

# CA (Chartered Accountants) Job Interview Questions And Answers



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## CA (Chartered Accountants) Interview Questions And Answers Guide.

### Question - 1:

List the five heads of income to calculate Total Income of the Assessee?

#### Ans:

- \* Income from Salaries
- \* Income from House Property
- \* Profits from Business and Profession
- \* Income from Capital Gains
- \* Income from Other Sources

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### Question - 2:

What is Gratuity?

#### Ans:

Gratuity is the amount payable by the employer to the employee as recognition for the long term association of the employee with the employer.

It may be payable by the employer in two ways:

- \* On employee's retirement.
- \* On the death of the employee to the legal heirs of the employee.

But in both the cases the treatment will be different. The amount paid by the employer to the employee on his retirement is taxed as 'Income from Salaries' while the amount paid by the employer on the death of the employee is taxed as 'Income from Other Sources'.

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### Question - 3:

What is Pension?

#### Ans:

Pension is a periodical payment received by the employee from the employer after he ceases to be the employee. It is taxed as Salary.

Calculation of pension is done in two forms:

- \* Uncommuted Pension - is regular periodical pension to employee which is taxable to all kinds of employees.
- \* Commuted Pension is a lump sum payment in lieu of periodical pension.

\* If such pension is received by government employee then it is wholly exempt.

Non government employees can avail exemption to a certain extent:

- \* If employee is in receipt of gratuity, 1/3 of commuted value.
- \* If not, then one half of commuted value.

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### Question - 4:

List the criterion for exemption of H.R.A?

#### Ans:

H.R.A depends upon the following:

- \* Salary of the employee
- \* House Rent Allowance
- \* Rent paid by the employee
- \* The place where the house is taken on rental basis.

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### Question - 5:

Explain the difference between short term capital asset and long term capital asset?

#### Ans:



Short term capital assets are those assets which are held by an assessee for not more than 36 months, immediately prior to its date of transfer. But in the following cases an asset held for not more than 12 months is treated as short term capital asset:

- \* Equity or Preference shared in a company.
  - \* Securities listed in a recognized stock exchange in Country.
  - \* Units of UTI
  - \* Units of a mutual fund specified under sec 10(23D)
- Long term capital assets are those assets which are held by an assessee for more than 36 months.

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### Question - 6:

Tell me what types of income is included under the head of income from other sources?

**Ans:**

- \* Bank Interest
- \* Interest on deposits with the companies
- \* Interest received on delayed refund of income tax
- \* Interest on Loan
- \* Insurance commission
- \* Agricultural income received from a land situated outside the Country
- \* Sitting fees received by a director for attending board meetings
- \* Remuneration received by a Member of Parliament
- \* Family Pension - The amount of pension received by the legal heirs of a deceased employee.
- \* Interest on Income Tax Refund

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### Question - 7:

Describe allowances which are fully taxable?

**Ans:**

- \* Dearness Allowance
- \* City Compensatory Allowance
- \* Medical Allowance
- \* Lunch Allowance
- \* Servant Allowance
- \* Family Allowance
- \* Warder Allowance
- \* Overtime Allowance
- \* Family Allowance

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### Question - 8:

What is Superannuation fund?

**Ans:**

Superannuation fund is an employee welfare scheme which is usually applicable in case of very senior employees. When the employee ceases to be the employee, employee's contribution, employer's contribution and the interest thereon is paid to the employee and in case of death of the employee to the legal heirs of the employee.

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### Question - 9:

Which employers are covered under voluntary retirement scheme?

**Ans:**

- \* A Public Sector Company
- \* Any other Company
- \* An authority established under a Central or State Act
- \* A local Authority
- \* A Co-operative Society
- \* A University

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### Question - 10:

What main items are included in salary?

**Ans:**

- \* Wages
- \* Annuity or Pension
- \* Gratuity
- \* Fees commission, perquisites or profits in lieu of salary or in addition to salary or wages
- \* Advance of Salary
- \* Payment received from the employer for the period of leave not availed

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### Question - 11:

Explain incidence of tax in the case of resident but Not-ordinarily resident?



**Ans:**

Income which is received or deemed to be received in ABC in the previous year.

- Income which accrues or arises or is deemed to accrue or arise in ABC during the previous year.
- Income which accrues or arises outside ABC from a business controlled or profession set up in ABC.
- Income received outside ABC from a business controlled or profession set up in ABC.

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**Question - 12:**

Do you know who is a resident and ordinarily resident (ROR)?

**Ans:**

Individual is treated as Resident and Ordinarily Resident if he satisfies any one of the basic conditions and both the following additional conditions.

Basic Conditions:

- \* He is in XYZ(country) for a period or periods amounting in all to at least 182 days in the relevant previous year.
- \* He is in XYZ(country) for 60 days or more during the relevant previous year and has been in XYZ(country) for 365 days or more during four previous years immediately preceding the relevant previous year.

Additional Conditions:

- \* He has been Resident in XYZ(country) for at least 2 out of 10 previous years immediately preceding the relevant previous year.
- \* He has been in XYZ(country) for 730 days or more during 7 previous years immediately preceding the relevant previous year.

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**Question - 13:**

Tell me what does the term person includes?

**Ans:**

The term Personal includes:

- \* An Individual
- \* Undivided Family
- \* A Company
- \* A Firm
- \* An Association of Persons or A Body of Individuals
- \* A Local Authority
- \* Every Artificial Person not falling under any of the preceding sub-clauses.

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**Question - 14:**

Explain What is inflation and how is it measured?

**Ans:**

Inflation means an overall increase in the prices of goods and services. It is a decrease in the value of a currency. There are three types of measurement, Core Inflation, CPI, and WPI. Core Inflation is a measurement of non-volatile goods such as food and non-precious metals. It leaves out goods like oil because oil's price is subject to wild fluctuations. CPI is the most common measurement, using a market basket of goods and measuring their price from a point in the past (a CPI of 100 is arbitrarily the same price level for 1982-1984). Thus, the equation is  $(\text{Price of most recent market basket} / \text{price of same market basket in 1982-1984}) \times 100$ . The 100 is to give us the number we normally see. WPI is Wholesale Price Index. It is a measure of wholesalers' prices and is generally considered a pre-cursor to what CPI will be (as it takes time for goods to reach the consumer).

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**Question - 15:**

Explain What is Ramsay pricing?

**Ans:**

It assigns costs based on the price elasticity of demand. Yet higher the elasticity (elastic), the lower the charge of fixed costs when allocated amongst products.

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**Question - 16:**

What are the advantages of leaving the allocation of a country's resources to the price mechanism?

**Ans:**

The main conditions required are:

1. Either a finite number of agents or goods.
2. No externalities - That is, the consumption of one person should not harm or benefit anyone else.
3. No matter how much a person is consuming, they must be able to be made slightly happier by consuming a bit more of something.

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**Question - 17:**

Explain How is education an investment in human capital?

**Ans:**

The idea of humans as capital means that humans have a certain worth to a company (or society). Education increases that worth, making individuals more able to contribute to a company (or to society). Therefore, investing in Education... in your employees, for instance, is worthwhile because then your employees increase their value to you, as an employer. In a general sense, society's investment in educational programs increases people's value to society in general.

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**Question - 18:**

Explain the golden rules of accounting?

**Ans:**

Real Account : Debit what comes in

Credit what goes out

Nominal Account : Debit all expenses and losses

Credit all incomes and gains

Personal Account : Debit the giver

Credit the received

Real Account : Debit what comes in

Credit what goes out

Nominal Account : Debit all expenses and losses

Credit all incomes and gains

Personal Account : Debit the Receiver

Credit the giver

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**Question - 19:**

Explain What are the disadvantages of mixed economy system?

**Ans:**

The disadvantages of a mixed economy really depend on how "mixed" it is. For instance, if it is mixed more towards a free-market, there is little regulation (some may see this as a good, though), but if it is mixed more towards a command economy, the control may stifle growth.

Mixed economies can also have different characteristics. Each of these will share a different set of disadvantages. A will stifle profits due to its high tax structure, but will encourage new ideas due to its low regulation (this could result in many weird effects such as an economy comprised almost solely of small, well-niche businesses). B will encourage profits, but due to its regulation, some new ideas (and some growth) will be stifled. For instance, if environmental regulations are strict, the building of new plants or refineries might be lowered. This could result in a small number of very large and profitable businesses.

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**Question - 20:**

Explain What is BOP?

**Ans:**

It is called as Balance of payments - an economic term. (BOP) measures the payments that flow between any individual country and all other countries. It is used to summarize all international economic transactions for that country during a specific time, usually a year. The BOP is determined by the country's exports and imports of goods, services, and financial capital, as well as financial transfers. It reflects all payments and liabilities to foreigners (debits) and all payments and obligations received from foreigners (credits).

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**Question - 21:**

Explain Trade discount, discount and rebate?

**Ans:**

Trade discount is normally given to the regular customers who are buying the products in large numbers. It can be like if you buy 100 numbers we will give you 10 numbers free or buy for Rs.1500/- and get 150/- worth free.

Discount is similar to above but will be given for Credit customers like if you pay within one week 15%, within 15 days 10% and more than 15 days no discount.

Rebate is like buy for 70/- and pay only Rs65/-.

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**Question - 22:**

Explain What is the incidence of tax?

**Ans:**

Tax incidence can be divided into-

1. Formal incidence: the party liable to the tax

2. Informal incidence: party, who actually pays the tax

The tax incidence is decided by the elasticity of demand and supply for a good or service.

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**Question - 23:**

Explain Why is economics seen as a social science?

**Ans:**

The social sciences are a group of academic disciplines that study human aspects of the world. They diverge from the arts and humanities in that the social sciences tend to emphasize the use of the scientific method in the study of humanity, including quantitative and qualitative methods.

Economics is clearly a human phenomenon. Even though some topics in economics, such as game theory, are used in the natural sciences and mathematics, economics remains a study of purely human phenomenon.

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**Question - 24:**

Explain What is the importance of strategic management towards the success of a business?

**Ans:**



Strategic management used to play a different after the Second World War. Strategic plans of the past usually range 3 to 5 years. Some companies could even have plans for 10 good years. That is not possible today given rapid evolution of our society.

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**Question - 25:**

Define economics and explain about it?

**Ans:**

Economics is usually defined as the problem of how best to distribute limited resources, limited because wants are characterized as unlimited, but common sense tells us that rather than limited resources, there is an abundance of resources. The difference is one of perspective and this is core to any alternative understanding of economics. If wants are the focus, then of course resources are limited by definition, but if minimum needs or essentials are used as the foundation, then resources are seen to be abundant. The difference is between a description and an explanation. A focus on wants or desires describes a market situation, while a focus on essentials or needs allows an explanation of choices to begin.

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**Question - 26:**

What is CA

**Ans:**

Chartered Accountants work in all fields of business and finance. Some are engaged in public practice work, others work in the private sector and some are employed by government bodies

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