindra, ETA ASCON, TATA CONSULTANCY SERVICES, HAL, citi, ICICI Bank, Wipro BPO, vedanta, TATA, GENPACT, Sharaf Shipping Agency, UCO BANK, IDBI BANK, punjab national bank, United Bank of India

For this year's Campus Placement Programme
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The Institute of Chartered Accountants of India
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