

## ALL THE VERY BEST FOR YOUR EXAMS

# SAMPLE QUESTIONS FOR JAIIB ACCOUNTING & FINANCIAL MANAGEMENT FOR BANKERS

Though we had taken enough care to go through the sample questions provided here, we shall not be responsible for any loss or damage, resulting from any action taken on the basis of the contents. Creation of these short notes is the efforts of so many persons. First of all we thank all of them for their valuable contribution. We request everyone to go through the Macmillan book and update yourself with the latest information through RBI website and other authenticated sources. In case you find any incorrect/doubtful information, kindly update us also (along with the source link/reference for the correct information).

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**Accounting & Financial Management for Bankers**

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### **JAIIB / DBF – GENERAL INFORMATION**

- **Consists of 4 papers :**
  1. Indian Economy & Indian Financial System
  2. Principles & Practices of Banking
  3. Accounting & Financial Management for Bankers
  4. Retail Banking & Wealth Management
- Only existing employees of banks can appear for JAIIB Exam.
- People other than Bank Employees can appear for Diploma in Banking and Finance Exam. If Passed, JAIIB Examination certificate will be issued after joining the bank.
- Syllabus & exam pattern for both JAIIB and DBF exams are mostly same.
- Both JAIIB and DBF exams are conducted in on-line mode only.
- The examination will be conducted normally twice a year in May / June and November / December on Saturdays/Sundays.
- The duration of the examination will be of 2 hours.
- **Examination Pattern :** Each Paper will contain 100 objective type MCQs, carrying 100 marks including questions based on case studies. The Institute may, however, vary the number of questions to be asked for a subject. There is no negative marking for wrong answers.
- **Passing Criteria** - Minimum 200 in total and minimum 45 in each subject in any single attempt (not required to be the 1st attempt) is considered as pass. Else 50 in each subject. Passed subject gets carried forward to 5 attempts or 3 years (whichever is earlier) from the 1st attempt. If not passed in 5 attempts or 3 years, you need to appear in all the 4 papers.
  - ❖ **First Class :** 60% or more marks in aggregate and pass in all the subjects in the FIRST PHYSICAL ATTEMPT.
  - ❖ **First Class with Distinction :** 70% or more marks in aggregate and 60% or more marks in each subject in the FIRST PHYSICAL ATTEMPT.
  - ❖ Candidates who have been granted exemption in the subject/s will be given "Pass Class" only.
- **Cut-off Date of Guidelines /Important Developments for Examinations** - The Institute has a practice of asking some questions in each exam about the recent developments/ guidelines issued by the regulator(s) in order to test if the candidates keep themselves abreast of the current developments. But, there could be changes in the developments / guidelines from the date the question papers are prepared and the dates of the actual examinations. In order to address these issues effectively, it has been decided that:
  - ❖ In respect of the exams to be conducted by the Institute for the Period from February to July of a calendar year, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December will only be considered for the purpose of inclusion in the question papers.

- ❖ In respect of the exams to be conducted by the Institute for the period from August to January of a calendar year, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June will only be considered for the purpose of inclusion in the question papers.

➤ **Exam Fees**

**JAIIB**

- First attempt fee Rs. 4,000/-\*
- 2nd attempt fee Rs. 1,300/-\*
- 3rd attempt fee Rs. 1,300/-\*
- 4th attempt fee Rs. 1,300/-\*
- 5th attempt fee Rs. 1,300/-\*

**CAIIB**

- First attempt fee Rs. 5,000/-\*
- 2nd attempt fee Rs. 1,300/-\*
- 3rd attempt fee Rs. 1,300/-\*
- 4th attempt fee Rs. 1,300/-\*
- 5th attempt fee Rs. 1,300/-\*

**DBF**

- First attempt fee Rs. 3,500/-\*
- 2nd attempt fee Rs. 1,300/-\*
- 3rd attempt fee Rs. 1,300/-\*
- 4th attempt fee Rs. 1,300/-\*
- 5th attempt fee Rs. 1,300/-\*

\* Plus convenience charges and Taxes as applicable

**Please Note: Candidates are required to register for every attempt separately**

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## **SYLLABUS**

The details of the prescribed syllabus which is indicative are furnished below. However, keeping in view the professional nature of examinations, all matters falling within the realm of the subject concerned will have to be studied by the candidate as questions can be asked on all relevant matters under the subject. Candidates should particularly prepare themselves for answering questions that may be asked on the latest developments taking place under the various subject/s although those topics may not have been specifically included in the syllabus. Any alterations made will be notified from time to time. Further, questions based on current developments in banking and finance may be asked.

**Candidates are advised to refer to financial news papers / periodicals more particularly "IIBF VISION" and "BANK QUEST" published by IIBF.**

### **MODULE A: ACCOUNTING PRINCIPLES AND PROCESSES**

#### **Definition. Scope and Accounting Standards including Ind AS**

Nature and Purpose of Accounting, Historical Perspectives, New Accounting system Value system accounting Origins of Accounting Principles, Accounting Standards in India and its Definition and Scope, Generally Accepted Accounting Principles of USA (US GAAP), Overview of IFRSs, Difference between GAAP and IFRS, Transfer Pricing

#### **Basic Accountancy Procedures**

Concepts of Accountancy, Going Concern Entity, Double Entry System, Principle of Conservatism, Revenue Recognition and Realisation, Accrual and Cash Basis

#### **Maintenance of Cash/Subsidiaries Books and Ledger**

Record Keeping Basics, Account Categories, Debit and Credit Concepts, Accounting and Columnar Accounting Mechanics, Journalising

#### **Bank Reconciliation Statement**

Recording Transactions in Cash Book, Transactions Contained in the Pass Book/Bank Statement, Is Passbook a Mirror Image of Cash Book? Causes for Passbook and Cashbook being different, Understanding Reconciliation, Preparing Reconciliation Statement, Need for Bank Reconciliation, Now to prepare a Bank Reconciliation Statement when extracts of Cash Book and Pass Book are given? Adjusting the Cash Book balance, Advantages of Bank Reconciliation Statement

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### **Trial Balance, Rectification of Errors and Adjusting & Closing Entries**

Meaning of a Trial Balance, Features and Purpose of a Trial Balance, Types of Trial Balance and Preparation of a Trial Balance, Disagreement of a Trial Balance, Classification of Errors, Location of Errors, Rectification of Errors, Suspense Account and Rectification, Rectification of Errors when Books are Closed, Adjusting and Closing Entries

### **Depreciation & its Accounting**

Meaning of Depreciation, Causes of Depreciation, Need for Depreciation, Factors of Depreciation, Accounting Entries, Methods of Depreciation, Straight Line Method, Diminishing Balance or Written Down Value (WDV) Method, Advantages and Disadvantages of Straight Line Method, Advantages and Disadvantages of Written Down Value Method, Units of Production Method, Sum of the Years' Digits Method, Replacement of a Fixed Asset and Creation of Sinking Fund, Amortisation of intangible assets

### **Capital and Revenue Expenditure**

Expenditure, Distinction between Capital and Revenue Expenditure, Receipts

### **Bills of Exchange**

Types of Instruments of Credit, Term and Due Date of a Bill, Certain Important Terms, Accounting Entries to be Passed, Accommodation Bill, Bill Books

### **Operational Aspects of Accounting Entries**

Peculiar Features of Accounting System in Banks, Accounting Systems of Different Banks, Illustration

### **Back Office Functions/Handling Unreconciled Entries in Banks**

Functions Performed by the Back Office, Reconciliation Function in Banks, Reconciliation of Inter Branch/ Office Entries

### **Bank Audit & Inspection**

Bank Audit, Emergence of Risk based Internal Audit, Types of Bank Audits Viz, Concurrent Audit, Internal Audit, Statutory Audit, Role of Audit and inspection

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## **MODULE B: FINANCIAL STATEMENTS AND CORE BANKING SYSTEMS**

### **Balance Sheet Equation**

Balance Sheet Equation, Computation of Balance Sheet Equation

### **Preparation of Final Accounts**

Preparation of Trial Balance, Adjustment Entries, Preparation of Financial Statements from Trial Balance

### **Company Accounts — I**

Definition and Types of Companies, Distinction between Partnership and Limited Liability Company, Classes of Share Capital, Issue of Shares, General Illustrations, Non-voting Shares

### **Company Accounts — II**

Form of Balance Sheet, Impact of Ind AS on Financial Statements

### **Cash Flow & Funds Flow**

Cash Flow, Funds Flow Statement, Cash Flow Statement, Fund Flow and Cash Flow Analysis

### **Final Accounts of Banking Companies**

Definition and Functions of a Bank, Requirements of Banking Companies as to Accounts and Audit, Significant Features of Accounting Systems of Banks, Principal Books of Account, Preparation and Presentation of Financial Statements of Banks, Accounting Treatment of Specific Items, Preparation of Profit and Loss Account, Comments on Profit and Loss Account Items, Important Items of Balance Sheet. Disclosure Requirements of Banks to be Added as Notes to Accounts, Disclosures Prescribed by RBI Under Basel-III, Banks Listed on a Stock Exchange, Implementation of Indian Accounting Standards (Ind AS)

### **Core Banking Systems & Accounting in Computerised Environment**

Meaning of Computerised Accounting, Features of Computerised Accounting, Terms Used in Computerised Accounting, Difference between Computerised and Manual Accounting, Advantages and Disadvantages of Computerised Accounting, Functions Performed by Computerised Accounting Software Available in the Market, Computerisation — Scope and Experiences in Banking, The Core Banking Components, Information Security, Internet and World Wide Web — Influences on Banking

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## MODULE C: FINANCIAL MANAGEMENT

### An Overview of Financial Management

Forms of Business Organisation, Financial Decision making in a Firm, Objectives of Financial Management, The Fundamental Principles of Finance, Building Blocks of Modern Finance, Risk-Return Trade off, Agency Problem in Financial Management, Business Ethics & Social Responsibility, Organisation of the Finance Function, Relationship of Finance to Economics and Accounting, Emerging Role of the Financial Manager in India

### Ratio Analysis

Meaning of Accounting Ratios, Classification of Ratios, Uses of Accounting Ratios, Limitations of Accounting Ratios, Calculation and Interpretation of Various Ratios, Different Users and Their Use of Ratios

### Financial Mathematics - Calculation of Interest & Annuities

What is Simple Interest? What is Compound Interest? Fixed and Floating Interest Rates, Front-end and Back-end Interest Rates, Calculation of Interest Using Products/Balances, What are Annuities? Calculating the Future Value of an Ordinary Annuity, Calculating the Present Value of an Ordinary Annuity, Calculating the Future Value of an Annuity Due, Calculating the Present Value of an Annuity Due, Repayment of a Debt

### Financial Mathematics - Calculation of YTM

Meaning of Debt, Introduction to Bonds, Terms Associated with Bonds, Types of Bonds, Optionality in Bonds, Valuation of Bonds, Bond Value with Semi-annual Interest, Current Yield on Bond, Yield-to-Maturity of Bond, Theorems for Bond Value, Illustrations, Duration of Bond, Properties of Duration, Bond Price Volatility, Problems and Solutions

### Financial Mathematics - Forex Arithmetic

Fundamentals of Foreign Exchange, Indian Forex Market, Direct and indirect Quote, Some Basic Exchange Rate Arithmetic, Forward Exchange Rates

### Capital Structure and Cost of Capital

Meaning of Capital Structuring, Leverage/Gearing, Factors Influencing Decision on Capital Structuring, Theories/Approaches on Capital Structuring, Net Income Approach, Net Operating Income Approach, Traditional Position, Assumptions in the Approaches on Capital Structuring, Taxation & Capital Structure, Cost of Debt, Preference, Equity, Determining the Proportions, Weighted Average Cost of Capital (WACC), Factors Affecting the WACC, Weighted Marginal Cost of Capital, Determining the Optimal Capital Budget, Divisional and Project Cost of Capital, Floatation Cost and the Cost of Capital, Misconceptions surrounding the Cost of Capital



### **Capital Investment Decisions/Term Loans**

Discounted and Non-Discounted Cash Flow Methods for Investment Appraisal, Basic concepts of term loans, Differed payment Guarantees, Project financing, Difference between term loan appraisal and project appraisal

### **Equipment Leasing/Lease Financing**

Meaning era Lease, Features of a Lease, Types of Leases, Rationale for Leasing, Contents o fa Lease Agreement, Legal Aspects of Leasing, Finance Leases, Operating Leases, Accounting of Lease Transaction in the books of Lessor and Lessee, Leasing as a Financing Decision

### **Working Capital Management**

Working Capital Cycle, Cash and Marketable Securities, Accruals, Trade Credit, Working Capital Advance by Commercial Banks, Cash Budget Method of Lending, Regulation of Bank Finance, Public Deposits, Inter-Corporate Deposits, Short-term loans from, Financial Institutions, Rights Debentures for Working Capital, Commercial Paper, Factoring & Forfaiting

### **Derivatives**

Characteristics & Functions of Derivatives, Users of derivatives, Salient points, Futures, Forward Rate Agreement (FRA), Swaps, Options

## **MODULE D: TAXATION AND FUNDAMENTALS OF COSTING**

### **Taxation: Income Tax/TDS/Deferred Tax**

Overview of Income Tax Act, Basic Overview of Deductions in Respect of Certain Incomes & Deduction 80QQB, 8ORRB, 8OTTA & 80U, TDS/TCS, Returns, Refund & Recovery

### **Goods & Services Tax**

Meaning of Direct & Indirect Tax, Introduction to GST

### **An Oven view of Cost & Management Accounting**

Cost Accounting: Evolution, Meaning, Objectives and Scope, Concepts of Costs, Classifications and Elements of Cost, Cost Centre and Cost Unit, Methods and Techniques of Costing, Cost Accounting Standards, Management Accounting: Evolution, Meaning, Objectives and Scope. Tools and Techniques of Management Accounting, Relationship of Cost Accounting, Financial Accounting, Management Accounting and Financial Management

### **Costing Methods**

Unit and Output Costing, Job Costing: Job Cost Cards, Collecting Direct Costs, Allocation of Overheads and its Applications, Batch Costing: Features and Applications, Contract Costing:

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Features, Distinction between Job and Contract Costing, Progress Payments, Retention Money, Escalation Clause, Contract Accounts, Accounting for Material, Accounting for Plant Used in a Contract, Contract Profit and Accounting Entries, Process Costing: Features, Applications and Types of Process Costing, Process Loss, Abnormal Gains and Losses, Equivalent Units, Inter-Process Profit, Joint Products, By-Products and Accounting, Service Costing: Features and Applications, Unit Costing and Multiple Costing, Application, Identification of Cost Unit and Cost Determination and Control

### **Standard Costing**

Definition, Significance and Applications, Various Types of Standards, Installation of Standard Costing System—for Material, Labour, and Overhead, Variance Analysis for Materials, Labour and Overheads and Accounting Treatment of Variances, Benchmarking for Setting of Standards, Variance Reporting to Management

### **Marginal Costing**

Meaning, Advantages, Limitations and Applications, Breakeven Analysis, Cost-Volume Profit Analysis, PN Ratio and its Significance, Margin of Safety, Absorption Costing: System of Profit Reporting and Stock Valuation, Difference between Marginal Costing and Absorption Costing, Income Measurement under Marginal Costing and Absorption Costing

### **Budgets and Budgetary Control**

Budget Concept, Manual, Fixed and Flexible Budgets, Preparation and Monitoring of Various Types of Budgets, Budgetary Control System: Advantages, Limitations and Installation, Zero Base Budgeting, Programme and Performance Budgeting

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## **ACCOUNTING & FINANCIAL MANAGEMENT FOR BANKERS**

### **Recollected/Sample Questions**

1-3. Population of city - Current year 24 Lakhs. Increasing 7% yearly.

1. What will be the population after 6 years?

- a. 1770810
- b. 1830943
- c. 3601753
- d. 5372563

Ans - c

2. What was the population before 4 years?

- a. 1770810
- b. 1830943
- c. 3601753
- d. 5372563

Ans - b

3. What is the difference population between those years

- a. 1770810
- b. 1830943
- c. 3601753
- d. 5372563

Ans - a

Explanation :

Using Compound Interest formula

1. Population after 6 years at 7% interest

$$\begin{aligned} A &= P(1+r)^t \\ &= 2400000 (1+0.07)^6 \\ &= 2400000 \times 1.50073 \\ &= 3601753 \end{aligned}$$

2. Population before 4 years at 7% interest

If  $P(1+r)^t = 2400000$ , find P

$P (1.07)^4 = 2400000$   
 $P (1.3108) = 2400000$   
 $P = 2400000 / 1.3108$   
 $P = 1830943$

3. Difference between the 2  
 $= 3601753 - 1830943$   
 $= 1770810$

1 US\$ = Rs. 67.75/78  
1 US\$ = 7.52 HKD  
1 HKD = Rs. ....?

- a. 7.2564
- b. 8.7328
- c. 9.0132
- d. 9.4368

Ans - c

Solution :  
 $7.52 \text{ HKD} = 1 \text{ US\$} = 67.78$   
 $1 \text{ HKD} = 67.78/7.52$   
 $1 \text{ HKD} = 9.0132$

Which of the following statements is/are true regarding Bill of Exchange?

- (i) It is an instrument in writing, signed by the maker
- (ii) It contains a conditional order
- (iii) It contains an unconditional order to the drawee to pay a certain sum of money to a person or his order
- (iv) It is payable on a certain date or after a certain period or on demand

- a. (i) and (ii) only
- b. (ii) and (iv) only
- c. (i), (iii) and (iv) only
- d. (i), (ii), (iii) and (iv)

Ans - c

.....

KYC is required to be done at least in every ..... for high risk customers

- a. 2 Years
- b. 5 Years
- c. 8 Years
- d. 10 Years

Ans - a

.....

Which of the following is not a category into which the standards are normally classified?

- a. Fixed standards
- b. Basic standards
- c. Ideal standards
- d. Currently attainable standards

Ans – a

.....

LTV ratio for gold loans is .....

- a. 75 %
- b. 80 %
- c. 90 %
- d. 100 %

Ans - c

.....

Maximum monthly withdrawal limit for Small Savings A/c is .....

- a. Rs. 10000
- b. Rs. 20000
- c. Rs. 50000
- d. Rs. 100000

Ans - a

.....

If a company issues bonus shares at 2:1, the debt equity ratio will .....

- a. Remain unaffected
  - b. Will go up in the same ratio of issue of bonus to the original holding
- .....

- c. Will improve in the same ratio of issue of bonus to the original holding  
d. Will be lowered

Ans - a

Which one of the following statements is/are correct?

- (i) Forensic Audit is an examination and evaluation of financial information for use of evidence in court.  
(ii) Tax audit is an analysis of the tax returns submitted.  
(iii) Only large borrower accounts are normally subjected to stock and receivables audit.  
(iv) Management audit is always conducted by the management of the bank.

- a. (i), (ii), (iii)  
b. (i), (ii), (iv)  
c. (ii), (iii), (iv)  
d. (i), (ii), (iii), (iv)

Ans – a

Which of the following is peculiar to a partnership firm?

- a. It has perpetual existence  
b. It has large number of owners  
c. All owners have unlimited liability  
d. Govt control is very strict

Ans - c

Current Ratio = 2:1  
Quick Ratio = 1.5:1  
Current Liabilities = 1,60,000  
Amount of value of inventory?

- a. 50,000  
b. 80,000  
c. 70,000  
d. 90,000

Ans - b

Which one of the following statements is correct about assessment of working capital requirement?

- a. RBI guidelines require that banks should adopt only Turnover method of working capital assessment
- b. Each bank is free to adopt its own method of working capital assessment
- c. RBI guidelines permit use of only Turnover method and MPBF method for assessment of working capital
- d. Assessment of working capital is not affected by the level of operations of the borrower

Ans – b

If interest is to be compounded half-yearly, which of the following will be used?

- a.  $P(1+r)^n$
- b.  $P(1+r/2)^n \times 2$
- c.  $P(1+r/4)^n \times 4$
- d.  $P(1+r/12)^n \times 12$

Ans - b

Banking definition comes under which act?

- a. Banking Regulation Act, 1949
- b. Reserve Bank of India act, 1934
- c. Negotiable Instrument act, 1881
- d. Regional Rural Banks Act, 1976

Ans - a

A bond, whose par value is Rs. 5000, bears a coupon rate of 10.75 % payable semi-annually and has a maturity period of 4 years. The required rate of return on bond is 8 %. What is the value of this bond?

- a. 5267
- b. 5480
- c. 5259
- d. 5462

Ans - d

Solution

Semi-annual interest payable =  $5,000 \times 10.75 \text{ per cent}/2 = 268.75$

Principal repayment at the end of 4 years = Rs. 5,000

The value of the bond  
= 268.75 (PVIFA 8%/2, 8 pds) + Rs. 5,000 (PVIF 8%/2, 8 pds)  
= 268.75 (6.7327) + 5,000 (0.7307)  
= 1809.41 + 3653.50  
= 5462.91

Purchase of fixed assets on credit results in .....

- a. change in total assets only
- b. change in both assets and liabilities
- c. change in total liabilities only
- d. change in liabilities but total liabilities remain the same

Ans – b

Which of the following is correct regarding gang variance in standard costing?

- a. Variance in overhead expense
- b. Variance in productivity of workers
- c. Variance in Actual labour cost and standard cost
- d. Labour efficiency variance which arises due to change in the mix or combination of different skill sets

Ans – d

When the exchange of currencies take place on 2nd working day after the deal, it is said to have taken place at .....

- a. Forward Rate
- b. Case/Ready Rate
- c. TOM Rate
- d. None of the above

Ans - d

In which of the following technique, time value of money is used while evaluating capital investment proposals?

- a. NPV Method
- b. Payback period
- c. Accounting Rate of Return method



d. Any of the above

Ans - a

.....

In case of minor married girl, ..... is guardian

- a. Father
- b. Husband
- c. Father in law
- d. Mother

Ans - b

.....

Long Form Audit Report is issued by .....

- a. Concurrent Auditor
- b. Statutory Auditor
- c. Internal Auditor
- d. Tax Auditor

Ans – b

.....

Spot Exchange rate - 5.7500

Forward period - 120 Days

No of days in a year - 360 Days

Forward points - 0.02625

What will be the interest rate differential?

- a. 0.01369 % p.a.
- b. 1.3696 % p.a.
- c. 0.00152 % p.a.
- d. 0.1522 % p.a.

Ans - b

.....

The process under which the future value of present cash flows is determined is called .....

- a. Discounting
- b. Compounding

.....

- c. Net present value  
d. Internal rate of return

Ans - b

Repayment of loan results in .....

- a. change in both assets and liabilities  
b. change in total assets only  
c. change in total liabilities only  
d. change in liabilities but total liabilities remain the same

Ans – a

When production during a period is more than sales, then profit as per ..... is higher than .....

- a. Activity costing, Absorption costing  
b. Absorption costing, Batch costing  
c. Marginal costing, Absorption costing  
d. Absorption costing, Marginal costing

Ans – d

Loan is obtained by X for purchase of a car for Rs.1.50 lac at 12% interest rate over two years. What is the amount of weekly payment at simple rate of interest?

- a. 3398.12  
b. 3458.19  
c. 3576.92  
d. 3697.02

Ans - c

Solution:

$$\begin{aligned} \text{Total amount payable} &= 150000 + 36000 [(1.50 \text{ lac} \times 12 \times 2) / 100 = 36000] \\ &= 186000 / 52 \\ &= 3576.92 \end{aligned}$$

Which one of the following is not a direct cost?

- a. Materials cost
- b. Non- manufacturing overheads
- c. Manufacturing overheads
- d. Labour cost

Ans – b

Which of following is true?

- a. All payments to third parties must be made by the account holder only through cash
- b. Bank cannot effect payment to debit of account if account holder has given written instruction
- c. All withdrawal by current holder, including NEFT/RTGS should be fine through cheques only
- d. Interest is payable on current account balances

Ans - c

Deduction in respect of donations to certain funds, charitable institutions, etc. is available under section .....

- a. 80 G
- b. 80 CC
- c. 80 D
- d. 80 U

Ans – a

All saving all well as current accounts should be treated as inoperative/dormant, if there are no transactions in account for period of ..... years

- a. 1
- b. 2
- c. 3
- d. 5

Ans - b

1-3. Given the following information:

Total assets = Rs. 3,00,000

Non-current liabilities = Rs. 80,000

Shareholders' Funds = Rs. 2,00,000

Non-Current Assets:

Fixed assets = Rs. 1,60,000

Non-current Investments = Rs. 1,00,000

1. Calculate Current Assets

a. Rs. 20,000

b. Rs. 30,000

c. Rs. 40,000

d. Rs. 50,000

Ans - c

2. Calculate Current Liabilities

a. Rs. 20,000

b. Rs. 30,000

c. Rs. 40,000

d. Rs. 50,000

Ans – a

3. Calculate Current Ratio

a. 1 : 1

b. 1 : 2

c. 2 : 1

d. 2 : 1.5

Ans - c

Solution:

1. c - Total assets = Non-current assets + Current assets

Rs. 3,00,000 = Rs. 2,60,000 + Current assets

Current assets = Rs. 3,00,000 – Rs. 2,60,000

= Rs. 40,000

2. a - Total assets = Equity and Liabilities

= Shareholders' Funds + Non-current liabilities + Current liabilities

Rs. 3,00,000 = Rs. 2,00,000 + Rs. 80,000 + Current Liabilities  
Current liabilities = Rs. 3,00,000 – Rs. 2,80,000  
= Rs. 20,000

3. c - Current Ratio = Current Assets / Current Liabilities  
= Rs. 40,000 / Rs. 20,000  
= 2 : 1

The difference between the total current assets and total current liabilities of a firm is called .....

- a. Gross working capital
- b. Net working capital
- c. Working capital requirement
- d. None of the above

Ans – a

..... is a person named in will and derive immediately after the date of death of Testator for purpose of Administration of property of deceased

- a. Executor
- b. Administrator
- c. Judge
- d. None of these

Ans - a

For which of the following, an adjustment entry will not be required .....

- a. Salary of Rs.3000, paid in advance
- b. Commission due Rs.1000, but not advance
- c. Commission payable Rs.300 during the year, paid
- d. Rent due Rs.2000 but not paid

Ans - c

For making adjustment in respect of closing stocks, which of the following is debited .....

- a. Purchase account
- b. Trading account

- c. Closing stocks  
d. Balance sheet asset side

Ans - c

At the end of each accounting period, the balances of ..... are transferred to the P&L account.

- a. Only personal and some income & expenditure accounts  
b. Some capital and some income & expenditure accounts  
c. All the income & expenditure accounts  
d. All the Ledger accounts

Ans - c

X has been investing Rs.5000 every year at year end, at 5% for 5 years. How much he will get at the end of 5 years?

- a. 26778.20  
b. 27278.90  
c. 27628.15  
d. 28342.25

Ans - c

The appraisal method for capital expenditure, under which it is examined, how much period the invested funds will come back as cash inflow is called .....

- a. Pay-back method  
b. Rate of return method  
c. Net present value method  
d. Internal rate of return

Ans - a

A person borrowed Rs. 10000 from the bank @ 12% p.a. for 1 year, payable on EMI basis. What is the amount of EMI?

- a. 868  
b. 888  
c. 968

d. 986

Ans - b

Solution:

$$P = 10000$$

$R = 12\% / 12 = 0.01\%$  (In EMI or Equated Monthly Instalment), we need to find monthly rate, so we divide rate by 12)

$T = 1 * 12 = 12$  (In EMI or Equated Monthly Instalment, we multiply time with 12)

$$\begin{aligned} \text{EMI} &= P * R * (1 + R)^T \div \{ (1 + R)^T - 1 \} \\ &= 10000 * 0.01 * (1 + 0.01)^{12} \div \{ (1 + 0.01)^{12} - 1 \} \\ &= 888 \end{aligned}$$

LTV ratio for home loans above 75 lakh is .....

- a. 75 %
- b. 80 %
- c. 90 %
- d. 100 %

Ans - a

Which one of the following is/are the components of a Budgetary Control System?

- (i) Budget committee
- (ii) Budget centre
- (iii) Budget manual

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans – d

Which one of the following statements is not correct regarding Break-even analysis?

- a. A financing bank prefers to finance a project with low Break-even point.
- b. If fixed costs are increased, the Break-even point also increases.
- c. Contribution is the difference between the sales price and the variable cost of a unit.

d. A unit operating below Break-even level always means that it is incurring cash losses.

Ans – d

Which of the following are features of Direct tax?

- (i) The burden of direct tax cannot be shifted to another person
- (ii) Income tax and Tax on undisclosed Foreign Assets are examples of Direct tax
- (iii) It is levied and collected from the same person.

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

In which of the following techniques, depreciation is included as a cost?

- a. Accounting Rate of return
- b. Internal Rate of return
- c. NPV
- d. None of the above

Ans - a

The depreciation has been charged and it has been debited to fixed asset account. It is an .....

- a. Error of omission
- b. Error of Commission
- c. Error of principle
- d. Compensating error

Ans - c

Which of the following transactions will result in increase in asset and increase in liability?

- a. Payment made to Creditors in cash
- b. Goodwill account written off
- c. Issue of Bonus shares



d. Machinery purchased on credit

Ans - d

Which of the following is not a "Document of title to goods"?

- a. Bill of lading, Railway receipt
- b. Airway bill
- c. Warehouse keepers certificate
- d. Wharfinger receipt

Ans - b

Which one of the following can utilise the process costing system?

- a. Petroleum refinery
- b. Hotel industry
- c. Ship building
- d. Construction contract

Ans – a

Which one of the following is/are amongst the sources of working capital finance?

- (i) Inter-corporate deposits
- (ii) Public deposits
- (iii) Factoring

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans – d

Primary objective of Financial Audit is to .....

- a. ensure that the financial statements give a True and Fair view
- b. detection of errors
- c. detection and prevention of frauds

d. enhance the shareholder value

Ans – a

.....  
If the owner's capital is 2,00,000, liability is 80,000 and fixed assets is 1,00,000, then what shall be the value of current assets?

- a. 120000
- b. 140000
- c. 160000
- d. 180000

Ans – d

Solution

As per the balance sheet equation:

Assets = Liabilities + Owner's Equity

Current Assets + Fixed Assets = Liability + Owner's Capital

Current Assets + 1,00,000 = 80,000 + 2,00,000

Current Assets = 2,80,000 - 1,00,000 = 1,80,000

.....  
Mr. X received a Sum of USD 5000 in china from Mr. Y, a managing consultant practising in China for financing a project. The sum received for consultancy is related to a project in India with Chinese collaboration. Mr. X is a Non-resident Indian. What shall be the Taxation status of Mr. X in India?

- a. Non-Taxable as he is Non-resident
- b. Non-Taxable as Income is received outside India
- c. Non-Taxable as he is Non-resident and income is received outside India
- d. Taxable as services are utilised in India

Ans – d

.....  
Fixed overhead expenses can increase due to .....

- a. increase in activity level
- b. increase in salary of supervisors
- c. increase in selling price of the finished goods
- d. change in the method of valuation of inventory

Ans – b

.....  
An individual gets an option to choose between the existing tax rates and the new concessional tax rates under which Section?

- a. 115 BAA
- b. 115 BAB
- c. 115 BBB
- d. 115 BAC

Ans – d  
.....

Which of the following is revenue expenditure?

- a. expenditure for used machinery part for sale
- b. purchase of motor car
- c. purchase of building
- d. cash paid for audit fee

Ans - d  
.....

Sequence of payments made at regular periods over a given time interval is called .....

- a. Principal
- b. Interest
- c. Sinking fund
- d. Annuity

Ans - d  
.....

If a customer has any other existing saving bank account in that bank, he will be required to close it within ..... days from date of opening BSBDA account

- a. 15
- b. 21
- c. 30
- d. 60

Ans - c  
.....

.....

A person who owes some amount to the firm, is called ..... of the firm

- a. Debtor
- b. Creditor
- c. Customer
- d. Lender

Ans - a

.....

..... is a person appointed by court to manage property of deceased who died without leaving any Will

- a. Trustee
- b. Executor
- c. Administrator
- d. None of these

Ans - c

.....

1 Rs = 0.013 \$ is direct or indirect quote? (i) Direct Quote, (ii) Indirect Quote

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Both (i) and (ii)

Ans - b

.....

Budget is a plan expressed in .....

- a. money terms only
- b. physical units only
- c. both money terms and physical units
- d. neither money terms nor physical units

Ans - c

.....

If gross profit on sale is 20% and cost of goods sold is 2,500, what will be amount of sales?

- a. Rs.2500
- b. Rs.2750

.....

- c. Rs.3125
- d. Rs.3500

Ans - c

Solution :

$$\begin{aligned} \text{Sales} &= \text{Cost of goods sold} \times 100/80 \\ &= 2500 \times 100 / 80 \\ &= 3125 \end{aligned}$$

---

The escalation clause is normally a part of .....

- a. Job order
- b. Hospital services
- c. Process industry
- d. Contracts

Ans – d

---

Which of the following is not true ?

- a. Assets that are depreciated are tangible assets
- b. Depreciation is not a part of the operating costs
- c. Depreciation is like an insurance expense
- d. Depreciation is an expense charged to the P & L a/c

Ans - b

---

When a bill is endorsed by the drawer in favour of another party, the drawee is required to debit which of the following accounts .....

- a. Bills receivable account
- b. Bills payable account
- c. No entry is needed
- d. Endorsee's account

Ans - c

---

1-5. From the following balance sheet of ABC Co. Ltd. as on March 31, 2023. Calculate .....

I. Equity and Liabilities - 7,00,000

1. Shareholders' funds

- a) Share capital 4,00,000
- b) Reserves and surplus 1,00,000

2. Non-current Liabilities

Long-term borrowings 1,50,000

3. Current Liabilities 50,000

II. Assets - 7,00,000

1. Non-current Assets

- a) Fixed assets 4,00,000
- b) Non-current investments 1,00,000

2. Current Assets 2,00,000

1. Debts

- a. Rs. 1,50,000
- b. Rs. 5,00,000
- c. Rs. 5,50,000
- d. Rs. 6,50,000

Ans - a

2. Equity

- a. Rs. 1,50,000
- b. Rs. 5,00,000
- c. Rs. 5,50,000
- d. Rs. 6,50,000

Ans - b

3. Debt-Equity Ratio

- a. 0.23 : 1
- b. 0.3 : 1
- c. 0.71 : 1

d. 4.67 : 1

Ans - b

4. Total Assets to Debt Ratio

- a. 0.23 : 1
- b. 0.3 : 1
- c. 0.71 : 1
- d. 4.67 : 1

Ans - d

5. Debt to Capital Employed Ratio

- a. 0.23 : 1
- b. 0.3 : 1
- c. 0.71 : 1
- d. 4.67 : 1

Ans - a

Solution:

1. a

Debt = Long-term borrowings  
= Rs. 1,50,000

2. b

Equity = Share capital + Reserves and surplus  
= Rs. 4,00,000 + Rs. 1,00,000  
= Rs. 5,00,000

3. b

Debt-Equity Ratio = Debts / Equity  
= Rs. 1,50,000 / Rs. 5,00,000  
= 0.3 : 1

4. d

Total Assets to Debt Ratio = Total assets / Long term debts  
Total Assets = Fixed assets + Non-current investments + Current assets  
= Rs. 4,00,000 + Rs. 1,00,000 + Rs. 2,00,000 = Rs. 7,00,000  
Long-term Debt = Rs. 1,50,000

Total Asset to Debt Ratio = Rs. 7,00,000 / Rs. 1,50,000

.....  
= 4.67 : 1

5. a

Debt to Capital Employed Ratio = Long - term debts / Capital Employed  
Capital Employed = Shareholders' Funds + Long-term borrowings  
= Rs. 5,00,000 + Rs. 1,50,000  
= Rs. 6,50,000

Debt to Capital Employed Ratio= Long - term debts / Capital Employed  
= Rs. 1,50,000 / Rs. 6,50,000  
= 0.23 : 1  
.....

Which of the following is classified as one-sided error?

- a. Salary paid to Manager is debited to his personal account
- b. Sales register is undercast by Rs. 1200
- c. Rent paid Rs. 5000 is debited to postage account
- d. Goods purchased from Mr. X for Rs. 25000/- is wrongly recorded in sales register as Rs. 2500/-

Ans - b  
.....

An amount of Rs. 6000/- received from a Customer Mr. X, is recorded correctly in the cash book but posted to the debit side of Mr. X's account in the ledger. This is an example of .....

- a. Error of Commission
- b. Error of Omission
- c. Error of Principle
- d. Compensating Error

Ans - a  
.....

Identify from the following the correct statement regarding funded and non-funded facilities provided by banks.

- a. Both types of facilities involve transfer of money to the borrower
- b. A funded facility may become a non-funded facility in due course and vice versa
- c. Both letters of credit and bank guarantees are non-funded facilities
- d. All the above statements are correct

Ans - c  
.....  
.....



Banking business does not include .....

- a. Accepting deposits for the purpose of lending
- b. Accepting deposits for the purpose of financing its own business
- c. Accepting deposits for the purpose of investment
- d. Undertaking certain classes of business incidental to banking

Ans - b

Which of the following costs is/are capitalised according to capital budgeting?

- a. Sunk cost
- b. Installation cost
- c. Transportation cost

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – c

Balance in CB of a firm is Rs.9500. It is noticed that (a) the payment side of cash book is undercast by Rs.200 (b) a cheque of Rs.5000 issued by firm is not entered in bank column of the cash but bank has paid it. Balance in PB .....

- a. 9500
- b. 9300
- c. 4300
- d. 4500

Ans - c

For which of following, an adjustment entry will be required .....

- a. Expenses paid but not due
- b. Expenses paid which were due
- c. Income received which was due
- d. All the above

Ans - d

LTV ratio for home loans from 30 to 75 lakh is .....

- a. 75 %
- b. 80 %
- c. 90 %
- d. 100 %

Ans - b

Which one of the following statements is correct about Deferred Tax assets/liabilities, as per Ind AS?

- a. Deferred Tax assets should be classified as current assets
- b. Deferred Tax liabilities should be classified as current liabilities
- c. Deferred Tax assets should not be classified as current assets
- d. Deferred Tax liabilities should be classified as contingent liabilities

Ans – c

Which of Facility are not available to visually challenged people?

- (i) ATM, Net bank facility
- (ii) Locker facility
- (iii) Retail loan, credit card

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans - d

P/V Ratio is a ratio of .....

- a. Contribution to Sales Price
- b. Price to Volume
- c. Profit to Volume
- d. Price to Cost

Ans – a

.....  
All the material information relating to business transactions is required to be given by a company in its balance, due to which of the following .....

- a. Accounting period concept
- b. Full disclosure concept
- c. Materiality concept
- d. All the above

Ans - b

.....  
After preparation of trial balance it is observed that the goods amounting to Rs.10000 sold to Ashok & Sons were posted as Rs.1000 to their account. The rectification entry will be .....

- a. Suspense account debit to Ashok & Sons Rs.9000
- b. Ashok & sons debit to sales account Rs.9000
- c. Sales account debit to suspense account Rs.10000
- d. Ashok & sons debit to suspense account Rs.9000

Ans - d

.....  
Commission received in advance is of the nature of .....

- a. Nominal Account
- b. Intangible Account
- c. Personal Account
- d. Real Account

Ans - c

.....  
The foreign exchange spot-market provides ..... that permit payments to flow among individuals, businesses, & other organizations who prefer to use different currencies.

- a. trade services
- b. government authority
- c. clearing services
- d. technological services

Ans - c

Which of the following statement(s) is/are correct with reference to Non-Performing Assets?

- (i) The Non-Performing Assets refers to those assets which fail to generate expected returns to the bank due to borrowers' default in making repayment.
- (ii) The bank should recognize income on Non-Performing Assets (NPA) on an accrual basis

- a. Only (i)
- b. Only (ii)
- c. Both (i) and (ii)
- d. Neither (i) nor (ii)

Ans – a

Internal Audit is generally undertaken by ..... is aimed at ensuring the accuracy and correctness of the books of account of banks.

- a. tax experts
- b. auditors approved by RBI
- c. company secretary
- d. bank's own staff

Ans – d

If the maturity of a bond is long into the future, the coupon rate, normally is higher. This is because .....

- a. The attractiveness of longer term is related to interest only
- b. Longer term maturity is less sensitive to price fluctuation than the shorter term
- c. Longer term maturity is more sensitive to price fluctuation than the shorter term
- d. Longer term bonds are generally issued by institutions of lesser rating

Ans - c

Maximum allowed credit in a year in small savings a/c is .....

- a. Rs. 10000
- b. Rs. 20000
- c. Rs. 50000
- d. Rs. 100000

Ans - d

Loan is obtained by X for purchase of a car for Rs.1.50 lac at 12% interest rate over two years. What is the amount of total amount to be paid at simple rate of interest?

- a. 186000
- b. 172000
- c. 160000
- d. 150000

Ans - a

Solution:

Principal + interest  
= 150000 + 36000 [(1.50 lac x 12 x 2) / 100 = 36000]  
= 186000

Which of the following is correct in case of a mandate?

- a. A mandate is not acceptable in case of institutions
- b. A mandate is issued for a long period
- c. A mandate ceases to be valid when an NRI customer returns to India
- d. In case of joint accounts opened in "Either or Survivor" mode, a mandate may be signed by anyone of the joint account holders

Ans - d

Which one of the following can be a cost unit?

- (i) Kilometer
  - (ii) Kiloliter
  - (iii) Kilogram
- a. Only (i) and (ii)
  - b. Only (i) and (iii)
  - c. Only (ii) and (iii)
  - d. (i), (ii) and (iii)

Ans – d

A budget prepared for a specific activity is called .....

- a. Programme Budget

- b. Performance Budget  
c. Fixed Budget  
d. Flexible Budget

Ans – a

Deprecation is more by which method during the first and second year?

- a. Straight line method  
b. Double declining method  
c. Written down method  
d. Sum of the digits method

Ans - b

Bonds that are traded below the investment grade by the credit rating agencies are called .....

- a. Convertible Bond  
b. Zero Coupon Bond  
c. High Yield Bond  
d. Inflation Indexed Bond

Ans - c

Which one of the following is a cost unit?

- (i) Kilowatt-hour  
(ii) Barrel  
(iii) Metric ton
- a. Only (i) and (ii)  
b. Only (i) and (iii)  
c. Only (ii) and (iii)  
d. (i), (ii) and (iii)

Ans – d

Which of the following statement about Gold Loans to individuals are correct?

- (i) Banks can't grant loans against primary gold/bullion

- (ii) Banks can grant loans against specially minted gold coins  
(iii) Loans are given on the basis of both the gold content of ornaments and the labour charges  
(iv) For gold loans, KYC norms need not be complied with as security of gold is available to the bank
- a. (i) and (ii) only  
b. (iii) and (iv) only  
c. (i), (ii) and (iii) only  
d. (i), (ii), (iii) and (iv)

Ans - a

What is the denominator of Inventory Turnover Ratio?

- a. Beginning inventory  
b. Ending inventory  
c. Beginning inventory + Ending inventory  
d. (Beginning inventory + Ending inventory) / 2

Ans - d

For the purpose of preparing cash flow statement, which one of the following is considered as 'Investment activity'?

- a. Buyback of shares  
b. Redemption of debentures  
c. Manufacture of goods  
d. Disposal of machinery

Ans - d

Cash budget method of assessment is more suitable for those business enterprises which have .....

- a. Uniform level of operations  
b. High level of operations  
c. Low level of operations  
d. Seasonal operations

Ans - d

Which one of the following statements is/are correct?

- (i) Accounting treatment of finance and operating lease is same in the books of lessee
- (ii) Accounting treatment of finance and operating lease is different in the books of lessor
- (iii) A lessee may elect not to apply the accounting requirements of Ind AS 116 to leases for which the underlying asset is of low value.

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans – d

If the tax law does not allow an item of expenditure, the disallowed amount will result in .....

- a. increased current tax
- b. deferred tax asset
- c. deferred tax liability
- d. None of the above

Ans – a

When the total income of an individual who is 73 years is Rs. 400000, calculate the amount of tax payable by him.

- a. Rs. 5000
- b. Rs. 7500
- c. Rs. 10000
- d. Rs. 12500

Ans – a

Solution

For a person who is above 60 years of age but doesn't exceed 80 years, then the following tax rates would be applicable

When the total income does not exceed Rs 300000 - NIL

Where the total income exceeds 300000 but does not exceed 500000 - 5% of the amount by which the total income exceeds 300000

Where the total income exceeds 500000 but does not exceed 1000000 - Rs 10000 plus 20% of the amount by which the total income exceeds 500000



Where the total income exceeds 1000000 - 110000 plus 30% of the amount by which the total income exceeds 1000000

The tax amount would be In the given case  
= 400000 - 300000  
= 100000 x 5% = Rs. 5000

A person wants to remit Euro and there is no quotation with the bank for Euro. Bank works out the rate through Re/\$ rate and \$ /Euro rate. This is called .....

- a. Bid rate
- b. Offer rate
- c. Cross rate
- d. Floating rate

Ans - c

The budget in which each of its constituent part needs fresh rationale for its inclusion in that year's budget, is known as .....

- a. Flexible Budget
- b. Performance Budget
- c. Zero base budget
- d. None of the above

Ans - c

Under DEAF, any amount remained unclaimed for more than ..... years shall be credited to this fund within a period of ..... months from expiry of said period.

- a. 3 years, 3 months
- b. 5 years, 6 months
- c. 10 years, 3 months
- d. 10 years, 6 months

Ans - c

A 10%, 6 years bond, with face value of Rs.1000 has been purchased by Z for Rs.900. What is his yield till maturity.

- a. 12.50%

- b. 12.20%
- c. 11.80%
- d. 11.60%

Ans - a

Solution:

If cost of capital i.e. kd, is the yield to maturity then  $900 = 100 (PVIFA kd\%, 9 \text{ years}) + 10000 (PVIF kd, 9 \text{ years})$ . More than one values have to be tried.

1st calculation at PVIFA 6 years at 12% factor = 4.11141 and PVIF 6 years at 12% factor = 0.50663. The value =  $(100 \times 4.11141 = 411.14) + (1000 \times 0.50663 = 506.63) = 917.77$  (value more than the current market price)

1st calculation at PVIFA 6 years at 15 % factor = 3.78448 and PVIF 6 years at 12% factor = 0.43233. The value =  $(100 \times 3.78448 = 378.45) + (1000 \times 0.43233 = 432.33) = 810.78$  (value less than the current market price).

$$YTM = 12\% + (15\% - 12\%) \times [(917.77 - 900) / (917.77 - 810.78)]$$

$$YTM = 12\% + (3\%) \times [17.77 / 106.99]$$

$$YTM = 12\% + (3\%) \times 0.166$$

$$YTM = 12\% + 0.498 = 12.498 \text{ say } 12.50\%$$

According to the concept of money measurement the following will not be recording in the books of accounts ..... (i) simplicity of the general management, (ii) death of the general manager, (iii) gratuity paid to the general managers wife after his death

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - a

Accounting Standard AS6 deals with .....

- a. Disclosure of Accounting Policies
- b. Depreciation Accounting
- c. Consolidated Financial Statements
- d. Accounting for Taxes on Income

Ans - b

Objects of company are mentioned in .....

- a. Memorandum of Association
- b. Articles of association
- c. Both a and b
- d. None of the above

Ans - a

When a company issues shares at premium, the amount of premium can be used for which of the following purposes?

- (i) Meeting the preliminary expenses
- (ii) Issue of fully paid bonus shares
- (iii) Buy back of shares
- (iv) Payment of dividend

- a. (i) and (ii) only
- b. (iii) and (iv) only
- c. (i), (ii) and (iii) only
- d. (i), (ii), (iii) and (iv)

Ans - c

A call option is a contract, which gives the buyer .....

- a. the right, but not the obligation, to buy or sell specified quantity of the underlying assets
- b. the right, but not the obligation, to buy specified quantity of the underlying assets
- c. the right, but not the obligation, to sell specified quantity of the underlying assets
- d. the obligation, to buy or sell specified quantity of the underlying assets

Ans – b

In case of Minors, the acceptable KYC documents are ..... for opening bank account.

- a. Natural guardian
- b. Legal guardian
- c. The Minor himself/herself
- d. Guardian who operate the account

Ans - d

.....  
KYC is required to be done at least in every ..... for high risk customers

- a. 2 Years
- b. 5 Years
- c. 8 Years
- d. 10 Years

Ans - a  
.....

During the closing of an account, certain things need to be considered. Which is not true?

- a. In case of joint account , one account holder can sign the request letter for closure of account
- b. A/c holder should surrender the unused cheque leaves and also passbook
- c. After closing, if PB required by customer, may be return with marking "a/c closed" after last entry
- d. All are true

Ans - a  
.....

Which of the following statement is true?

- a. Before opening account, trust deed must be obtained from trustee
- b. Partnership a/c must be open in name of firm and not in name of partner
- c. While operating partnership account, partner should sign for & on behalf of firm & not as individual
- d. All of the statements are correct

Ans - d  
.....

1-4. Given the following information, Calculate...

Revenue from Operations 3,40,000  
Cost of Revenue from Operations 1,20,000  
Selling expenses 80,000  
Administrative Expenses 40,000

1. Gross Profit

- a. Rs. 2,00,000
- b. Rs. 2,20,000
- c. Rs. 2,40,000
- d. Rs. 2,60,000

2. Operating Cost

- a. Rs. 2,00,000
- b. Rs. 2,20,000
- c. Rs. 2,40,000
- d. Rs. 2,60,000

3. Gross profit ratio

- a. 64.71%
- b. 66.71%
- c. 68.59%
- d. 70.59%

4. Operating ratio

- a. 64.71%
- b. 66.71%
- c. 68.59%
- d. 70.59%

Solution:

1. b

$$\begin{aligned}\text{Gross Profit} &= \text{Revenue from Operations} - \text{Cost of Revenue from Operations} \\ &= \text{Rs. } 3,40,000 - \text{Rs. } 1,20,000 \\ &= \text{Rs. } 2,20,000\end{aligned}$$

2. c

$$\begin{aligned}\text{Operating Cost} &= \text{Cost of Revenue from Operations} + \text{Selling Expenses} + \text{Administrative Expenses} \\ &= \text{Rs. } 1,20,000 + 80,000 + 40,000 \\ &= \text{Rs. } 2,40,000\end{aligned}$$

3. a

$$\begin{aligned}\text{Gross Profit Ratio} &= (\text{Gross Profit} / \text{Revenue from operation}) \times 100 \\ &= (\text{Rs. } 2,20,000 / \text{Rs. } 3,40,000) \times 100 \\ &= 64.71\%\end{aligned}$$

4. d

$$\begin{aligned}\text{Operating Ratio} &= (\text{Operating Cost} / \text{Net Revenue from Operations}) \times 100 \\ &= (\text{Rs. } 2,40,000 / \text{Rs. } 3,40,000) \times 100 \\ &= 70.59\%\end{aligned}$$

When the drawee pays the amount of the bill before its due date it is called .....

- a. Endorsing the bill
- b. Honouring the bill
- c. Retirement of the bill
- d. None of the above

Ans - c

ABC Ltd shows a profit of 10,00,000 for the year ended 31.03.2022. The profit has been arrived at after treating the following entries:

- (i) Purchase of Car on 28.03.2022 for use in business 4,00,000 and treated as vehicle expenses.
- (ii) Unpaid electricity bills for Feb and March 2022, Rs.50,000 per month was omitted to record.

The correct profit for the year ended 31st March 2022 will be .....

- a. 9,50,000
- b. 11,00,000
- c. 12,50,000
- d. 13,00,000

Ans – d

Solution:

Purchase of a car is an asset to the company so it is to be treated as a Fixed Asset to the business. But it was reduced as expenses.

Therefore, it should be added back to nullify the effect.

$$= 1000000 + 400000 = 1400000$$

And the unrecorded electricity bills for Feb and March 2022 is Rs. 100000, Therefore Profit for 31st March will be

$$= 1400000 - 100000$$

$$= 1300000$$

When loss of stock takes place due to theft or fire etc. it is called .....

- a. Total loss
- b. Normal loss
- c. Contingent loss
- d. Abnormal loss

Ans - d

With 25% margin on stocks, a firm's drawing power for its cash credit (CC) account with the bank increased from Rs. 4,50,000.00 to Rs. 7,50,000.00. What is the change in stock level?

- a. Rs. 2,00,000
- b. Rs. 3,00,000
- c. Rs. 4,00,000
- d. Rs. 5,00,000

Ans - c

When a firm withdraws money from bank, in the cash book, the amount of withdrawal is?

- a. Credited
- b. Debited
- c. No charge
- d. None of the above

Ans - a

Bank reconciliation is done by .....

- a. Customer
- b. Bank
- c. Auditor
- d. Any of the above

Ans - a

Which one of the following is a source of funds?

- a. Increase in fixed assets
- b. Increase in inventory
- c. Increase in current liabilities
- d. Decrease in capital

Ans - c

A budget is normally considered to be a long-term budget if it covers a period of more than .....

- a. 3 months

- b. 6 months  
c. 9 months  
d. one year

Ans – d

When a bill is drawn by a party on the other party which of the following accounts is credited?

- a. Bills receivable account  
b. Debtor's account  
c. Creditor's account  
d. Bills payable account

Ans - b

Under the system of GST, the threshold limit is Rs. .... for north eastern states, Uttarakhand, Sikkim and Himachal Pradesh.

- a. 10 lakh  
b. 15 lakh  
c. 20 lakh  
d. 25 lakh

Ans – a

Which of the following are classified under "Intangible Assets"?

- (i) Trademarks/Brands  
(ii) Goodwill  
(iii) Mining Rights  
(iv) Computer Hardware

- a. (i) and (ii) only  
b. (iii) and (iv) only  
c. (i), (ii) and (iii) only  
d. (i), (ii), (iii) and (iv)

Ans - c



1-2. On the basis of the information given below, answer the following questions.

The balance in the accumulated provision for depreciation account of a company as at the beginning of the year 2020-2021 was Rs. 2,00,000 when the original cost of the assets amounted to Rs. 10,00,000. The company charges full 10% depreciation on a straight line basis for all the assets including those which have been either purchased or sold during the year. One such asset costing Rs. 5,00,000 with accumulated depreciation as at the beginning of the year of Rs. 1,00,000 was disposed of during the year.

1. Depreciation for the current year is .....

- a. Rs. 40,000
- b. Rs. 50,000
- c. Rs. 60,000
- d. Rs. 1,00,000

Ans - d

2. The balance of the accumulated depreciation account at the end of the year considering the current year's depreciation charge would be .....

- a. Rs. 2,20,000
- b. Rs. 1,50,000
- c. Rs. 1,20,000
- d. Rs. 2,50,000

Ans - b

Internal Audit is aimed at .....

- a. improving profitability
- b. tax planning
- c. ensuring the accuracy and correctness of the books of account of the bank
- d. ensuring equitable distribution of loans to weaker sections of the society

Ans – c

The rate of return earned by an investor who purchases the bond and holds it till its matures is called .....

- a. rate of return
- b. current yield of the bond
- c. yield to maturity

d. any of the above

Ans - c

Margin of Safety takes into account which of the following?

- a. Fixed costs and variable costs
- b. Fixed costs and break-even sales
- c. Estimated sales and break-even sales
- d. None of the above

Ans - c

A cheque issued by a firm is recorded on ..... side of the .....

- a. Payment, cash book
- b. Receipt, cash book
- c. Payment, journal
- d. Receipt, journal

Ans - a

A bad debt written off, if subsequently recovered, will be .....

- a. Credited to Cash account
- b. Credited to Debtor's account
- c. Credited to Bad Debt Recovered account
- d. Debited to P&L account

Ans - c

Full form of FIFO .....

- a. First In, First On
- b. First In, First Out
- c. First Inside, First Outside
- d. None of the above

Ans - b

1-3. From the following information, calculate...

Inventory in the beginning = 18,000  
Inventory at the end = 22,000  
Net purchases = 46,000  
Wages = 14,000  
Revenue from operations = 80,000  
Carriage inwards = 4,000

1. Cost of Revenue from Operations

- a. Rs. 20,000
- b. Rs. 40,000
- c. Rs. 60,000
- d. Rs. 80,000

2. Average Inventory

- a. Rs. 20,000
- b. Rs. 40,000
- c. Rs. 60,000
- d. Rs. 80,000

3. Inventory Turnover Ratio

- a. 1 Time
- b. 2 Times
- c. 3 Times
- d. 4 Times

Solution:

1. c - Cost of Revenue from Operations = Inventory in the beginning + Net Purchases + Wages + Carriage inwards – Inventory at the end  
= Rs. 18,000 + Rs. 46,000 + Rs. 14,000 + Rs. 4,000 – Rs. 22,000  
= Rs. 60,000

2. a - Average Inventory = (Inventory in the beginning + Inventory at the end) / 2  
= (Rs. 18,000 + Rs. 22,000) / 2  
= Rs. 20,000

3. c - Inventory Turnover Ratio = Cost of Revenue from Operations / Average Inventory  
= Rs. 60,000 / Rs. 20,000  
= 3 Times

According to which concept, profit is the liability of the firm?

- a. Business Entity Concept
- b. Matching Concept
- c. Dual Concept
- d. Cost Concept

Ans - a

Section 87A provides a rebate from the tax payable by an assessee, being an individual resident in India, whose total income does not exceed .....

- a. 100000
- b. 250000
- c. 300000
- d. 500000

Ans – d

Prepaid expenses and outstanding expenses are taken into account by a firm on the basis of which following concept?

- a. Money measurement concept
- b. Accrual basis of accounting
- c. Cost concept
- d. Dual aspect concept

Ans - b

For the purpose of STR (Suspicious Transaction Reports), Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith ..... (i) Gives rise to a reasonable ground of suspicion that it may involve the proceeds or crime, (ii) Appears to be made in circumstances of unusual or unjustified complexity, (iii) Appears to have no economic rationale or bonafide purpose

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - d

.....  
A lease agreement contains which of the following?

- a. Lease period
- b. Transferability of ownership
- c. Lease rental and payment terms
- d. All of the above

Ans – d

.....

Health of the proprietor which affects the business activity and hence the profit, is not recorded in the books due to which of the following .....

- a. Business entity concept
- b. Money measurement concept
- c. Realization concept
- d. Going concern concept

Ans - b

.....

Capital of a firm is 35, reserves 11. Its debentures are 80 and preliminary expenses 6. The debt equity ratio will be:

- a. 0.5:1
- b. 2:1
- c. 1.7:1
- d. none of the above

Ans - b

Explanation :

Long term liabilities are 80 and tangible net worth 40 (35+11-6). Hence ratio is 2 (80/40)

.....

Who is the regulator of Interest rate derivatives, in India?

- a. RBI
- b. SEBI
- c. FMC
- d. None of the above

Ans – a

.....

.....  
A firm sells goods worth Rs.50000 to M/s XYZ in cash. In this case, while crediting the account, the following principle will be followed .....

- a. Credit the giver
- b. Credit the receiver
- c. Credit what comes in
- d. Credit what goes out

Ans - d  
.....

A sum of Rs.2500 has been spent by a firm to replace the worn-out parts of the machinery. This will be trusted as .....

- a. Revenue expenditure
- b. Capital expenditure
- c. Deferred revenue expenditure
- d. Intangible asset

Ans - a  
.....

Generally Accepted Accounting Principles (GAAP) is Regulated by .....

- (i) Financial Accounting Standards Board (FASB)
- (ii) Governmental Accounting Standards Board (GASB)

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Both (i) and (ii)

Ans - d  
.....

Which one of the following is not a probable cause of labour efficiency variance?

- a. Inferior quality of material used in production
- b. Poor maintenance of machinery
- c. Change in wages per hour
- d. Not following the standard production procedures

Ans – c  
.....  
.....

X had to pay certain amount to Z and had two options (a) to make payment of lump sum amount of Rs.120000 immediately or (b) to pay Rs.150000 in 5 years at 5% p.a. rate of interest (half-yearly compounding). Which option is more beneficial for X.

- a. He should opt for (a) being lower amount
- b. He should opt for (b) being lower at Rs.117179
- c. He should opt for (b) being lower at Rs.119197
- d. He should opt for (b) being lower at Rs.117971

Ans - b

Solution:

$$\begin{aligned} \text{The present value Rs.150000} &= FV / (1+r)^n \\ &= 150000 / (1+0.025)^{10} \\ &= \text{Rs. 117179} \end{aligned}$$

Which of the following is/are properties of Bond Duration?

- (i) Duration is inversely related with coupon rate
- (ii) Duration is positively related with time to maturity
- (iii) Duration is inversely related with yield to maturity

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - d

A firm ABC has purchased few items at different prices of Rs.100, Rs.200, Rs.300, Rs.400 and Rs.500. What is the rate of valuation of the goods as per the average cost method?

- a. Rs.300, being the middle item
- b. Rs.300, being the average of all items
- c. Rs.100, being the base item to be purchased
- d. Rs.500, being the last item in the series to be purchased

Ans - b

Cost and management accountancy provides information which is mainly used by .....

- a. Managers in the organisation
- b. Investors
- c. Bankers
- d. All the stakeholders

Ans – a

What is the denominator of Inventory Turnover Ratio?

- a. Beginning inventory
- b. Ending inventory
- c. Beginning inventory + Ending inventory
- d. (Beginning inventory + Ending inventory) / 2

Ans - d

What would you pay for an ordinary annuity of Rs. 2,000 paid every six months for 12 years if you could invest your money elsewhere at a nominal interest rate of 10% compounded semiannually?

- a. Rs. 13,798.60
- b. Rs. 25,500.35
- c. Rs. 27,597.20
- d. Rs. 26,957.20

Ans - c

Solution:

$$PVAn = PMT [PVIFA_{i,n}]$$

$$PVA_{24} = Rs. 2,000 [PVIFA_{5\%,24}] = Rs. 2,000 (13.7986) = Rs. 27,597.20$$

Interest rate elasticity of a bond is .....

- a. Always a negative number
- b. Always a positive number
- c. Positive or negative number depending on the market condition
- d. Positive or negative number depending on the market value

Ans - b



1-6. Balance Sheet (in lakhs) as on 31.03.2023

<b>Assets</b>	<b>Liabilities and Owners' Equity</b>
Current Assets Cash - 500 Accounts Receivable - 300 Inventory - 200 Total Current Assets - 1000	Current Liabilities Accounts Payable - 400 Notes Payable - 200 Total Current Liabilities - 600
Property, Plant, and Equipment - 2100 Less Accumulated Depreciation - 400 Net Fixed Assets - 1700	Long-Term Liabilities Long-Term Debt - 1200 Total Long-Term Liabilities - 1200
	Owners' Equity Common Stock (1 Par) - 600 Capital Surplus - 200 Retained Earnings - 100 Total Owners' Equity - 900
<b>Total Assets - 2700</b>	<b>Total Liab. and Owners' Equity - 2700</b>

**Profit and Loss Account (in Lakhs) for the year ended 31.03.2023**

Sales - 900 Cost of Goods Sold - 600 Administrative Expenses - 300 Depreciation - 362 Earnings Before Interest&Taxes - -362 Interest Expense - 130 Taxable Income - (-)492	Taxes - (-)81 Net Income - (-)411 Dividends - 0 Addition to Retained Earnings - (-)411 Other Information No.of Shares Outstanding (lakhs) - 600 Price per Share - 1.8
--	---

Calculate the following ratios:

1. Current Ratio

- a. 1 : 1
- b. 1.33 : 1
- c. 1.67 : 1
- d. 2 : 1

2. Quick Ratio

- a. 1 : 1
- b. 1.33 : 1
- c. 1.67 : 1
- d. 2 : 1

3. Receivables Turnover

- a. 1 time
- b. 2 times
- c. 3 times
- d. 4 times

4. Days' Receivables

- a. 91.25 Days
- b. 121.67 Days
- c. 182.5 Days
- d. 365 Days

5. Inventory Turnover

- a. 1 time
- b. 2 times
- c. 3 times
- d. 4 times

6. Days' Inventory

- a. 91.25 Days
- b. 121.67 Days
- c. 182.5 Days
- d. 365 Days

Explanation:

1. c - Current Ratio = Current Assets / Current Liabilities  
= 1000 / 600  
= 1.67 : 1

2. b - Quick Ratio = Quick Assets / Current Liabilities  
Quick Assets = Total Current Assets - Inventory  
= 1000 - 200 = 800  
Quick Ratio = 800 / 600  
= 1.33 : 1

3. c - Receivables Turnover = Sales / Accounts Receivables  
= 900 / 300  
= 3 times.

4. b - Days' Receivables = 365 / Receivables Turnover

.....  
= 365 / 3  
= 121.67 days

5. c - The Inventory Turnover = COGS / Inventory  
= 600 / 200  
= 3 times.

6. b - Days' Inventory = 365 / Inventory Turnover  
= 365 / 3  
= 121.67 days  
.....

Maximum number of members in private companies as per Companies Act, 2013 is .....

- a. 50
- b. 100
- c. 200
- d. 500

Ans - c  
.....

Which one of the following items are not in the GST regime?

- a. Alcoholic liquor for human consumption
- b. Banking services
- c. Insurance premium
- d. Transport services

Ans – a  
.....

Which of the following is correct regarding the inclusion of income in the total income of the Resident and Ordinary Resident, when an income is accruing outside India during the previous financial year?

- a. Cannot be included
- b. Can be included only if such income is received and brought into India during P.Y.
- c. Can be included only for the amount brought into India during P.Y.
- d. Can be included even when such income is not received or brought into India during P.Y.

Ans – d  
.....  
.....

1-4. Reverse Mortgage Loan (RML) Scheme, though apparently enables senior's regular income by pledging home with the lending bank, the product has not met with much success due to obvious reasons such as non-availability of regular income beyond tenure leading to uncertainty as to how manage without payment after the loan term, quantum, etc. To overcome the weakness of the scheme, an improved Reverse Mortgage Loan enabled Annuity Scheme (RMLeA) has evolved as significant improvement over the initial RML product variant. Answer the following question:

1. RMLeA scheme has been promoted by .....

- (i) National Housing Bank
- (ii) HDFC Ltd
- (iii) Central Bank of India
- (iv) Star Union Daichi life insurance Company Ltd.

- a. (i) and (ii) only
- b. (iii) and (iv) only
- c. (i),(iii) and (iv) only
- d. (i),(ii) and (iii) only

2. Which of the following features are true in respect of RMLeA?

- (i) Married couples will be eligible as joint borrower for financial assistance
- (ii) Joint borrower will have the option to receive the annuity separately in their respective individual names on proportionate basis that may decide
- (iii) The senior Citizen borrower are eligible to receive assured life-time payments even after completion of the fixed term with increased quantum of annuity
- (vi) The periodic annuity payments are subject to Income Tax and Taxable in the hand of the annuity recipients.

- a. (i),(iii) and (vi)are correct
- b. (ii),(iii) and (vi)are correct
- c. (iii),(ii) and (i)are correct
- d. All (i),(ii),(iii) and (vi)are correct

3. The LTV in respect of Senior Citizen in the age bracket of 70-80 as per the scheme is .....

- a.50%
- b.75%
- c.70%
- d.60%

4. Under reverse Mortgage Loan Enabled Annuity (RMLeA), which of the following are considered as the primary annuity sourcing institution?

- a. Scheduled Commercial Banks
- b. Housing finance Companies

- c. Life insurance Corporations  
d. All the above

Answers

1-b, 2-a, 3-c, 4-c

How much will an ordinary annuity of Rs. 650 per year be worth in eight years at an annual interest rate of 6 percent?

- a. Rs. 8,975.38  
b. Rs. 6,897.76  
c. Rs. 7,021.80  
d. Rs. 6,433.38

Ans - d

Solution:

$$FVAn = PMT [FVIFA_{i,n}]$$

$$FVA8 = Rs. 650 [FVIFA_{6\%,8}]$$

$$= Rs. 650 (9.8975)$$

$$= Rs. 6,433.38$$

The price at which two unrelated and non-desperate parties would agree to a transactions is called .....

- a. Cost pricing  
b. Transfer pricing  
c. Opportunity pricing  
d. Arm's length pricing

Ans - d

The allocation of the owner's private expenses to his/her business violates which of the following accounting concepts?

- a. Materiality Concept  
b. Dual Aspect Concept  
c. Business Entity Concept  
d. Cost Concept

Ans - c

.....

In case of dividend are not paid to preference shareholders, it will affect the fund raising capacity of the firm. Hence the dividend are usually paid regularly on preference shares except when there are no profits to pay dividends. What denotes that the fixed rate of dividend is payable on preference shares?

- a. Cost of redeemable preference share
- b. Cost of irredeemable preference share
- c. Cost of preference share capital
- d. Cost of equity capital

Ans – c

.....

Which of the following is peculiar to a partnership firm?

- a. It has perpetual existence
- b. It has large number of owners
- c. All owners have unlimited liability
- d. Govt control is very strict

Ans - c

.....

A firm sells goods worth Rs.50000 to M/s XYZ in cash. In this case, which two accounts are involved .....

- a. Cash account and XYZ account
- b. XYZ account and goods account
- c. Goods account and cash account
- d. Incomplete information

Ans - c

.....

The par value of a bond is Rs. 25000/-. Its coupon rate is 8 %, maturity period is 10 years and the interest is payable semi-annually. The required rate of return on the bond is 10%. What is the value of the bond?

- a. 20729
- b. 21927
- c. 22719
- d. 22917

Ans - b

Solution :

Coupon value = 8% of 25000 = 2000

.....

$$\begin{aligned}\text{Value of bond} &= 6.1445 \times 2000 + 0.38554 \times 25000 \\ &= 12289 + 9638 \\ &= 21927\end{aligned}$$

The books of a firm are closed but it is found that a purchase of Rs.1000 from Atma Ram Sons has been passed through the sale book for Rs.100. what is the rectification entry, after preparing the trial balance.

- a. Sales account debit Rs.900 to Atma Ram Sons
- b. Purchase account debit Rs.900 to Atma Ram Sons
- c. Sales account debit Rs.100, purchase account debit Rs.1000 to Atma Ram Sons Rs.1100
- d. Sales account debit Rs.1000, purchase account debit Rs.100 to Atma Ram Sons Rs.1100

Ans - c

As per the following date given,

Net Credit Sales - 300  
Net Profit - 30  
Net Worth - 30  
Cost of goods sold - 200  
Average account receivable - 60

What is the debt collection period assuming 360 days in a year?

- a. 50 Days
- b. 66 Days
- c. 72 Days
- d. 90 Days

Ans - c

X purchased a house and the payment terms are (a) Rs.10 lac immediately and balance Rs.7.50 lac after 2 years. The rate of interest is 6% p.a. and to be compounded semi-annually. What is the cash value of the house.

- a. Rs.1696395
- b. Rs.1669760
- c. Rs.1666365
- d. Rs.1663635

Ans - c

Solution:

Rs.7.50 lac discounted at 6% on half-yearly basis by using the formula =  $FV / (1+r)^n$   
=  $750000 / (1+0.03)^4$   
= Rs.666365  
Total cash value = Rs.10 lac + Rs.666365 = Rs.1666365

If current ratio is above 2:1, it means that the firm .....

- (i) Has a very high investment in its current assets
- (ii) Does not require any working capital from the Bank
- iii) has very high liquidity

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - d

Under 'Written Down Value method' of Depreciation, the WDV of the asset is always .....

- a. Equal to 0
- b. Greater than 0
- c. Less than 0
- d. None of these

Ans - b

Spot rate is 1 US \$ = 77.10 and 2 months forward is available at 1 US = 77.50.

- a. Forward is at a premium
- b. Forward is at a discount
- c. Spot is at a premium
- d. Spot is at a discount

Ans - a

In the income and expenditure account, transactions relating to ..... are included.

- a. Current year only



- b. Previous year only
- c. Subsequent year only
- d. Current, previous and subsequent years

Ans - a

Which of the following is/are types of Petty cash book? (i) Simple Petty Cash Book, (ii) Columnar Petty Cash Book

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Both (i) and (ii)

Ans - d

Which of the following is true?

- a. KYC verification of all members of SHG is required while opening saving account
- b. Foreign students allowed a time of one month for furnishing proof of local address
- c. For low risk customer, unable to submit KYC document, has to submit within 3 months from opening a/c
- d. All of these are correct

Ans - b

X wants to send his daughter to a management school after 5 years and will be needing one time payment of charges amounting to Rs.7 lac. At 12%, how much he should invest annually?

- a. Rs.111105.21
- b. Rs.110186.81
- c. Rs.109672.22
- d. Rs.109486.89

Ans - b

Solution:

$$\begin{aligned} &= FV [ r / (1+r)^n - 1 ] \\ &= 700000 [ 0.12 / (1+0.12)^5 - 1 ] \\ &= Rs.110186.81 \end{aligned}$$

Cash inflow - Rs. 55000  
Useful life of the project - 5 years  
IRR - 15%, Cost of capital - 11%  
What is NPV of the project?

- a. 19640
- b. 20415
- c. 18670
- d. 17526

Ans - c

Which of the following statement is not correct in the context of bank reconciliation statement?

- a. Cheque issued by a firm is recorded in the cash book
- b. Cheque deposited by a firm is first recorded in the pass-book
- c. Direct deposit by a customer of a firm, in bank account, is credited by the bank first
- d. Direct debit by the bank is later on credited by the firm to its books

Ans - b

1-2. X Ltd., has a current ratio of 3.5:1 and quick ratio of 2:1. If excess of current assets over quick assets represented by inventories is Rs. 24,000, calculate ...

1. Current liabilities

- a. Rs. 16,000
- b. Rs. 36,000
- c. Rs. 56,000
- d. Rs. 76,000

Ans - a

2. Current assets

- a. Rs. 16,000
- b. Rs. 36,000
- c. Rs. 56,000
- d. Rs. 76,000

Ans - c

Solution:

1. a

Current Ratio = 3.5:1

Quick Ratio = 2:1

Let Current liabilities = x

Current assets = 3.5x

and Quick assets = 2x

Inventories = Current assets – Quick assets

24,000 = 3.5x – 2x

24,000 = 1.5x

x = R

Current Liabilities = Rs.16,000

2. c

Current Assets = 3.5x = 3.5 × Rs. 16,000 = Rs. 56,000.

Verification :

Current Ratio = Current assets : Current liabilities

= Rs. 56,000 : Rs. 16,000

= 3.5 : 1

Quick Ratio = Quick assets : Current liabilities

= Rs. 32,000 : Rs. 16,000

= 2 : 1

Which of the following statements is/are correct about Future contracts?

- (i) Futures contract is similar to forward contract
- (ii) Futures contracts are highly liquid
- (iii) Futures contract is traded on an exchange

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans – d

If duration of a bond is 5 years, which of the following statement would be true?

- a. Its payable after 5 years
- b. Interest rate risk will disappear on the bond, if the holding of bond is for 5 years
- c. No change in value of bond will take place within 5 years

d. Change in price of bond within 5 years will not affect the investor

Ans - b

When there is favourable balance as per cash book, and the cheque issued but not presented, to reach the balance in pass book, for this amount would be .....

- a. Added
- b. Deducted
- c. Not given any Weightage
- d. None of the above

Ans - a

What is the amount of gross profit/loss when opening stock is Rs. 18,000, purchases Rs. 78,000, cost of good sold Rs. 1,06,000 and sales Rs. 1,49,000?

- a. Rs. 44,000 profit
- b. Rs. 42,000 profit
- c. Rs. 43,000 profit
- d. Rs. 43,000 loss

Ans - d

For the purpose of preparing cash flow statement, which one of the following is considered as 'Financing activity'?

- a. Issue of fresh capital
- b. Processing of goods
- c. Redemption of debentures
- d. Sale of manufactured goods

Ans – a

GST is levied on which of the following transactions?

- (i) Sale and transfer of goods and/or services
- (ii) Import of goods and/or services
- (iii) Lease of goods and/or services

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans – d

What will be the rectification entry for balance of sales account overcast by Rs. 24973?

- a. Cash A/c Rs. 24973 Dr/To Sales A/c Rs. 24973
- b. Sales A/c Rs. 24973 Dr/To Suspense A/c Rs. 24973
- c. Sales A/c Rs. 24973 Dr/To Cash A/c Rs. 24973
- d. Purchase A/c Rs. 24973 Dr/To Sales A/c Rs. 24973

Ans - c

A bill of Rs. 94769 is drawn by 'A' on 'B' for 3 months on 01.01.2021. A gets the bill discounted from the bank on 17.02.2021. How much rebate amount will be deducted if rate of interest is 11.5% pa?

- a. 2750
- b. 1300
- c. 1350
- d. 1400

Ans - b

Which one of the following is incorrect relating to Employees Stop Option Scheme?

- a. Guidelines are issued by SEBI
- b. Employees have to apply for shares at a pre-determined price
- c. ESOS is a right but no obligation to the employees
- d. The right can be exercised at anytime by the employees

Ans - d

Who needs to obtain a Probate from court of law before acting to his role?

- a. Executor
- b. Administrator
- c. Guardian of minor

d. None of these

Ans - a

Maximum balance in the small savings a/c should not exceed ..... at any time

- a. Rs. 10000
- b. Rs. 20000
- c. Rs. 50000
- d. Rs. 100000

Ans - c

In Absorption Costing .....

- a. only the variable costs are taken as the cost of a unit of the product
- b. only the fixed costs are taken as the cost of a unit of the product
- c. only the variable costs and the variable overhead costs are taken as the cost of a unit of the product
- d. both the variable costs and the proportionate fixed costs are taken as the cost of a unit of the product

Ans - d

Wages paid for installation of machinery is what kind of expenditure?

- a. Capital Expenditure
- b. Revenue Expenditure
- c. Deferred Revenue Expenditure
- d. None of the above

Ans - a

1 Rs = 64.68 \$ is direct or indirect quote? (i) Direct Quote, (ii) Indirect Quote

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Both (i) and (ii)

Ans - b

Which one of the following is a use of funds?

- a. Increase in capital
- b. Increase in current liabilities
- c. Increase in term loans
- d. Increase in receivables

Ans – d

A Businessman starts his business from 1st October 2022. What shall be the previous year for the assessment year 2023-24?

- a. The previous year will be from 01.04.2022 to 31.03.2023
- b. The previous year will be from 01.10.2022 to 31.03.2023
- c. The previous year will be from 01.04.2023 to 31.03.2024
- d. The previous year will be from 01.10.2023 to 31.03.2024

Ans – b

Minor above ..... years can open and operate SB account independently

- a. 10 years
- b. 12 years
- c. 15 years
- d. 18 years

Ans - a

What will be the effect if sales return of 50000 posted 48200 and purchase return of 46000 posted 47800?

- a. No effect
- b. P&L increase by 3600
- c. P&L decrease by 3600
- d. P&L increase or decrease by 1800

Ans - b

.....  
A pass book is showing overdraft of Rs 9750. A cheque of Rs 750 presented. What will be the effect?

- a. overdraft will increase by 750
- b. overdraft will decrease by 750
- c. cash book will be increased or decrease by 750
- d. payment of chq will be denied or none of the above

Ans - a  
.....

Which among the following is incorrect?

- a. Journal is the book of original entry
- b. Cashbook is the book of original entry
- c. Cashbook is also a book of final entry
- d. Cash account is also opened in ledger like accounts of other assets

Ans - d  
.....

Cost accountancy evolved mainly because .....

- a. the governments made it compulsory
- b. the financial accounting was not enough to take care of increased complexity of businesses
- c. the shareholders demanded to implement it
- d. the creditors of the companies were interested in it

Ans - b  
.....

Machinery value - 12,00,000, Salvage Value - 1,00,000, Useful Life in Years - 10 Years  
Use sum of the years' digits method of depreciation to find the Book value after 3 years

- a. 540000
- b. 660000
- c. 820000
- d. 1000000

Ans - b

Solution :

Sum of the Years' Digits =  $1 + 2 + 3 + 4 + \dots + 10 = 10(10 + 1) \div 2 = 55$

Depreciable Base =  $12,00,000 - 1,00,000 = 11,00,000$

1st year =  $10/55 * 1100000 = 200000$   
.....



2nd year =  $9/55 * 1100000 = 180000$   
3rd year =  $8/55 * 1100000 = 160000$

Book Value at the end of 3rd year =  $1200000 - (200000 + 180000 + 160000)$   
=  $1200000 - 540000 = 660000$

Which one of the following statements is not correct about Swaps?

- a. A swap is a custom tailored bilateral agreement
- b. It is an OTC product
- c. Use of this product is not allowed in India
- d. Swap can be used as an asset liability management tool

Ans – c

At the end of one year, a sum Rs.10000 at 6% rate of interest when compounded half yearly becomes .....

- a. 10600
- b. 10609
- c. 10613
- d. 10616

Ans - b

Mr. Raj has hired a lawyer who is a resident of London to represent his case in the Indian supreme court. The lawyer had charged Rs. 10,00,000 from Raj. The amount so charged would be taxable in .....

- a. India
- b. London
- c. Exempt from tax
- d. Both India and London

Ans – a

Which one of the following statements is not correct?

- a. GST is aimed at broadening the tax base and also at better tax compliance
- b. GST is charged only on the component of value addition at each stage
- c. GST has resulted in doing business more difficult

d. GST ensures that indirect tax rates and structures are uniform across the country

Ans – c

Bills are .....

- a. Nominal
- b. Real
- c. Personal
- d. Artificial personal

Ans - b

X opened a recurring account with a bank to deposit Rs.16000 by the end of each year at 10% interest rate. How much he would get at the end of 3rd year?

- a. Rs.59260
- b. Rs.56920
- c. Rs.52690
- d. Rs.52960

Ans - d

Solution:

$$\begin{aligned} &= A [ \{ (1+r)^n - 1 \} / r ] \\ &= 16000 [ \{ (1+0.10)^3 - 1 \} / 0.10 ] \\ &= \text{Rs.}52960 \end{aligned}$$

On transfer of account from one branch to another branch of same bank what is required?

- a. Fresh id proof
- b. Address proof
- c. Fresh identity and address proof
- d. Self declaration

Ans - d

Which of the following is revenue expenditure?

- a. expenditure for used machinery part for sale

- b. purchase of motor car  
c. purchase of building  
d. cash paid for audit fee

Ans - d

Computer which are used in banks have .....

- a. digital  
b. analogue  
c. binary  
d. none of the above

Ans - d

Bond is inversely proportional to .....

- a. redemption rate  
b. coupon rate  
c. none of the above  
d. both 1 & 2

Ans - d

Debt equity ratio is 4:1, Current ratio is 2:1, Total assets 2000000, Owned liabilities 300000. What is the current assets?

- a. 8 lakhs  
b. 10 lakhs  
c. 12 lakhs  
d. 15 lakhs

Ans - b

Solution :

Debt equity ratios is 4:1 means 12 lac : 3 lac

Asset = Current Liabilities + Debt + Equity i.e

20 Lac = Current Liabilities + 12 Lac + 3 Lac

Current Liabilities = 20 Lac - 15 Lac = 5 Lac

Current Ratio is 2 : 1. Current Assets = 2 x 5 = 10 Lac

1-3. Given

US\$1 = ¥ 123.25

£1 = US\$ 1.4560

A\$ = US\$ 0.5420

1. Calculate the cross rate for pounds in yen terms

- a. ¥ 66.80
- b. ¥ 120.75
- c. ¥ 179.45
- d. ¥ 210.50

2. Calculate the cross rate for Australian dollars in yen terms

- a. ¥ 66.80
- b. ¥ 120.75
- c. ¥ 179.45
- d. ¥ 210.50

3. Calculate the cross rate for pounds in Australian dollar terms

- a. £ 1.6568
- b. £ 2.1253
- c. £ 2.6863
- d. £ 3.0253

Solutions :

1-c. ¥? = £1

£1 = US\$ 1.4560

US\$1 = ¥ 123.25

£1 = 1.4560 x 123.25 = ¥ 179.45

2-a. ¥? = A\$1

A\$1 = US\$ 0.5420

US\$1 = ¥ 123.25

A\$1 = 0.5420 x 123.25

= ¥ 66.80

3-c. A\$? = £1

£1 = US\$ 1.4560

US\$ 0.5420 = A\$1

A\$1 = 1.4560 / 0.5420

= £2.6863

1-10. ABC Ltd Balance sheet as on 31.03.2023 is given below

Fixed assets	Current liabilities - 1100
Plant and machinery - 4000	Trade creditors - 520
Current assets - 2800	Proposed dividend - 320
Stocks - 1800	Taxation - 160
Debtors - 960	Accruals - 100
Bank - 40	
10% debenture – 2000, Financed by – 3700, Ordinary shares – 900, Retained profit - 2800	

ABC Limited P&L Account for the YE 31.03.2023 is given below,

Turnover - 8030
Cost of sales - 4818
Distribution costs - 1606
Admin expenses - 600
Interest - 200
Tax - 286
Dividend - 320

Calculate the following based on the above details.

1. Gross profit

- a. 1006
- b. 2206
- c. 3122
- d. 3212

2. Operating profit

- a. 200
- b. 520
- c. 806
- d. 1006

3. Profit before tax

- a. 200
- b. 520
- c. 806
- d. 1006

4. Profit attributable to shareholders

- a. 200
- b. 520
- c. 806
- d. 1006

5. Retained profit

- a. 200
- b. 520
- c. 806
- d. 1006

6. Gross profit margin

- a. 12.53 %
- b. 17.65 %
- c. 33.33 %
- d. 40 %

7. Operating margin

- a. 12.53 %
- b. 17.65 %
- c. 33.33 %
- d. 40 %

8. Return on capital employed (ROCE) ratio

- a. 12.53 %
- b. 17.65 %
- c. 33.33 %
- d. 40 %

9. Current Ratio

- a. 1:0.91
- b. 1:2.55
- c. 0.91:1
- d. 2.55:1

10. Acid test/Quick ratio

- a. 1:0.91
- b. 1:2.55
- c. 0.91:1
- d. 2.55:1

Solution :

1. d

$$\begin{aligned}\text{Gross profit} &= \text{Turnover} - \text{Cost of sales} \\ &= 8030 - 4818 \\ &= 3212\end{aligned}$$

2. d

$$\begin{aligned}\text{Operating profit} &= \text{Gross profit} - (\text{Distribution costs} + \text{Admin expenses}) \\ &= 3212 - (1606 + 600) \\ &= 3212 - 2206 \\ &= 1006\end{aligned}$$

3. c

$$\begin{aligned}\text{Profit before tax} &= \text{Operating profit} - \text{Interest} \\ &= 1006 - 200 \\ &= 806\end{aligned}$$

4. b

$$\begin{aligned}\text{Profit attributable to shareholders} &= \text{Profit before tax} - \text{Tax} \\ &= 806 - 286 \\ &= 520\end{aligned}$$

5. a

$$\begin{aligned}\text{Retained profit} &= \text{Profit attributable to shareholders} - \text{Dividend} \\ &= 520 - 320 \\ &= 200\end{aligned}$$

6. d

$$\begin{aligned}\text{Gross profit margin} &= (\text{Gross profit} / \text{Turnover}) * 100 \\ &= (3212 / 8030) * 100 \\ &= 40 \%\end{aligned}$$

7. a

$$\begin{aligned}\text{Operating margin} &= (\text{Operating profit} / \text{Turnover}) * 100 \\ &= (1006 / 8030) * 100 \\ &= 12.53 \%\end{aligned}$$

8. b

Return on capital employed (ROCE) ratio = (Earnings Before Interest and Tax (EBIT) or net operating profit) / capital employed

Capital employed = Total Assets - Current Liabilities  
= (4000 + 2800) - 1100  
= 6800 - 1100  
= 5700

ROCE = (1006 / 5700) \* 100  
= 17.65 %

9. d

Current Ratio = Current Assets / Current Liabilities  
= 2800 / 1100  
= 2.55:1

10. c

Quick Ratio = (Current Assets – Inventories – Prepayments) / Current Liabilities  
= (2800 - 1800) / 1100  
= 1000 / 1100  
= 0.91:1

The total sale made during the year is Rs 10 lacs, Opening stock of raw material is Rs 2 lacs, raw material purchased during the year is Rs 5 lacs and closing stock of raw material is Rs 1 lacs. If the manufacturing expenses is Rs 3 lacs the unit is in net profit of .....

- a. Nil
- b. 100000
- c. 200000
- d. 300000

Ans - b

Which of the following is not an example of a Medium-term source of Finance?

- a. Preference Shares
- b. Venture Capital Funding
- c. Foreign Currency Bonds
- d. Lease Financing

Ans – b



1-4. Answer the following questions on Capital and Revenue Expenditure

1. Cost of replacement of defective parts of the machinery is .....

- a. Capital expenditure
- b. Revenue expenditure
- c. Deferred revenue expenditure
- d. None of the above

2. Loss of goods for Rs. 12000 due to fire is a revenue expenditure because .....

- a. It is recurring
- b. Amount involved is small
- c. Loss is arising out of business operations
- d. None of the above

3. Preliminary expenses, discount allowed on issue of shares are the examples of .....

- a. Capital expenditure
- b. Deferred revenue expenditure
- c. Revenue expenditure
- d. None of the above

4. Expenditure incurred in acquiring the patents rights for the business is an example of .....

- a. Capital expenditure
- b. Deferred revenue expenditure
- c. Revenue expenditure
- d. None of the above

Answers : 1-b, 2-c, 3-b, 4-a

If a company issues bonus shares at 2:1, the debt equity ratio will .....

- a. Remain unaffected
- b. Will go up in the same ratio of issue of bonus to the original holding
- c. Will improve in the same ratio of issue of bonus to the original holding
- d. Will be lowered

Ans - a

1-8. What would be the impact on the Trial Balance of each of the following errors?

1. A copy of a sales invoice for Rs. 4,000 is not recorded in the Sales Day Book
- a. Excess credit Rs. 4,000
  - b. Excess credit Rs. 8,000
  - c. Excess debit Rs. 4,000
  - d. No impact

Ans - d

If there is no record of a copy invoice in the Sales Day Book then there has been no prime entry. This means that there will be no credit in the Sales account and no debit in a customer's account. As an Error of Omission there is no impact on the Trial Balance.

2. A supplier's invoice for Rs. 2,500 is posted to the debit of the Trade Payable's account
- a. Excess credit Rs. 2,500
  - b. Excess credit Rs. 5,000
  - c. Excess debit Rs. 2,500
  - d. Excess debit Rs. 5,000

Ans – d

If the supplier's invoice had not been posted, the debits would have exceeded the credits in the Trial Balance by Rs. 2,500. As the invoice was actually posted to the debit in the supplier's account the effect is doubled so that the total of the debits will exceed the total of the credits by Rs. 5,000

3. The daily total of the Sales Day Book is stated as Rs. 345,000 instead of Rs. 315,000 (i.e. overcast by Rs. 30,000).
- a. Excess debit Rs. 30,000
  - b. Excess debit Rs. 60,000
  - c. Excess credit Rs. 30,000
  - d. No impact

Ans - c

The total from the Sales Day Book is posted to the credit of the Sales account. The Sales account will be listed in the Trial Balance. If the total transferred from the Sales Day Book is higher than it should be the Trial Balance will show an excess of credits. In this case the excess is Rs. 30,000

4. A purchase invoice is recorded in the Purchases Day Book as Rs. 18,500, without taking account of 10% of that amount offered as trade discount.

- a. Excess credit Rs. 1,850
- b. Excess debit Rs. 1,850
- c. Excess debit Rs. 3,700
- d. No impact

Ans - d

The amount entered in the Purchases Day Book is incorrect as trade discount is never entered in the books. However, it is the incorrect amount that will appear in both the debits in the Purchases account and the credit in the supplier's account. Although the amount is incorrect because the same amount has been entered as both a debit and a credit there will be no impact on the Trial Balance, i.e. it will continue to be in balance.

5. A sales invoice for Rs. 21,000 has been posted to the Customer's account as Rs. 12,000.

- a. Excess credit Rs. 12,000
- b. Excess debit Rs. 12,000
- c. Excess credit Rs. 9,000
- d. Excess debit Rs. 9,000

Ans - c

The sales invoice will have been posted to the debit of the customer's account. As the amount is Rs. 9,000 less than the amount that will appear in the Sales account credit balance, it follows that the Trial Balance will show an excess credit of Rs. 9,000 .....

6. A Credit Note for Rs. 2,400 received from a supplier has been posted to the credit of the supplier's account.

- a. Excess credit Rs. 2,400
- b. Excess credit Rs. 4,800
- c. Excess debit Rs. 2,400
- d. Excess debit Rs. 4,800

Ans - b

Credit purchases will have been credited to the supplier's account. If the supplier sends a Credit Note indicating an amount that does not have to be paid, then there should be a debit to the supplier's account. If the debit of Rs. 1,200 had not been made then there would be an excess of credits of Rs. 1,200. Because the Rs. 1,200 was actually posted to the wrong side there is a double effect and the credits will exceed the debits by Rs. 2,400

7. The year-end balance in a Trade Receivable's account has been carried down as Rs. 14,800, instead of Rs. 18,400.

- a. Excess debit Rs. 3,600
- b. Excess credit Rs. 3,600
- c. Excess credit Rs. 7,200
- d. No impact

Ans – b

Trade Receivable balances are listed as debits in the Trial Balance. If figures are transposed so that Rs. 18,400 is listed as Rs. 14,800 then the debits are too low and there will be excess credits of Rs. 3,600.

8. The total of the Returns Outwards Day Book, amounting to Rs. 9,800, has been posted to the debit of the Purchases Returns account.

- a. Excess debit Rs. 9,800
- b. Excess debit Rs. 19,600
- c. Excess credit Rs. 19,600
- d. No impact

Ans - b

The total of Returns Outwards should be a credit with the individual debits made in the supplier's account. In this case the Rs. 9,800 returned has been entered on the wrong side, so doubling the effect of the error. This means that there will be an excess of credits of Rs. 19,600

Variance in materials cost is due to .....

- (i) variance in the price of the material consumed
- (ii) variance in the quantity of the material consumed
- (iii) theft or pilferage of the material during production process

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans – d

Z borrowed Rs.65600 for 2 years at 5% p.a., to be returned in 2 equal annual instalments. What will be the amount of instalment?

- a. Rs.35280
- b. Rs.35320
- c. Rs.35690
- d. Rs.35820

Ans - a

Solution:

$$\begin{aligned} &= P \times r \left[ \frac{(1+r)^n}{(1+r)^n - 1} \right] \\ &= 65600 \times 0.05 \left[ \frac{(1+0.05)^2}{(1+0.05)^2 - 1} \right] \\ &= \text{Rs.}35280 \end{aligned}$$

Cost of a machine is Rs. 16,00,000/-. 2 years later, the book value is Rs. 8,00,000/-. Rate of depreciation under Straight Line Depreciation is .....

- a. 10 %
- b. 25 %
- c. 33.33 %
- d. 50 %

Ans - b

Assume cash outflows of Rs. 120000/- followed by cash inflows of Rs. 25000/- per year for 8 years and a cost of capital of 11%. What is the Net Present Value?

- a. 7563
- b. 8653
- c. 9563
- d. 9653

Ans - b

In case there is no trust deed, and still a request to open an account in name of trust is received then .....

- a. A/c cannot be opened
- b. A/c can be opened without trust deed also
- c. In such case, referred to chairman of bank

.....  
d. Refer to legal department of HO for guidance to further decision

Ans - d  
.....

BCSBI was constituted under committee of .....

- a. C. Rangarajan
- b. S.S Tarapore
- c. W. Saraf
- d. V. Ananthram

Ans - b  
.....

Expense necessary to produce goods or service in a business organization can be classified as .....

- a. Outflow of assets
- b. Decrease in assets
- c. Increase in liabilities
- d. All the above

Ans - d  
.....

LTV ratio for home loans up to 30 lakh is .....

- a. 75 %
- b. 80 %
- c. 90 %
- d. 100 %

Ans - c  
.....

Which one of the following is not a feature of a lease?

- a. One party agrees to allow use of its property by another party
- b. The lessee has a right to purchase the leased property
- c. It is for a specific period
- d. It involves regular payments by the lessee to the lessor for use of property

Ans – b  
.....  
.....

1-5. The debt equity ratio of X Ltd. is 0.5 : 1. Which of the following would increase/decrease or not change the debt equity ratio?

1. Further issue of equity shares

- a. Increase
- b. Decrease
- c. No change
- d. None of the above

2. Cash received from debtors

- a. Increase
- b. Decrease
- c. No change
- d. None of the above

3. Sale of goods on cash basis

- a. Increase
- b. Decrease
- c. No change
- d. None of the above

4. Redemption of debentures

- a. Increase
- b. Decrease
- c. No change
- d. None of the above

5. Purchase of goods on credit

- a. Increase
- b. Decrease
- c. No change
- d. None of the above

Solution:

The change in the ratio depends upon the original ratio.

Let us assume that external funds are Rs. 5,00,000 and internal funds are Rs. 10,00,000.

Now we will analyse the effect of given transactions on debt equity ratio.

1. b - Assume that Rs. 1,00,000 worth of equity shares are issued.

This will increase the internal funds to Rs. 11,00,000.

The new ratio will be 0.45 : 1 (5,00,000/11,00,000).

Thus, it is clear that further issue of equity shares decreases the debt-equity ratio.

2. c

Cash received from debtors will leave the internal and external funds unchanged as this will only affect the composition of current assets.

Hence, the debt-equity ratio will remain unchanged.

3. c

This will also leave the ratio unchanged as sale of goods on cash basis neither affect Debt nor equity.

4. b

Assume that Rs. 1,00,000 debentures are redeemed.

This will decrease the long-term debt to Rs. 4,00,000.

The new ratio will be 0.4 : 1 (4,00,000/10,00,000).

Redemption of debentures will decrease the debt-equity ratio.

5. c

This will also leave the ratio unchanged as purchase of goods on credit neither affect Debt nor equity.

ABC Company just issued a bond with a Rs. 1,000 face value and a coupon rate of 8%. If the bond has a life of 20 years, pays annual coupons, and the yield to maturity is 7.5%, what will the bond sell for?

a. Rs. 951

b. Rs. 975

c. Rs. 1,020

d. Rs. 1,051

Ans - b

Freight expenses for carrying Machinery was carried to Travelling A/c, then rectification in trial balance will be .....

a. Debit machinery A/c & credit travelling A/c.

b. Credit machinery A/c & debit travelling A/c

c. Credit profit and loss account and debit travelling A/c.

d. Debit profit and loss A/c (P&L A/c) and credit travelling A/c

Ans - a



For the purpose of preparing cash flow statement, which one of the following is considered as 'Operating activity'?

- a. Acquisition of machinery
- b. Purchase of goods for sale
- c. Issue of debentures
- d. Repayment of term loan

Ans – b

The shareholders of a company have a fixed liability to pay, in case of liquidation of the company, It is called .....

- a. Company limited by shares
- b. Company limited by guarantee
- c. Company with limited liability
- d. Company with unlimited liability

Ans - b

X obtained a loan of Rs.92820 at 10%, which he is to pay in 4 equal annual instalment. Calculate the amount of instalment?

- a. Rs.28283
- b. Rs.29282
- c. Rs.29476
- d. Rs.29822

Ans - b

Solution:

$$\begin{aligned} &= P \times r \left[ \frac{(1+r)^n}{(1+r)^n - 1} \right] \\ &= 92820 \times 0.10 \left[ \frac{(1+0.10)^4}{(1+0.10)^4 - 1} \right] \\ &= \text{Rs.}29282 \end{aligned}$$

What is the market value of a bond that will pay a total of fifty semiannual coupons of Rs. 80 each over the remainder of its life? Assume the bond has a Rs. 1,000 face value and a 12% yield to maturity.

- a. Rs. 734.86
- b. Rs. 942.26
- c. Rs. 1,135.90

d. Rs. 1,315.24

Ans - a

Which one of the following erstwhile taxes have been replaced by the GST?

- (i) Sales tax
- (ii) Excise duty
- (iii) Service tax

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans – d

Which one of the following statements is not correct about Credit Default Swap?

- (i) It is a bilateral contract
- (ii) It provides protection against credit default
- (iii) Under this product, the risk seller pays a premium to the buyer

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans – d

Which of the following statements regarding the residential status of an Individual is/are correct?

- (i) The term "stay in India" for an individual includes his stay in a boat up to 12 nautical miles from the Indian coastline.
- (ii) The residence of an individual for IT Purposes has no connection with citizenship, place of birth or domicile
- (iii) To calculate the residential status, the stay need not be continuous or active or at the usual place of residence, business or employment of the individual, it can be anywhere in India.
- (iv) to count the number of days stayed in India, both the date of departure, as well as the date of arrival, are to be excluded.

- a. (i), (ii), (iii)
- b. (i), (ii), (iv)
- c. (ii), (iii), (iv)
- d. (i), (ii), (iii), (iv)

Ans – a

.....

Financial planning is a tool used in .....

- a. financial accounting
- b. cost accounting
- c. management accounting
- d. All of the above

Ans – c

.....

Medium risk customer document verified after every ..... years

- a. 2
- b. 3
- c. 8
- d. 10

Ans - c

.....

Which one of the following statements is not correct?

- a. Income tax is a direct tax
- b. Income tax rate is same for the individuals and the companies
- c. Income tax rate is different for domestic and foreign companies
- d. The format for income tax return is different for different classes of assesseees.

Ans – b

.....

Accounting Standard AS 10 deals with .....

- a. Fixed assets
- b. Depreciation Accounting
- c. Consolidated Financial Statements
- d. Accounting for Taxes on Income

.....

Ans - a

Limited company uses .....

- a. double entry system
- b. single entry system
- c. hybrid
- d. any

Ans - a

The amount of Term Loan installment is Rs.10000/ per month, monthly average interest on TL is Rs.5000/-. If the amount of Depreciation is Rs.30,000/- p.a. and PAT is Rs.2,70,000/-. What would be the DSCR ?

- a. 1
- b. 1.5
- c. 2
- d. 2.5

Ans - c

Explanation :

$$\begin{aligned} \text{DSCR} &= (\text{PAT} + \text{Depr} + \text{Annual Intt.}) / \text{Annual Intt} + \text{Annual Installment} \\ &= (270000 + 30000 + 60000) / 60000 + 12000 \\ &= 360000 / 180000 \\ &= 2 \end{aligned}$$

A minor 15 years of age, is having an FDR of Rs.35000 with the bank. He requested for the payment of FDR before its maturity. Can bank allow the payment before the maturity?

- a. bank can allow the payment before maturity
- b. bank can accept the request, if it is accompanied by another request from the guardian of the minor
- c. bank can accept the request for loan & not of pre-mature cancellation, as payment before maturity would amounts to breaking the contract, for which he has no authority
- d. bank cannot accept the minor's request

Ans - a

.....  
The Cost Accounting Standards (CAS) have been issued by .....

- a. Institute of Chartered Accountants of India
- b. Indian Standards Organisation
- c. Ministry of Corporate Affairs
- d. Institute of Cost Accountants of India

Ans – d  
.....

Which one of the following is a distinctive feature of a wet lease?

- a. The leased asset is operated by the lessor
- b. The leased asset is transferred to the lessee at the end of the lease period
- c. The lease is for a long period
- d. The lease can be terminated at any time

Ans – a  
.....

Which one of the following is not likely to use service costing?

- a. Water supply company
- b. Transport company
- c. Consultancy firm
- d. Cement company

Ans – d  
.....

The important points in setting the cost standards, include .....

- (i) Benchmark to be used in ascertaining the standards
- (ii) Peculiar operational aspects of the organisation
- (iii) Proper identification of the cost centres so that the variances may be properly segregated.

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans – d  
.....  
.....

Which of the following rules given below does not help in determining the capital expenditure?

- a. Expenditure incurred to increase the earning capacity of a business
- b. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset
- c. Expenditure is capital expenditure, if it is incurred to put an asset into working condition
- d. Expenditure incurred for putting an old asset into working condition

Ans – b

Salary received by non-resident seafarers, for services rendered outside India on a foreign going ship in an NRE bank account maintained with an Indian bank ..... in the total income for calculation of tax in India.

- a. Shall be included in total income
- b. Shall not be included in total income
- c. Salary above Rs. 3 lakhs shall be included
- d. Salary above Rs. 5 lakhs shall be included

Ans – b

A company can issue equity shares at the discount if .....

- a. The shares are issued to its own employees
- b. The company has not begun its commercial production
- c. The company is in loss for last 3 years
- d. None of the above

Ans - a

In a lease transaction, which one of the following is required to be shown on the assets side of the balance sheet of the lessee?

- a. Total purchase cost of the asset
- b. Total of all the lease rentals payable
- c. Right-of-use asset
- d. Lease liability

Ans – c

Cost of asset = 10,00,000  
Estimated residual value = 10% of the cost  
Estimated useful life of asset = 4 years

Find the accumulated depreciation for the 2nd year using double declining balance method.

- a. 500000
- b. 600000
- c. 700000
- d. 750000

Ans - d

Explanation

Depreciation rate =  $(1/\text{useful life}) \times 200\%$   
 $= 1/4 \times 200\% = 20\% \times 2 = 50\%$   
Depreciation amount for year 1  
 $= \text{beginning book value} \times \text{depreciation rate}$   
 $= 10,00,000 \times 50\% = 5,00,000$   
Accumulated depreciation at the end of year 1 = 5,00,000  
Book value at the end of year 1  
 $= 10,00,000 - 5,00,000$   
 $= 5,00,000$

Depreciation amount for year 2  
 $= \text{beginning book value} \times \text{depreciation rate}$   
 $= 5,00,000 \times 50\% = 2,50,000$   
Accumulated depreciation at the end of year 2  
 $5,00,000 + 2,50,000 = 7,50,000$

What is the objective of Accounting Standard 4 (AS 4) on Contingencies and Events occurring After the Balance Sheet Date?

- a. To ensure consistency in the accounting treatment of contingencies and events occurring after the balance sheet date
- b. To provide guidance on the recognition and measurement of contingencies and events occurring after the balance sheet date
- c. To require disclosure of contingencies and events occurring after the balance sheet date only if they have a material effect on the financial statements
- d. To prohibit recognition of contingencies and events occurring after the balance sheet date

Ans - b

.....  
A machine costing Rs. 53800/- with salvage value of Rs. 4800/- having useful life of 7 years is depreciated under SLM. The book value of the machin at the end of 2nd year will be .....

- a. Rs. 35000
- b. Rs. 39800
- c. Rs. 42000
- d. Rs. 46800

Ans - b

Solution :

Machine Value - Rs. 53800/-, Salvage Value - Rs. 4800/-, Useful life - 7 years  
Depreciation per year using SLM =  $(53800 - 4800) / 7$   
=  $49000 / 7 = 7000$ . So, Depreciation for 2 years =  $7000 \times 2 = 14000$   
Book value of the machin at the end of 2nd year =  $53800 - 14000 = 39800/-$

.....  
Which one of the following is not the same as Marginal Costing?

- a. Direct Costing
- b. Absorption Costing
- c. Variable Costing
- d. Differential Costing

Ans – b

.....  
The compound interest on a sum for 2 years is Rs.153 and simple interest is Rs.225 for 3 years. What is rate of interest and the principal amount?

- a. 4%, Rs.1875
- b. 3%, Rs.1875
- c. 4%, Rs.2075
- d. 3%, Rs.2075

Ans - a

Solution:

A Simple interest for 2 years = Rs.150 and compound Rs.153  
The difference of Rs.3 represents interest on Rs.75 (gap of Rs.225-150)  
Hence RoI =  $3/75 \times 100 = 4\%$

The principal =  $(225 \times 100) / (4 \times 3) = Rs.1875$



**AFM Recollected Questions - May 2023**

The contribution margin per unit is R. 100 and the selling price per unit is 250. What is the PV Ratio?

- a. 25%
- b. 40%
- c. 60%
- d. 75%

Ans - b

Explanation:

$$\begin{aligned} \text{PV Ratio} &= (\text{Contribution Margin} / \text{Selling Price}) \times 100 \\ &= (100 / 250) \times 100 \\ &= 40\% \end{aligned}$$

A company purchased a machine for \$100000 with a useful life of 5 years and a salvage value of \$10,000. If the company uses the written-down value method with a depreddation irate of 30%, what would be the book value of the machine after 3 years of use?

- a. \$38,130
- b. \$40,870
- c. \$50,130
- d. \$53,870

Ans - b

Explanation:

After 3 years, the book value would be:

Book Value = Asset Cost-Depreciation Expense Year 1- Depreciation Expense Year 2 - Depreciation Expense Year 3

$$\begin{aligned} &= \$100,000 - (\$100,000 - \$10,000) \times 0.3 - (\$73,000 - \$10,000) \times 0.3 - (\$54,100 - \$10,000) \times 0.3 \\ &= \$100,000 - 27,000 - 18,900 - 13,230 \\ &= \$100,000 - 59,130 \\ &= \$40,870/- \end{aligned}$$

How should a crossed cheque be shown in the cash book?

- a. On the debit side as a decrease in cash balance
- b. On the credit side as an increase in cash balance
- c. On the debit side as an increase in cash balance
- d. On the credit side as a decrease in cash balance

Ans - b

Which of the following are not the sources of funds for an organisation?

- (i) Conversion of debentures into shares
- (ii) Conversion of loans into shares
- (iii) Issue of shares against the purchase of fixed assets

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - d

What is the term used for signing on the back of a cheque?

- a. Endorsement
- b. Authorization
- c. Confirmation
- d. Verification

Ans - a

Example of Cash flow from an operating activity is .....

- a. Purchase of Own Debenture
- b. Sale of Fixed Assets
- c. Interest Paid on Term-deposits by a Bank
- d. Issue of Equity Share Capital

Ans - c

.....  
Company A has current assets of \$50,000 and current liabilities of \$20,000. What is the current ratio?

- a. 2.5
- b. 2.0
- c. 1.0
- d. 1.5

Ans - a

Explanation:

Current Ratio = Current Assets / Current Liabilities

Current Ratio = \$50,000 / \$20,000

Current Ratio = 2.5  
.....

What is the minimum number of members required to form a Private Limited Company in India?

- a. 1 member
- b. 2 members
- c. 3 members
- d. 4 members

Ans - b  
.....

What type of company was the East India Company?

- a. Public Company
- b. Private Company
- c. Chartered Company
- d. Government Company

Ans - c  
.....

A company has current assets of Rs. 200,000 and current liabilities of Rs. 80,000. If the company's inventory is excluded from the current assets, what is the Quick Ratio?

- a. 1.0
- b. 1.5
- c. 1.8
- d. 2.5

Ans - d  
.....

Explanation:

Quick Ratio = (Current Assets - Inventory) / Current Liabilities)

= (2,00,000 - 0) / 80,000 = 2,00,000 / 80,000 = 2.5

Which of the following statements best describes the difference between cash book and pass book?

- a. Cash book is maintained by banks, while pass book is maintained by customers.
- b. Cash book records all cash transactions of the business, while pass book records all transactions between the bank and the customer.
- c. Cash book is used to record all transactions of the business, while pass book is used to check the accuracy of the bank's records.
- d. Cash book and pass book are the same and can be used interchangeably.

Ans - c

What is the margin of sales if a company sells a product for \$100 and incurs \$60 in costs?

- a. \$40
- b. \$50
- c. \$60
- d. \$100

Ans - a

Solution:

Margin of sales = Revenue - Cost

= \$100 - \$60

= \$40

Which of the following investments is eligible for deduction under Section 80C of the Income Tax Act, 1961?

- a. Investment in cryptocurrency
- b. Investment in mutual funds
- c. Payment of tuition fees for children's education
- d. Purchase of a new car

Ans - c

Which of the following is/are one of the Golden rules of accounting?

- (i) Debit the receiver and credit the giver
- (ii) Debit what comes in and credit what goes out
- (iii) Debit expenses and losses, credit income and gains

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - d

.....

Deduction under section 80C is allowed to .....

- a. Individual
- b. Individual or HUF
- c. Individual or HUF or Partnership Firms
- d. All Assessee

Ans - b

.....

What are sweat equity shares?

- a. Shares that are earned through hard work and effort
- b. Shares that are bought with sweat
- c. Shares that are granted to employees or directors as a form of compensation
- d. Shares that are earned through physical

Ans - c

.....

What is the definition of corporate social responsibility (CSR)?

- a. The legal obligation of corporations to maximize profits for shareholders
- b. The ethical duty of corporations to protect the environment
- c. The voluntary actions taken by corporations to improve the social, economic, and environmental impact of their operations
- d. The requirement for corporations to pay taxes and provide benefits to their employees.

Ans - c

.....

---

Following cost data is given about ABC Company's product

Selling price per unit - Rs. 200

Marginal cost per unit - Rs. 150

Fixed cost per annum - Rs. 1,00,000

Calculate the following

1. P/V Ratio

- a. 20 percent
- b. 23 percent
- c. 25 percent
- d. 28 percent

2. Break even sales

- a. 2,00,000 OR 1000 units
- b. 3,00,000 OR 1500 units
- c. 4,00,000 OR 2000 units
- d. 5,00,000 OR 2500 units

3. Sales to earn a profit of Rs. 25,000

- a. 2,00,000 OR 1000 units
- b. 3,00,000 OR 1500 units
- c. 4,00,000 OR 2000 units
- d. 5,00,000 OR 2500 units

4. Profit at sales of Rs. 8,00,000

- a. 1,00,000
- b. 2,50,000
- c. 6,00,000
- d. 8,50,340

5. New break even sales, if price is increased by 25%

- a. 1,00,000
- b. 2,50,000
- c. 6,00,000
- d. 8,50,340

6. New break even sales, if price is reduced by 15%

- a. 1,00,000
- b. 2,50,000
- c. 6,00,000
- d. 8,50,340

Ans : 1-c, 2-c, 3-d, 4-a, 5-b, 6-d

Solution:

1.  $(S-v)/S = F + P$  OR

$S \times P/V \text{ Ratio} = \text{Contribution}$

So,  $P/V \text{ Ratio} = \text{Contribution} / \text{Sales} \times 100$

$$= (200 - 150)/200 \times 100$$

$$= 50 / 200 \times 100$$

$$= 25\%$$

2. Break even sales

$S \times P/V \text{ Ratio} = \text{Fixed Cost}$

(At break even sales, contribution is equal to fixed cost) Putting this values

$$S \times 25/100 = 1,00,000$$

$$S = 1,00,000 \times 100 / 25$$

$$= 4,00,000 \text{ OR } 2000 \text{ units}$$

3. The sales to earn a profit of Rs. 25,000

$S \times P/V \text{ Ratio} = F + P$

Putting this values

$$S \times 25/100 = 1,00,000 + 25,000$$

$$S = 1,25,000 \times 100/25$$

$$S = \text{Rs. } 5,00,000 \text{ OR } 2500 \text{ units}$$

4. Profit at sales of 8,00,000

$S \times P/V \text{ Ratio} = F + P$

Putting this values

$$\text{Rs. } 8,00,000 \times 25/100 = 1,00,000 + P$$

$$2,00,000 = 1,00,000 + P$$

$$2,00,000 - 1,00,000 = P$$

$$p = 1,00,000$$

5. New break even sales, if sale price is increased by 25%

$$\text{New sales price} = 200 + 25\%$$

$$= 200 + 50$$

$$= 250$$

Marginal cost = Rs. 150

$$\text{Contribution} = \text{Rs. } 250 - 150 = 100$$

P/V Ratio = Contribution / Sales  
=  $100 / 250 \times 100$  OR 40 %

Now,  $S \times \text{P/V Ratio} = F$  (at B.E.P. contribution is equal to fixed cost)  
 $S \times 40 / 100 = 1,00,000$   
 $S = 1,00,000 \times 100/40$   
= Rs.2,50,000

6. New break even sales, if sale price is reduced by 25%

New sales price =  $200 - 15\%$   
=  $200 - 30$   
= 170

Marginal cost = Rs. 150  
Contribution =  $Rs. 170 - 150 = 20$   
P/V Ratio = Contribution / Sales  
=  $20 / 170 \times 100$  OR 11.76 %

Now,  $S \times \text{P/V Ratio} = F$  (at B.E.P. contribution is equal to fixed cost)  
 $S \times 11.76 / 100 = 1,00,000$   
 $S = 1,00,000 \times 100/11.76$   
= Rs.8,50,340

What is the term used for signing the back of a cheque?

- a. Endorsing
- b. Cashing
- c. Depositing
- d. Writing

Ans - a

Which of the following options cannot be funded using reserves and surplus amount?

- a. Dividend
- b. Buy back shares
- c. Issue new equity
- d. General expenses

Ans - d



What is depreciation and on what is it charged?

- a. Depreciation is the increase in the value of an asset over time
- b. Depreciation is the decrease in the value of an asset over time
- c. Depreciation is a tax charged on profits
- d. Depreciation is charged on tangible assets such as buildings, equipment and vehicles

Ans - b

Which item comes under financial activities in cash flow?

- (i) Redemption of Preference Share
- (ii) Issue of Preference Share
- (iii) Interest Paid

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - d

Is option trading in commodities allowed in India?

- a. Yes
- b. No
- c. Only with lot of restrictions
- d. Only for institutional investors

Ans - a

What is net worth?

- a. Total value of a person's liabilities minus their assets
- b. Total value of a person's assets plus their liabilities
- c. Total value of a person's assets minus their liabilities
- d. Total value of a person's income minus their expenses

Ans - c

What does Section 10 of the IT Act pertain to?

- a. Tax liability of an assessee
- b. Deductions that can be claimed while calculating taxable income
- c. Income earned from foreign sources
- d. Exemption of income from certain sources

Ans - b

Assuming that the company paid an employee's salary in cash, which account should be debited and which account should be credited?

- a. Debit: Cash, Credit: Salary Expense
- b. Debit: Salary Expense, Credit: Accounts Payable
- c. Debit: Salary Expense, Credit: Cash
- d. Debit: Accounts Receivable

Ans - c

Which of the following statements describes an over-subscribed allotment of shares?

- a. The number of shares allocated is equal to the number of shares applied for
- b. The number of shares applied for is less than the number of shares available
- c. The number of shares applied for is greater than the number of shares available
- d. The number of shares allocated is greater than the number of shares available

Ans - c

Which account is debited when commission is received?

- a. Cash account
- b. Commission account
- c. Sales account
- d. Expense account

Ans - a

What type of annuity has payments made at the end of each year?

- a. Ordinary annuity

- b. Annuity due  
c. Deferred annuity  
d. Perpetuity

Ans - a

How are closing balances of ledger accounts recorded in accounting?

- a. As a debit balance  
b. As a credit balance  
c. As a debit or credit balance, depending on the account type  
d. As a zero balance

Ans - c

What are the two primary methods of process costing?

- a. Job costing and batch costing  
b. Activity-based costing and target costing  
c. Standard costing and marginal costing  
d. Weighted average costing and FIFO costing

Ans - d

ABC Company has Rs. 400000 in total debt and Rs. 600000 in total equity. The company's debt-to-equity ratio will be .....

- a. 0.82  
b. 1.27  
c. 1.53  
d. 1.67

Ans - d

Solution:

$$\begin{aligned} \text{Debt-to-equity ratio} &= \text{Total debt} / \text{Total equity} \\ &= 400,000 / 600,000 \\ &= 1.67 \end{aligned}$$

For what purpose is the marginal costing technique used in managerial accounting?

- a. To determine the total cost of producing a product or service
- b. To determine the selling price of a product or service
- c. To determine the profit or loss on a product or service
- d. To determine the break-even point for a product or service

Ans - d

Which of the following is not a stage of statutory audit in a bank?

- a. Planning
- b. Risk Assessment
- c. Internal Controls Evaluation
- d. Budgeting

Ans - d

Which of the following statements is/are true?

- (i) Funds flow statement is prepared on an accrual basis
- (ii) There is an inverse relationship between current assets and working capital
- (iii) Funds flow statement is also known as the statement of sources and application of funds

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - c

What does the term "bullet repayment" mean in finance?

- a. A loan repayment schedule with increasing payments over time
- b. A loan repayment schedule with decreasing payments over time
- c. A loan repayment schedule with level payments over time
- d. A loan repayment schedule with a single lump-sum payment due at the end

Ans - d

.....  
In which section of the cash book is the entry of a receipt of a crossed cheque recorded?

- a. Cash column
- b. Bank column
- c. Discount column
- d. Petty cash column

Ans - b  
.....

Premium amount received on shares cannot be used for which of the following purposes?

- a. Payment of dividends to shareholders
- b. Payment of commission to brokers
- c. Repayment of loans taken by the company
- d. Payment of salaries to employees

Ans - a  
.....

What is the cost of goods sold, given the following information?

Opening stock = 10000

Goods purchased = 40000

Expenses incurred on goods = 5000

Closing stock = 18000

- a. 37000
- b. 44000
- c. 48000
- d. 52000

Ans - a

Solution:

Cost of goods available for sale = Opening stock + Purchases + Expenses incurred on goods  
= 10000 + 40000 + 5000 = 55000

Cost of goods sold = Cost of goods available for sale - Closing stock  
55000 - 18000 = 37000  
.....

Conversion of equity into loan results in a change in .....

- a. Capital structure
  - b. Dividend policy
- .....

- c. Asset quality  
d. Financial statements

Ans - a

Which of the following are the advantages of NPV and IRR method?

- (i) They gives exact results  
(ii) They take into account time value of money  
(iii) They focus on cash flows rather than on accounting profits

- a. Only (i) and (ii)  
b. Only (i) and (iii)  
c. Only (ii) and (iii)  
d. (i), (ii) and (iii)

Ans - c

Deduction under the section 80C is allowed in respect of .....

- (i) Investment made in Equity Linked Saving Schemes  
(ii) PPF/SPF/RPF  
(iii) Payments made towards Life Insurance Premiums

- a. Only (i) and (ii)  
b. Only (i) and (iii)  
c. Only (ii) and (iii)  
d. (i), (ii) and (iii)

Ans - d

Ind AS 1 is related to .....

- a. Inventories  
b. Financial instruments  
c. Presentation of financial statements  
d. Revenue recognition

Ans - c

1 – 5. Trial balance of Anuj did not agree. It showed an excess credit of Rs. 6,000. He put the difference to suspense account. He discovered the following errors. Rectify the errors.

1. Cash received from Ravish Rs. 8,000 posted to his account as Rs. 6,000.

- a. Debit Ravish's account with Rs. 2,000, Credit the suspense account with Rs. 2,000
- b. Credit Ravish's account with Rs. 2,000, Debit the suspense account with Rs. 2,000
- c. Credit Ravish's account with Rs. 6,000, Debit the suspense account with Rs. 6,000
- d. Debit Ravish's account with Rs. 6,000, Credit the suspense account with Rs. 6,000

Ans - b

Cash received from Ravish was posted (credited) to his account as Rs. 6,000 instead of Rs. 8,000, the rectification entry would be

Credit Ravish's account with the difference i.e. Rs. 8,000 – Rs. 6,000 = Rs. 2,000

Debit the suspense account with the difference i.e. Rs. 8,000 – Rs. 6,000 = Rs. 2,000

2. Returns inwards book overcast by Rs. 1,000.

- a. Debit the Returns Inwards A/c with Rs. 2,000, Credit the suspense account with Rs. 2,000
- b. Credit the Returns Inwards A/c with Rs. 2,000, Debit the suspense account with Rs. 2,000
- c. Credit the Returns Inwards A/c with Rs. 1,000, Debit the suspense account with Rs. 1,000
- d. Debit the Returns Inwards A/c with Rs. 1,000, Credit the suspense account with Rs. 1,000

Ans - c

Returns inwards book overcast by Rs. 1,000, the rectification entry would be

Credit the Returns Inwards A/c with Rs. 1,000

Debit the suspense account with Rs. 1,000

3. Total of sales book Rs. 10,000 was not posted to Sales account.

- a. Credit sales account with Rs. 5,000, Credit the suspense account with Rs. 5,000
- b. Credit sales account with Rs. 10,000, Credit the suspense account with Rs. 10,000
- c. Credit sales account with Rs. 10,000, Debit the suspense account with Rs. 10,000
- d. Debit sales account with Rs. 5,000, Debit the suspense account with Rs. 5,000

Ans - c

Total of sales book was not posted to the sales book, the rectification entry would be

Credit sales account with Rs. 10,000

Debit the suspense account with Rs. 10,000

4. Credit purchases from Nanak Rs. 7,000 were recorded in sales Book. However, Nanak's account was correctly credited. (i) Debit the sales account with Rs. 7,000, (ii) Debit the purchases account with Rs. 7,000, (iii) Credit the suspense account with Rs. 14,000

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - d

Credit purchases from Nanam were wrongly recorded in sales book, the rectification entry would be  
Debit the sales account to rectify the wrong credit of Rs. 7,000  
Debit the purchases account with Rs. 7,000  
Credit the suspense account with the total i.e. Rs. 7,000 + Rs. 7,000 = Rs. 14,000

5. Machinery purchased for Rs. 10,000 was posted to purchases account as Rs. 5,000. Rectify the errors and prepare suspense account. (i) Debit the machinery account with Rs. 10,000, (ii) Credit the purchases account with Rs. 5,000, (iii) Credit the suspense account with Rs. 5,000

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i), (ii) and (iii)

Ans - d

Machinery purchased was posted to purchases account as Rs. 5,000 instead of Rs. 10,000, the rectification entry would be  
Debit the machinery account with Rs. 10,000  
Credit the purchases account with Rs. 5,000 to rectify the wrong debit  
Credit the suspense account with the difference i.e. Rs. 10,000 - Rs. 5,000 = 5,000

Which is not a computer peripheral?

- a. Keyboard
- b. Monitor
- c. Mobile phone
- d. Printer

Ans - c



Project having different cash flow and different economic life can be compared using .....

- a. IRR (Internal Rate of Return)
- b. NPV (Net Present Value)
- c. Payback Period
- d. None of the above

Ans - b

---

Paid salary in cash. What is the correct journal entry?

- a. Dr Salary A/c; Cr Cash A/c
- b. Dr Cash A/c; Cr Salary A/c
- c. Dr Wages A/c; Cr Salary A/c
- d. None of the above

Ans - a

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Opening stock: 50,000

Closing stock: 60000

Cost of goods sold: 220000

Calculate the Stock turnover ratio

- a. 3.5 times
- b. 4 times
- c. 4.5 times
- d. 5 times

Ans - b

Solution:

Stock turnover ratio = Cost of goods sold/Average stock

Average stock = (Opening stock + Closing stock) / 2

= (50000 + 60,000) / 2 = 55,000

Stock turnover ratio = 2,20,000/55,000 = 4

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What is the enhancement limit for GST registration in India?

- a. 20 lakhs
  - b. 30 lakhs
  - c. 40 lakhs
-

d. 50 lakhs

Ans - c

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What is the limit for tax deductions under sections 80C and 80CCD of the Income Tax Act?

- a. Rs. 1 lakh under section 80C and Rs. 50,000 under section 80CCD
- b. Rs. 1.5 lakhs under section 80C and Rs. 50,000 under section 80CCD
- c. Rs. 2 lakhs under section 80C and Rs. 75,000 under section 80CCD
- d. Rs. 2.5 lakhs under section 80C and Rs. 1 lakh under section 80CCD

Ans - b

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## **ALL THE VERY BEST FOR YOUR EXAMS**

# **SAMPLE QUESTIONS FOR JAIIB ACCOUNTING & FINANCIAL MANAGEMENT FOR BANKERS**

Though we had taken enough care to go through the sample questions provided here, we shall not be responsible for any loss or damage, resulting from any action taken on the basis of the contents. Creation of these short notes is the efforts of so many persons. First of all we thank all of them for their valuable contribution. We request everyone to go through the Macmillan book and update yourself with the latest information through RBI website and other authenticated sources. In case you find any incorrect/doubtful information, kindly update us also (along with the source link/reference for the correct information).

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