JAIIB AFM Practice Questions (Set-1)

Q1. Which of the following statements regarding the types of GST in India is/are correct?
1. SGST stands for State Goods and Services Tax.
2. CGST stands for Central Goods and Services Tax.
3. UGST is applicable for Union Territories like Chandigarh and Andaman and Nicobar Islands.
4. IGST is levied by the Central Government for inter-state transactions and imported goods or services.
(a) All of the statements are correct.
(b) Statements 1, 2, and 3 are correct.
(c) Statements 2, 3, and 4 are correct.
(d) Only sta[redacted]

Q2. Where [redacted]
(a) Balance [redacted]
(b) Trading [redacted]
(c) Bank Sta[redacted]
(d) Cash Bo[redacted]

Q3. What a[redacted]
Statement [redacted] **e expenses**
exhibit cha[redacted]
Statement [redacted] **re entirely**
proportion[redacted]
(a) All of the[redacted]
(b) Stateme[redacted]
(c) Statemer[redacted]
(d) None of [redacted]

Q4. What is [redacted]
(a) To serve[redacted]
(b) To facilit[redacted]
(c) To provide a method of securing a loan.
(d) To ensure payment for goods or services provided.

Q5. Which of the following can be inferred regarding the prominent points about budgets based on various definitions?
A. A budget serves solely as a financial plan focused on future revenue without considering future costs.
B. One key aspect of a budget is that it includes a systematic plan for the utilisation of resources such as manpower and materials.

C. A budget is typically prepared and approved during the budget period, often requiring constant adjustments throughout the year.
D. A budget is a plan expressed only in monetary terms and does not account for physical units or other non-monetary measures.
(a) Only A, C, D
(b) Only B, C
(c) Only B, D
(d) All of the above

Q6. Under the Straight-Line Method, a company purchases equipment for ₹600,000 with an estimated residual value of ₹100,000 and a useful life of 10 years. What is the depreciation expense fo [redacted]
(a) ₹50,000 [redacted]
(b) ₹55,000 [redacted]
(c) ₹60,000 [redacted]
(d) ₹65,000 [redacted]

Q7. Which [redacted] **ransactions**
in a foreig [redacted]
Statement [redacted] **orded in an**
entity's fu [redacted] **hange rate**
between th [redacted] **.**
Statement [redacted] **ange rates**
between th [redacted] **ws.**
Statement [redacted] **consistent**
with Ind AS [redacted]
Statement [redacted] **hange rate**
for the peri [redacted]
(a) Stateme [redacted]
(b) Stateme [redacted]
(c) Stateme [redacted]
(d) Stateme [redacted]

Q8. How is [redacted] **)?**
(a) BOI can include both natural and artificial persons
(b) BOI includes only natural persons, while AOP can include artificial persons
(c) BOI is not treated as a separate entity for tax purposes
(d) BOI is formed for a non-commercial objective, unlike AOP

Q9. Which type of instruments can a branch pay on behalf of other branches, having received the amount for payment from the customers concerned?
(a) Gift cheques
(b) Interest warrants
(c) Dividend warrants
(d) All of the above

Q10. ABC Bank processes various bills for collection and issues letters of credit and guarantees. If a current account is debited in error instead of a cash credit account, how would composite vouchers be utilized?
(a) Bills received for collection necessitate the use of composite vouchers.
(b) Issuing letters of credit and guarantees involves composite vouchers.
(c) Composite vouchers are employed to correct the error by accurately recording the debits and credits.
(d) All of the above.

Q11. A Bank Reconciliation Statement is made up using the___ from following which?
(a) The bank column of the Cashbook and the Bank Statement
(b) The Cash column of the Cashbook and Bank statement
(c) Bank [redacted]
(d) None [redacted]

Q12. Based [redacted] can be inferred [redacted]
1. An [redacted] rewards incidental [redacted]
2. The [redacted] form of the contract.
3. Lease [redacted] if there is a [redacted]
4. A lease [redacted] changes in economic [redacted]
(a) Only [redacted]
(b) Only [redacted]
(c) Only [redacted]
(d) All of [redacted]

Q13. Which [redacted] in banks?
(a) RBIA [redacted] or [redacted]
(b) RBIA [redacted] the bank, irrespective [redacted]
(c) RBIA evaluates the risks associated with various banking activities and prioritizes the audit of those areas that have the highest risk, ensuring effective risk management.
(d) RBIA replaces traditional internal audits by eliminating the need for any further audits once a risk-based audit is conducted.

Q14. Which statements accurately describe the key points of the Net Operating Income Approach as developed by David Durand?
Statement 1: The WACC of a firm remains unaffected by the change in the debt proportion in the capital structure.
Statement 2: The benefit derived from debt is negated by an increase in the required rate of return by equity shareholders due to higher risk perception.
Statement 3: The market value of a firm is dependent on its operating income and business risks.

Statement 4: The increased debt proportion always increases the overall risk of the firm, leading to a decrease in the market value.
(a) Statements 1, 2, 3 only
(b) Statements 1 and 3 only
(c) Statements 2 and 4 only
(d) All of the above statements

Q15. Which of the following statements accurately describe the introduction and impact of the Goods and Services Tax (GST) in India?
Statement 1: GST was introduced in India on 01 July 2017, amalgamating a large number of Central and State taxes into a single tax.
Statement 2: GST has made indirect taxes on goods and services less transparent to the consumer.
Statement 3 [redacted] **al economy**
and reduce [redacted]
Statement [redacted] **, purchase,**
barter, leas [redacted]
Statement [redacted]
(a) Stateme [redacted]
(b) Stateme [redacted]
(c) Stateme [redacted]
(d) Stateme [redacted]

Q16. Which [redacted]
(a) Price an [redacted]
(b) Date of [redacted]
(c) The final [redacted]
(d) Assumpt [redacted]

Q17. A trad [redacted] **premium of**
₹50. The st [redacted] **he trader?**
(a) 150 loss
(b) 50 profi [redacted]
(c) 100 loss
(d) 50 loss

Q18. When was the original standard for accounting issued, and what is the significance of its revisions in 2016?
(a) The standard was originally issued in 1981 and was revised in 2016 to align with global accounting practices for all types of entities, both companies and non-companies.
(b) The standard was introduced in 1981 but revised in 2016 specifically for companies, with no impact on other types of entities.
(c) The standard was first implemented in 1981 and later updated in 2016 by both the Ministry of Corporate Affairs and ICAI for companies and non-companies, respectively, with mandatory compliance starting in 2017.
(d) The original issuance in 1981 remains unchanged, but the revisions in 2016 were designed to create voluntary guidelines for all entities.

Q19. Which of the following statements is true regarding a Sale and Lease-back transaction?
A. In a Sale and Lease-back transaction, the seller transfers both ownership and possession of the asset to the buyer, who then takes over the operational control of the asset.
B. This type of transaction allows a firm to unlock the value of its owned assets by selling them and simultaneously leasing them back, thereby continuing to use the asset without owning it.
C. Sale and Lease-back transactions were criticized during the 1990s due to the misuse of this method, where junk assets were sold at inflated prices and disguised as legitimate transactions.
D. In a Sale and Lease-back transaction, the ownership of the asset remains with the original owner while only the possession is transferred to the other party.
(a) Only A and C
(b) Only B [redacted]
(c) Only A, [redacted]
(d) Only B, [redacted]

Q20. Avich[redacted] per annum. After 3 yea[redacted]
(a) 5,420
(b) 4,580
(c) 6,000
(d) 5,000

Q21. A com[redacted] ₹3,00,000, with [redacted] of ₹60,000 and an esti[redacted] fter 2 years if the straig[redacted]
(a) ₹2,25,00[redacted]
(b) ₹2,50,00[redacted]
(c) ₹2,10,00[redacted]
(d) ₹2,40,00[redacted]

Q22. How [redacted] s?
(a) By prep[redacted]
(b) By creat[redacted]
(c) By preparing a trading and profit and loss account or an income and expenditure account to show profit or loss.
(d) By maintaining systematic records of daily transactions to ensure compliance with regulations.

Q23. An enterprise is assessing its compliance with the Second Method of Lending. It currently has total current assets worth ₹2,00,000. According to this method, what is the minimum amount of Net Working Capital (NWC) that the enterprise must bring in to meet the requirements?
(a) ₹50,000
(b) ₹1,50,000
(c) ₹40,000
(d) ₹75,000

Q24. How do ratios facilitate inter-firm comparison?
(a) By showing the exact profit margin of each firm
(b) By highlighting factors that contribute to the success or failure of firms
(c) By comparing the physical assets of different firms
(d) By focusing on non-financial factors alone

Q25. Faster Path Production manufactures running shoes. The management conducts a meeting with team leaders and they plan to manufacture 300 units of shoes in the coming year. They estimate the costs as follows:
1. direct labour: ₹500 per hour
2. raw mate[redacted]
3. manufac[redacted]
4. time to p[redacted]
5. fixed ove[redacted]
Using these[redacted]
(a) 750000 [redacted]
(b) 835000 [redacted]
(c) 139000[redacted]
(d) 152000[redacted]

Q26. What [redacted] **l Financial Reporting** [redacted]
(a) Statemer[redacted] Cash Flows.
(b) Stateme[redacted] s in Equity, Statement o[redacted]
(c) Statemer[redacted]
(d) Income [redacted]nings.

Q27. Which [redacted]
A. Syndicat[redacted]
B. It is typic[redacted]
C. The borr[redacted] **Lead bank.**
D. All bank[redacted] **ng to their policies an**[redacted]
(a) Only A, C, D
(b) Only B, C
(c) Only A, B, D
(d) All of the above

Q28. Under Section 32 of the Banking Regulation Act, 1949, when is a banking company required to furnish three copies of its annual accounts and auditor's report to the Registrar of Companies?
(a) When demanded by the Registrar of Companies
(b) At the time of submission to the Reserve Bank of India
(c) At the end of the fiscal year
(d) Whenever the auditor's report is amended

Q29. Which statements are true about Reconciliation of Accounts with Correspondent Banks?
Statement 1: Banking reconciliation mainly fixes mistakes in customer transactions.
Statement 2: Basic reconciliation matches entries between a bank's internal accounts and its Nostro accounts.
Statement 3: Nostro accounts are foreign currency accounts held by customers.
Statement 4: "Nostro Account" means an account with a bank's overseas branch or correspondent.
Statement 5: Reconciliation only involves comparing a bank's internal records with its customer records.
(a) Statements 2 and 3
(b) Stateme [redacted]
(c) Statemen [redacted]
(d) Stateme [redacted]

Q30. Based [redacted] atements is most accur [redacted]
1. Marginal [redacted] rly in times of economi [redacted]
2. Separate [redacted] alized data beyond the [redacted]
3. The brea [redacted] determined through ma [redacted]
4. Marginal [redacted] segments, and territo [redacted]
(a) Only 1 a [redacted]
(b) Only 2 a [redacted]
(c) Only 1, 3 [redacted]
(d) All of the [redacted]

Q31. A com [redacted] an interest rate of 8%. [redacted]
(a) ₹12,000
(b) ₹15,000
(c) ₹18,000
(d) ₹20,000

Q32. What is the main use of challans in the context of payments to Central or State Government accounts?
(a) Challans are used to request refunds from the government for overpaid taxes.
(b) Challans serve as receipts for charitable donations made to non-governmental organizations.
(c) Challans are formal documents used to make payments to the government for taxes and contributions to public schemes.
(d) Challans are issued only to businesses for paying fines and penalties.

Q33. How does the Bank Reconciliation Statement (BRS) handle timing differences between the company's cash book and the bank statement?
(a) The BRS assumes that the company's cash book is always accurate and makes adjustments to the bank statement to match it.
(b) The BRS recognizes that timing differences can exist due to outstanding checks, deposits in transit, and bank fees, and reconciles these differences by adjusting both records.
(c) The BRS focuses only on correcting errors made by the bank, without making any changes to the company's cash book balance.
(d) The BRS assumes that all differences are due to errors in the company's cash book and adjusts the bank balance accordingly.

Q34. [redacted]
Statement [redacted] are complete.
Statement [redacted] the firm to identify [redacted]
Statement [redacted] and time overruns, [redacted]
Statement [redacted] the control function in [redacted]
(a) [redacted]
(b) [redacted]
(c) [redacted]
(d) [redacted]

Q35. Which [redacted]
Statement [redacted] occurrence of [redacted]
Statement [redacted] and its [redacted]
Statement [redacted]
Statement [redacted] to ensure [redacted] in key areas.
(a) Statements 1 and 2 only
(b) Statements 2 and 4 only
(c) Statements 1 and 3 only
(d) Statements 1, 2, and 4 only

Q36. A company's trial balance shows total debits of ₹750,000 and total credits of ₹750,000. However, the company has yet to record depreciation of ₹50,000 on its equipment. What will the final debit and credit totals be after the adjustment entry for depreciation?
(a) ₹800,000 debits and ₹800,000 credits
(b) ₹750,000 debits and ₹800,000 credits
(c) ₹800,000 debits and ₹750,000 credits
(d) ₹700,000 debits and ₹700,000 credits

Q37. How does revenue expenditure affect a company's financial performance in the current accounting period?
(a) It increases the company's profits by adding to the value of the company's assets.
(b) It decreases the company's profits as it is recorded as an expense in the profit and loss account.
(c) It has no impact on the company's financial performance as it is only recorded in the balance sheet.
(d) It improves the company's liquidity by creating future liabilities that will be repaid in later periods.

Q38. A bill of exchange of ₹1,20,000 is drawn on 1st February 2024 for 3 months and is accepted on 5th February 2024. What will be the maturity date of the bill?
(a) 4th May [redacted]
(b) 8th May [redacted]
(c) 7th May [redacted]
(d) 5th May [redacted]

Q39. An [redacted]
1. [redacted]
2. [redacted]
3. [redacted]
4. The [redacted] **changed or**
used to [redacted]
Which of [redacted]
current?
(a) [redacted]
(b) [redacted]
(c) [redacted]
(d) All the [redacted]

Q40. What [redacted]
accounting [redacted]
(a) The ASB [redacted]
(b) The ASB [redacted] and selects the priority of these standards.
(c) The ASB directly issues accounting standards without involving the Council of ICAI.
(d) The ASB does not conduct any consultations with external bodies during the formulation of accounting standards.

Q41. According to Para 38A, how many balance sheets must an entity present as a minimum?
(a) One
(b) Two
(c) Three
(d) Four

Q42. What is a significant result of computerization and technological innovation in banking?
(a) Introduction of mobile banking.
(b) Introduction of Automated Teller Machines (ATMs).
(c) Introduction of online banking services.
(d) Introduction of manual banking processes.

Q43. Which of the following statements accurately describes the characteristics of Credit Default Swaps (CDS)?
Statement 1: In a CDS, the risk seller (lending bank) pays a premium to the buyer for protection against credit default or any other specified credit event.
Statement [redacted] er until the
maturity o [redacted]
Statement [redacted] ion seller.
Statement [redacted] underlying
debt instru [redacted]
(a) Stateme [redacted]
(b) Stateme [redacted]
(c) Stateme [redacted]
(d) Stateme [redacted]

Q44. A risk [redacted] owing risk-
weighted a [redacted] ent Z: ₹700
crore. If th [redacted] should be
allocated t [redacted]
(a) ₹80 cror [redacted]
(b) ₹88 cror [redacted]
(c) ₹96 cror [redacted]
(d) ₹104 cr [redacted]

Q45. Whic [redacted] ords in an
organizati [redacted]
(a) Sharing [redacted]
(b) Asking c [redacted]
(c) Treating passwords as sensitive and confidential, and not sharing them with anyone
(d) Sharing passwords with IT staff for technical support purposes

Q46. A bakery has received an order for 140 identical cakes. The estimated costs are as follows: material cost ₹14,000, labour cost ₹8,000, and manufacturing overheads ₹6,000. Fixed/non-manufacturing overheads are allocated at 10% of the material cost. Using the batch costing system, what will be the cost of one cake?
(a) ₹145
(b) ₹125
(c) ₹150
(d) ₹210

Q47. XYZ Ltd. borrows Rs. 50,000 at an annual interest rate of ten percent. By the end of the year, the company incurs Rs. 5,000 as interest expenses. If XYZ Ltd. hasn't yet paid the interest, which accounting entry accurately represents the situation?

(a) Debit Interest Account, Credit Cash Account

(b) Debit Lender's Account, Credit Interest Account

(c) Debit Cash Account, Credit Interest Account

(d) Debit Interest Account, Credit Lender's Account

Q48. Which of the following can be inferred regarding the use and application of Multiple or Composite Costing?

A. This met[redacted]practical.

B. It is typi[redacted]n.

C. The tota[redacted]lve various costing met[redacted]

D. Multiple[redacted]vehicles or locomotive[redacted]

(a) Only A, [redacted]

(b) Only B, [redacted]

(c) Only A, [redacted]

(d) All of th[redacted]

Q49. When[redacted]ould be the main focus[redacted]

(a) Cash rec[redacted]es.

(b) Changes[redacted]pplied.

(c) The com[redacted]n by source.

(d) An analy[redacted] company's overall profi[redacted]

Q50. What [redacted]

(a) The acco[redacted]

(b) It indicates a surplus of profitsThere may be an error in posting or calculation

(c) There may be an error in posting or calculation

(d) There are no expenses recorded

Q51. Under the Companies Act, 2013, what percentage of their average net profits from the previous three financial years are companies in India statutorily required to spend on Corporate Social Responsibility (CSR)?

(a) 1%

(b) 2%

(c) 3%

(d) 5%

Q52. What will be the simple interest on a principal of Rs. 7,000 for 2 years at a rate of 10% per annum?
(a) Rs. 700
(b) Rs. 1850
(c) Rs. 950
(d) Rs. 1400

Q53. Which of the following assets is most suitable for using the Straight Line Method of depreciation?
(a) Office Fu[redacted]
(b) Oil Rig E[redacted]
(c) Compute[redacted]
(d) Delivery[redacted]

Q54. Which[redacted] provision?
(a) Raw mat[redacted]
(b) Work-in-[redacted]
(c) Intangib[redacted]
(d) Finished[redacted]

Q55. A veh[redacted]000 and an estimated [redacted]
(a) ₹25,000
(b) ₹22,500
(c) ₹20,000
(d) ₹22,000

Q56. Which[redacted] of working capital asse[redacted]
A. The Tur[redacted] based on a percentage of projected sales, providing a simplified way to estimate funding needs.
B. The Cash Flow Method focuses on the timing of cash inflows and outflows, ensuring that a firm maintains sufficient liquidity to meet its day-to-day operational needs.
C. The Operating Cycle Method calculates working capital based on the firm's production, sales, and collection processes, taking into account the time taken to convert raw materials into cash.
D. All methods assume that long-term financing is necessary for current assets, with the firm required to maintain a high capital adequacy ratio to meet its working capital needs.
(a) Only A and C
(b) Only A, B, and C
(c) Only B and D
(d) All of the above

Q57. A company deducts TDS at the rate of 10% on payments to a contractor. If the company paid ₹5,00,000 to the contractor, what is the amount of TDS deducted by the company?
(a) 45,000
(b) 40,000
(c) 50,000
(d) 55,000

Q58. Which of the following is the correct classification of share capital?
(a) Authorized capital, Invested capital, Earned capital, Paid-up capital, Final capital
(b) Authorised capital, Issued capital, Subscribed capital, Called up capital, Paid-up capital
(c) Invested [redacted]
(d) Initial ca[redacted]

Q59. How [redacted] financial reporting? [redacted]
(a) They sh[redacted]
(b) They sh[redacted]
(c) They sh[redacted]tatement
(d) They sh[redacted]

Q60. How d[redacted]obligation?
(a) A Bill of [redacted]ry Note is a promise to p[redacted]
(b) A Bill of [redacted]ote involves uncondition[redacted]
(c) A Bill of [redacted]e is used for internationa[redacted]
(d) A Bill of [redacted]arties in the transaction.

Q61. Comp[redacted]
___ is that e[redacted]t results in the ___ or [redacted]se of such expenditure is to earn ___ over a period of years or to increase the ___ of the business concern with the aid of benefits acquired from such expenditure.
(a) Capital expenditure, in one, many years, purchase, assets, income, earning capacity
(b) Revenue expenditure, in many, one year, disposal, liabilities, loss, expenditure
(c) Operating expenditure, in many, a few years, depreciation, expenses, profit, growth potential
(d) Capital expenditure, in many, one year, sale, inventories, revenue, financial stability

Q62. Which of the following statements correctly describes the role and use of journals in accounting practices?
1. The journal, as a foundational book of prime entry, is used exclusively for recording complex and irregular transactions, with no role in daily entries.

2. Every transaction is initially recorded in a journal in a chronological order before it is posted to specific ledgers, which facilitates error tracking and correction.
3. Specialized journals are no longer relevant in modern accounting practices as all transaction types are managed through a single, comprehensive journal system.
(a) Only 1, 2
(b) Only 2, 3
(c) Only 2
(d) All of the above

Q63. What principle underpins the financial reporting requirements in the context of Joint Stock Companies [redacted]
(a) The prin [redacted] tional funds beyond thei [redacted]
(b) The doct [redacted] hareholders through ann [redacted] irements of company op [redacted]
(c) The rul [redacted] ny must be publicly dis [redacted]
(d) The req [redacted] ment of the company, as [redacted]

Q64. Which [redacted] **pany issues additional** [redacted]
(a) The com [redacted] nchanged.
(b) The com [redacted]
(c) The tota [redacted] hares, while liabilities an [redacted]
(d) The bala [redacted] bilities must always rema [redacted]

Q65. Which [redacted]
Statement 1: The payback method calculates the time required for the receipts from an investment to cover the initial cost.
Statement 2: The payback method can be used to rank projects when investments are mutually exclusive, by selecting projects with the shortest payback period.
Statement 3: The payback method is the only investment appraisal technique that accounts for the time value of money.
(a) Statement 1 and Statement 2 are correct, but Statement 3 is incorrect.
(b) Statement 1 and Statement 3 are correct, but Statement 2 is incorrect.
(c) Statement 2 and Statement 3 are correct, but Statement 1 is incorrect.
(d) Statement 1, Statement 2, and Statement 3 are all correct.

Q66. What characteristic distinguishes a cheque from other forms of negotiable instruments according to the Negotiable Instruments Act?

(a) A cheque is a unique type of negotiable instrument because it can only be issued by a bank, whereas other forms such as promissory notes can be issued by individuals or businesses.

(b) A cheque, as defined by the Negotiable Instruments Act, is a form of bill of exchange that must specifically be drawn against a specified banker and is payable on demand, unlike other negotiable instruments which may not specify a banker or immediacy of payment.

(c) A cheque is considered a negotiable instrument because it allows for the transfer of large sums of money without the need for physical cash, a feature not typically allowed with other forms of negotiable instruments [redacted]

(d) Unlike o [redacted] ing bank as long as the [redacted] h as bills of exchange.

Q67. After [redacted] balance of ₹1,00,000 [redacted] osing entry to transfer [redacted]

(a) Debit Re [redacted]

(b) Debit Pr [redacted]

(c) Debit Re [redacted]

(d) Debit Re [redacted]

Q68. How [redacted] ations, not included in [redacted]

(a) As part [redacted]

(b) As part [redacted]

(c) As part [redacted]

(d) As part [redacted]

Q69. Why i [redacted]

(a) It ensures compliance with accounting standards and regulations.

(b) It allows the business to report unused resources at cost rather than market values.

(c) It helps the business to attract more investors and improve its market reputation.

(d) It enables the business to maintain systematic records of daily transactions.

Q70. During the inspection of a bank's loan portfolio, which of the following risks is the auditor most likely to evaluate?

(a) Operational risk

(b) Credit risk

(c) Market risk

(d) Liquidity risk

Q71. In which scenario does the principle of a company being an artificial person apply?
(a) The company's director personally owns all the company's properties.
(b) A member of the company signs a contract with the company as a separate legal entity.
(c) The company cannot be held liable in court; only its members can.
(d) The company does not have the right to own properties independently of its members.

Q72. What's the main reason behind the growing use of Electronic/Online Payment methods for buying things?
(a) There are fewer middlemen involved in electronic payments.
(b) Banks n[redacted]
(c) Merchan[redacted]
(d) Banks a[redacted]ayments.

Q73. A com[redacted]ate the GST amount an[redacted]
(a) ₹2,600; [redacted]
(b) ₹3,200; [redacted]
(c) ₹3,600; [redacted]
(d) ₹4,000; [redacted]

Q74. A com[redacted]ble costs of ₹200 per u[redacted]tches. What is the profi[redacted]
(a) ₹3,50,00[redacted]
(b) ₹4,00,00[redacted]
(c) ₹4,50,00[redacted]
(d) ₹5,00,00[redacted]

Q75. Which[redacted]ncurred on specific ite[redacted]
A. Expenditures on power and fuel must be combined with those on repairs to machinery.
B. The expenditure incurred on the consumption of stores and spare parts is reported separately from expenditures on rent and repairs to buildings.
C. The classification excludes the reporting of expenditures on repairs to machinery.
D. Reporting requires separate expenditures for items like power and fuel, rent, and repairs to buildings.
(a) Only A, C, D
(b) Only B, D
(c) Only B, C, D
(d) All of the above

Q76. A company purchased office equipment worth ₹2,00,000 and follows the sum-of-the-years'-digits method of depreciation. If the equipment's useful life is 5 years, what is the depreciation expense for the first year?
(a) ₹40,000
(b) ₹66,667
(c) ₹80,000
(d) ₹1,00,000

Q77. When posting a transaction in the ledger, which of the following statements is correct regarding the use of the terms "To" and "By"?
(a) The term "To" is used for accounts that appear on the credit side of the ledger account.
(b) The [redacted]
(c) The [redacted]
(d) Both [redacted]

Q78. Why [redacted] an easily locatable [redacted]
(a) It [redacted]
(b) It [redacted]
(c) It [redacted]
(d) It [redacted]

Q79. [redacted] for revaluation [redacted]
1. An [redacted] to the owners' [redacted]
2. If a [redacted] that was recognized [redacted] in the Statement [redacted]
3. A [redacted] in the Statement [redacted]
4. If a [redacted] under revaluation [redacted] under the revaluation [redacted] surplus in respect of that asset.
(a) Only 2, 4
(b) Only 1, 3
(c) Only 2, 3
(d) All of the above

Q80. When the bank charges a customer for services such as collecting outstation cheques or issuing cheque books, how is the customer's account affected?
(a) The customer's account is credited.
(b) The customer's account is debited.
(c) The customer's account remains unaffected.
(d) The customer's account is suspended.

Q81. Which of the following statements accurately describe the preparation and purpose of a Trading Account?

Statement 1: The Trading Account is essential for the preparation of the Profit and Loss Account.

Statement 2: The Trading Account includes only the direct costs associated with the materials in which the firm is dealing.

Statement 3: The Trading Account calculates the 'Cost of Goods Sold' to determine 'Gross Profit'.

Statement 4: The Trading Account includes operating costs such as salaries and rent.

(a) Statements 1 and 2 only

(b) Statements 2 and 3 only

(c) Statemen [redacted]

(d) Stateme [redacted]

Q82. Which [redacted] **nches with overseas b** [redacted]

(a) An accou [redacted] ransactions.

(b) An accou [redacted] gn currency transactions [redacted]

(c) An accou [redacted] al trade.

(d) An acco [redacted] gn currency reserves.

Q83. What [redacted] **of Internal Audit (HIA)** [redacted]

(a) Six mont [redacted]

(b) One yea [redacted]

(c) Two yea [redacted]

(d) Three ye [redacted]

Q84. Fill in [redacted]

The going concern principle assumes that a business will continue its operations for the foreseeable future, usually considered to be at least __________. This principle is crucial for preparing financial statements because it affects the valuation of assets and liabilities. If a company is unable to continue as a going concern, it must adjust its financial statements based on ___________ rather than historical cost, leading to a significant impact on the reported ____________.

(a) 4 years; liquidation value; revenue

(b) 1 year; fair value; expenses

(c) 3 years; market value; assets

(d) 5 years; net realizable value; equity

Q85. GST is expected to make Indian trade and industry more competitive by reducing the cost of production and inflation. GST will also help in developing a seamless Indian market, significantly enhancing __________.
(a) Foreign investment
(b) Trade relations
(c) Economic growth
(d) Employment rates

Q86. Which of the following is the primary function of the Money Market?
(a) To provide long-term loans for infrastructure projects
(b) To facilit[redacted]
(c) To offer [redacted]
(d) To cond[redacted]

Q87. The c[redacted]ce, creating historical r[redacted]
(a) Accrual [redacted]
(b) Going C[redacted]
(c) Historic[redacted]
(d) Matchin[redacted]

Q88. A com[redacted]If the asset cost is ₹10[redacted]
(a) ₹16,000[redacted]
(b) ₹20,000[redacted]
(c) ₹24,000[redacted]
(d) ₹32,000[redacted]

Q89. Whic[redacted]rm loan as described?[redacted]
A. The bo[redacted]before the disbursement of the loan, regardless of the type of loan.
B. The disbursed loan amount is typically paid directly to the buyer (e.g., the seller of a machine or house) by the bank, ensuring proper usage of the loaned funds.
C. If the borrower has already made some payments towards the purchase, these payments, if satisfactorily verified, can be included as part of the borrower's margin contribution.
D. In exceptional cases, such as personal or consumption loans, the loan amount may be directly credited to the borrower's bank account instead of being paid to the buyer.
(a) Only A, B, C
(b) Only B, C, D
(c) Only B, D
(d) All of the above

Q90. Mohan's bank reconciliation statement shows cheque deposited but not credited by bank of ₹ 3,800 and cheques issued but not presented by suppliers of ₹ 3,500. His bank balance as per Cash Book is ₹ 25,000. Balance as per pass book statement is:

(a) ₹ 24,700

(b) ₹ 25,000

(c) ₹ 32,300

(d) ₹ 25,300

Q91. Which of the following statements is true regarding the legal and tax status of a Firm and LLP in India?

A. A Firm, [redacted] ers, but for tax purpos[redacted]

B. An LLP [redacted] rs' liability limited to t[redacted] structures.

C. Both Fir[redacted] nt does not differentia[redacted]

D. Firms a[redacted] oses, even though the[redacted]

(a) Only A, [redacted]

(b) Only B, [redacted]

(c) Only B a[redacted]

(d) All of th[redacted]

Q92. If the [redacted] edit side is ₹4,45,000, [redacted]

(a) ₹5,000 [redacted]

(b) ₹5,000 [redacted]

(c) ₹10,000 [redacted]

(d) ₹10,000 [redacted]

Q93. When [redacted] what aspect of the company's financial health are they likely analyzing?

(a) The company's immediate liquidity and ability to pay off short-term debts.

(b) The company's profitability and return on investment.

(c) The company's long-term financial position and its capacity to meet long-term obligations.

(d) The efficiency of the company's operational processes and cost management.

Q94. On June 30th, the balance as per the Cash Book of MNO Company was ₹18,500. After comparing it with the Pass Book, the following discrepancies were identified:

1. Cheques issued but not yet presented: ₹4,200

2. Cheques deposited but not yet credited: ₹2,800

3. Bank charges recorded only in the Pass Book: ₹300

4.A cheque of ₹1,500 deposited into the bank was dishonoured and not recorded in the Cash Book.
5. Interest credited by the bank: ₹400
What is the adjusted balance as per the Cash Book after accounting for the above discrepancies?
(a) ₹15,700
(b) ₹16,200
(c) ₹18,000
(d) ₹17,100

Q95. How do banks that use core banking solutions (CBS) currently perform reconciliation?
(a) Reconciliation is done centrally with the help of computer systems in banks using CBS.
(b) The reco[redacted]
(c) Reconcil[redacted]
(d) Reconcil[redacted]s.

Q96. How [redacted]ccording to common ac[redacted]
(a) Subsequ[redacted]hey provide additional fu[redacted]rformance.
(b) All subs[redacted]e expensed immediately[redacted]re matched with the per[redacted]
(c) Subsequ[redacted] the asset's remaining u[redacted]f the asset's cost.
(d) Major i[redacted]sset's future benefits, wh[redacted]ed approach to asset cost[redacted]

Q97. Which[redacted]y exchange markets wh[redacted]
(a) Supply a[redacted]
(b) Market v[redacted]elopments.
(c) Interest [redacted]
(d) Changes in government policies affecting currency exchange.

Q98. What is the main purpose of documentation in the context of banks' risk-based internal audit frameworks?
(a) Documentation is primarily used to archive customer complaints and their resolutions for future reference.
(b) Proper documentation helps banks demonstrate that their risk-based internal audit framework addresses all significant criteria and principles relevant to their organizational structure, business model, and risks.
(c) Documentation is used to track employee performance and annual appraisals within the bank.
(d) The main goal of documentation is to record the financial transactions of the bank for accounting purposes.

Q99. How are financial decisions implemented in an organization recorded in the books of account?
(a) By ensuring compliance with statutory and regulatory provisions.
(b) By maximizing the company's profits and minimizing expenses.
(c) By recording financial transactions through the process of accounting, such as debiting and crediting the appropriate accounts.
(d) By developing new strategies for market expansion and product development.

Q100. Which of the following can be inferred regarding the characteristics and mechanics of derivatives?
1. Derivati[redacted]tracts with comparabl[redacted]
2. One key [redacted] a specified underlying[redacted]
3. Derivati[redacted]hich do not involve con[redacted]
4. Settleme[redacted]
(a) Only 1, 2[redacted]
(b) Only 2 a[redacted]
(c) Only 1, 3[redacted]
(d) All of the[redacted]

Solutions

S1. Ans.(a)
Sol. SGST, C[redacted]
SGST stands[redacted]x, and UGST is applicable[redacted]
IGST is levie[redacted]r services.

S2. Ans.(b)
Sol. Option [redacted] specifically designed to track the company's revenue (income) and expenses from its everyday operations, showing how the business performed financially during the period.

S3. Ans.(a)
Sol. Statement 1: Segregating costs into fixed and variable costs can be challenging, as some expenses exhibit characteristics of both, and precision in classification is difficult. This statement is correct. It acknowledges the difficulty in accurately categorizing certain expenses as purely fixed or variable.
Statement 2: The assumption that fixed costs remain constant and variable costs are entirely proportional to production volume is not always realistic. This statement is correct. In practice, fixed costs may vary with changes in production levels, and the relationship between variable costs and volume may not always be linear.

S4. Ans.(d)

Sol. The primary purpose of a Bill of Exchange is to ensure payment for goods or services rendered. It acts as a guarantee of payment between parties involved in a transaction, thereby enhancing trust and facilitating trade. The bill serves as evidence of the debt incurred and can be used as a means of payment, making it vital for credit transactions in commerce.

S5. Ans.(b)

Sol.

- **Option A** is incorrect because a budget is not solely a financial plan that focuses only on future revenue [redacted] siders both revenue[redacted]
- **Option** [redacted] plan for the utilizati[redacted] finances but also abo[redacted]
- **Option** [redacted] period and frequent[redacted]
- **Option** [redacted] measures in various [redacted]

S6. Ans.(a)

Sol. Annual [redacted]

Annual dep[redacted]

Informatio[redacted]

1. The Stra[redacted]
2. It allocat[redacted]
3. It is suit[redacted]
4. Residual[redacted]
5. The met[redacted]
6. It's comm[redacted]

S7. Ans.(b)

Sol. Statement 1 is accurate. It describes the standard practice of translating foreign currency cash flows into the entity's functional currency using the exchange rate at the date of the cash flow.

Statement 2 is accurate. It states that the cash flows of a foreign subsidiary should be translated at the exchange rates at the dates of the cash flows.

Statement 3 is accurate. It specifies that cash flows in a foreign currency are reported in line with Ind AS 21, which provides guidelines for the effects of changes in foreign exchange rates.

Statement 4 is incorrect. Cash flows in a foreign currency are not required to be converted using the average exchange rate for the period; they should be converted at the exchange rate at the date of the cash flow as per Ind AS 21.

S8. Ans.(b)
Sol. The key distinction between a **Body of Individuals (BOI)** and an **Association of Persons (AOP)** lies in the composition of their members. A BOI consists solely of natural persons (individuals), whereas an AOP can include both natural persons and artificial persons (such as companies, firms, etc.). Both BOI and AOP are treated as separate entities for tax purposes under the Income Tax Act, and both are taxed accordingly. However, their formation objectives may differ, with BOI often formed for earning income.

S9. Ans.(d)
Sol. A branch [redacted], dividend warrants, re[redacted]r branches. This is don[redacted] customers concerned.

S10. Ans.(d[redacted]
Sol. A com[redacted]transactions simultaneou[redacted]ssing of bills for collectio[redacted]cally involve composite v[redacted] bank's own account, and[redacted]g error, such as debiting [redacted] crucial for rectifying th[redacted]by ensuring the correct a[redacted]

S11. Ans.(a[redacted]
Sol. A Bank [redacted]en the bank column of th[redacted]s to identify and rectify a[redacted]ained by the company.

S12. Ans.(b[redacted]
Sol.
- **Statement 1:** An operating lease is defined as one that does not transfer substantially all risks and rewards incidental to ownership of the underlying asset.
  - **True.** This is a direct statement from Ind AS 116.
- **Statement 2:** The classification of a lease as either finance or operating depends solely on the form of the contract.
  - **False.** According to Ind AS 116, the classification depends on the substance of the transaction rather than the form of the contract.

- **Statement 3:** Lease classification is determined at the inception date and can only be reassessed if there is a modification in the lease.
    - **True.** Ind AS 116 specifies that classification is made at the inception date and is reassessed only if there is a lease modification.
- **Statement 4:** A lease classified as an operating lease initially can be reassessed based on changes in economic conditions, without any modification to the lease terms.
    - **False.** Lease classification is reassessed only if there is a modification to the lease, not merely due to changes in economic conditions.

S13. Ans.(c)
Sol. RBIA in banks is a focused approach that identifies areas with the highest risk exposure and allocates au[redacted]ut enhances the focus on[redacted]

S14. Ans.(a[redacted]
Sol. The co[redacted]ting Income Approach as[redacted]
1. **Stateme[redacted]**rtion in the capital s[redacted]
2. **Stateme[redacted]**ate of return by equit[redacted]
3. **Stateme[redacted]**ness risks.
4. **Stateme[redacted]** overall risk of the [redacted]due to the counterb[redacted]e of the firm remains[redacted]

S15. Ans.(a[redacted]
Sol. Stateme[redacted]ating a large number of C[redacted]
Statement 2[redacted]arent to the consumer, n[redacted]
Statement 3 is correct: The introduction of GST encourages a shift from the informal to the formal economy and reduces the cost of compliance.
Statement 4 is correct: GST is levied on a wide range of transactions, including sale, transfer, purchase, barter, lease, or import of goods and/or services.
Statement 5 is incorrect: GST subsumes almost all indirect taxes except a few State taxes, not all State taxes.

S16. Ans.(c)
Sol. The correct answer is C. While the final audited financial statements are a product of accounting data, they themselves are not considered raw data. Data in accounting refers to the individual facts, observations, and details that contribute to the preparation of financial statements.

S17. Ans.(a)

Sol. The loss is calculated by finding the difference between the market price and strike price, minus the premium received.

Loss = (Market Price - Strike Price) - Premium

Loss = (₹1,200 - ₹1,000) - ₹50 = ₹200 - ₹50 = ₹150 loss

Hence, the net loss for the trader is ₹150 per option.

S18. Ans.(c)

Sol. The accounting standard was initially issued in June 1981 and underwent significant revisions in 2016. The re[redacted] companies following th[redacted] mandatory for account[redacted] Institute of Chartered A[redacted]es, making it mandatory [redacted]ure that the accounting [redacted]al reporting requiremen[redacted]

S19. Ans.(b[redacted]

Sol. Stateme[redacted]an asset and lease it bac[redacted]ent C is also correct as th[redacted]s. Statement A is incorre[redacted]ownership is transferred.[redacted]sferred, but possession [redacted]

S20. Ans.(a[redacted]

Sol.

The total depreciation over 3 years is calculated as:

Original value $= ₹20,000$

Depreciation rate $= 10\%$

Depreciated value after 3 years $= 20,000 \times (1 - 0.1)^3 = 20,000 \times 0.729 = ₹14,580$

Total depreciation $= ₹20,000 - ₹14,580 = ₹5,420$

S21. Ans.(d)

Sol. Using the straight-line method, the annual depreciation is calculated as:

Annual Depreciation = (Cost of Equipment - Residual Value) / Useful Life

Annual Depreciation = (₹3,00,000 - ₹60,000) / 8 = ₹30,000

Depreciation for 2 years: ₹30,000 × 2 = ₹60,000

Book value after 2 years = Cost of Equipment - Accumulated Depreciation

= ₹3,00,000 - ₹60,000 = ₹2,40,000

S22. Ans.(c)

Sol. Accounting helps a business entity ascertain the result of its operations by preparing either a trading and profit and loss account or an income and expenditure account. These accounts show the profit or loss of the business by matching revenue and expenditure for the same period.

S23. Ans.(a)

Sol. Under the Second Method of Lending, an enterprise is required to bring in NWC of at least 25 percent of the total current assets. Given the total current assets of ₹2,00,000, the calculation for the required NWC is as follows:
Required NWC = Total Current Assets × 25%
Required N[redacted]
Therefore, t[redacted] the Second
Method of L[redacted]

S24. Ans.(b[redacted]

Sol. Ratios a[redacted]us financial
aspects of c[redacted]iciency, and
solvency, bu[redacted]ide insights
into whethe[redacted]ers to make
informed de[redacted]irm, while a
lower ratio [redacted]

S25. Ans.(c[redacted]

Sol. To calcu[redacted]mula. In this
example, the[redacted]
1. Materials [redacted]
2. direct lab[redacted]x 300 (total
number of u[redacted]
3. manufact[redacted]overhead) x
300 (total n[redacted]
Total cost= [redacted]

S26. Ans.(b)

Sol. According to IFRS, which is used in many countries around the world for financial reporting by public companies, the required financial statements include:

1. **Statement of Financial Position** (similar to the Balance Sheet)
2. **Statement of Profit or Loss** (similar to the Income Statement)
3. **Statement of Comprehensive Income** (can be combined with the Statement of Profit or Loss)
4. **Statement of Changes in Equity**
5. **Statement of Cash Flows**
6. **Notes** to the financial statements, providing details such as accounting policies and additional information.

S27. Ans.(a)
Sol. A. **Syndication involves sharing a long-term loan by multiple banks to mitigate risk.**
Correct. Syndication is a method where multiple banks share a long-term loan to spread the risk associated with lending to a borrower.
B. **It is typically used for small loans, given its complexity.**
Incorrect. Syndication is generally used for large loans, not small loans.
C. **The borrower mandates one bank to arrange the total loan amount, known as the Lead bank.**
Correct. The borrower gives a mandate to one bank, called the Lead bank, to arrange the loan from other banks.
D. **All banks involved in the syndication must appraise the loan proposal according to their policies and** [redacted]
Correct. Eac [redacted] wn policies
and risk app [redacted]

S28. Ans.(b [redacted]
Sol. Under S [redacted] urnish three
copies of its [redacted] ame time it
furnishes th [redacted] multaneous
compliance [redacted]

S29. Ans.(d [redacted]
Sol. Stateme [redacted] other bank,
usually in a [redacted]
Statement 4 [redacted] d by a bank
at an overse [redacted]
The other st [redacted]
Statement 1 [redacted] ransactions;
it can also ic [redacted]
Statement 3 [redacted] customers;
they're acco [redacted]
Statement 5 [redacted] not just the
bank's inter [redacted]

S30. Ans.(c)
Sol. The correct answer is (c) because statements 1, 3, and 4 reflect the actual advantages of marginal costing. Statement 2 is incorrect as marginal costing does not require separate records. The necessary data for profit planning under marginal costing can be retrieved from the regular accounting records.
Statement 1: Correct. Marginal costing offers a rational approach to pricing, particularly in challenging economic conditions, as it considers variable costs and helps in setting minimum prices to cover costs.
Statement 2: Incorrect. Marginal costing does not require a separate set of records; the data for marginal costing can be extracted from regular accounting records, simplifying its use.
Statement 3: Correct. The break-even point, a critical metric for any management, is easily calculated using marginal costing, making it an essential tool for financial planning.
Statement 4: Correct. Marginal costing aids in evaluating different business segments by providing clear insights into the profitability of each, based on marginal costs and contribution margins.

S31. Ans.(a)
Sol. Interest = ₹5,00,000 * 8% = ₹40,000
Interest Tax Shield = Interest * Tax Rate
= ₹40,000 * 30%
= **₹12,000**

S32. Ans.(c)
Sol. Challans are formal documents used to make various payments to government accounts, including direct and indirect taxes and contributions to schemes like the public provident fund. They help ensure that payments are properly recorded and processed by the relevant government authorities.

S33. Ans.(b [redacted]
Sol. The Ba [redacted] that certain
transactions [redacted] company's
cash book t [redacted] cur because
transactions [redacted] lected in the
other (the b [redacted] nsuring the
bank statem [redacted]

S34. Ans.(b [redacted]
Sol. Stateme [redacted], organizing,
and directin [redacted]
Statement 2 [redacted] deviations
from the ap [redacted]
Statement 3 [redacted] ost and time
overruns, th [redacted]
Statement 4 [redacted] d part of the
control func [redacted]

S35. Ans.(d [redacted]
Sol. Statem [redacted] ssible to the
occurrence [redacted]
Statement 2: Correct. The purpose of concurrent audit is to shorten the interval between a transaction and its examination by an independent person.
Statement 3: Incorrect. Concurrent audit is usually conducted by external auditors (chartered accountants) on a monthly basis, not by internal auditors on a quarterly basis.
Statement 4: Correct. Concurrent Audit involves examining and checking basic daily transactions to promptly address any irregularities, with an emphasis on substantive checking in key areas rather than test checking.

S36. Ans.(a)
Sol. After recording depreciation, both debits (depreciation expense) and credits (accumulated depreciation) increase by ₹50,000, maintaining the balance between debits and credits.

S37. Ans.(b)
Sol. Revenue expenditure decreases a company's profits because it is recorded as an expense in the profit and loss account for the current accounting period. These expenditures are related to the day-to-day operations of the business, such as rent, wages, and utility bills. Since revenue expenditure provides benefits only for the current period, it directly reduces the company's net profit for that period.

S38. Ans.(b)
Sol. The bill is drawn on 1st February 2024 for 3 months and accepted on 5th February 2024. The due date is calculated as:
Due date = 5th May 2024 + 3 days of grace = 8th May 2024.

S39. Ans.(d [redacted]
Sol. An asse [redacted]
1. Normal O [redacted] asset will be
realised (co [redacted] al operating
cycle, which [redacted] on in cash or
cash equival [redacted]
2. Purpose o [redacted] ose acquired
principally f [redacted]
3. Realisatio [redacted] ithin twelve
months afte [redacted] that are due
to be settled [redacted]
4. Cash and [redacted] rrent assets
unless they [redacted] elve months
after the re [redacted] t are readily
convertible [redacted] ges in value.

S40. Ans.(b [redacted]
Sol. The rol [redacted] determining
the broad a [redacted] ority for the
selection th [redacted] dardization.
Moreover, th [redacted] es, including
government [redacted] ure diverse
perspectives are considered during the formulation process.

S41. Ans.(b)
Sol. Para 38A requires an entity to present, at a **minimum**, **two balance sheets**. This ensures that financial information for at least two comparative periods is provided. Typically, this involves presenting the current period and the immediately preceding period's balance sheet, allowing users to compare the entity's financial position over time.

S42. Ans.(b)
Sol. The concept of automated banking through Automated Teller Machines (ATMs) is a result of computerization and technological innovation.

S43. Ans.(d)
Sol. Statement 1 is incorrect: In a CDS, the protection buyer (not the risk seller) pays a premium to the protection seller for protection against credit default or any other specified credit event.
Statement 2 is incorrect: The protection buyer makes periodic payments to the protection seller until the maturity of the contract or the occurrence of a credit event, whichever comes earlier, not later.
Statement 3 is correct: A CDS is indeed a bilateral contract involving a protection buyer and a protection seller.
Statement 4 is correct: The protection seller provides coverage against losses in the value of an underlying debt instrument due to credit events.

S44. Ans.(a [redacted]
Sol. Total ri [redacted] roportion of capital alloc [redacted]

S45. Ans.(c [redacted]
Sol. Passwo [redacted] t be shared with anyon [redacted] access and ensuring th [redacted] ared under unavoidable [redacted] e next login. This ensure [redacted]

S46. Ans.(d [redacted]
Sol. The tot [redacted] ur) + ₹6,000 (overheads) [redacted] herefore, the total cost fo [redacted] 0 = ₹210.

S47. Ans.(d [redacted]
Sol. The co [redacted] rding to the principle of [redacted] credits, the correct entr [redacted] he 'Lender's Account' (t [redacted] company's outstanding [redacted] e interest is eventually p [redacted] ed to reflect the reduction in the liability and the outflow of cash.

S48. Ans.(a)
Sol. Option A: Correct. Multiple or Composite Costing is used for complex products where a single costing system is not feasible.
Option B: Incorrect. This method is used for products involving components produced at various locations, including foreign locations, not just a single location.
Option C: Correct. The total cost is ascertained by computing component costs using various relevant methods of costing.
Option D: Incorrect. Multiple or Composite Costing is applicable to industries such as motor vehicles, aircrafts, machine tools, and locomotives.

S49. Ans.(b)
Sol. A **Funds Flow Statement** focuses on the changes in working capital (current assets minus current liabilities) and explains how the company generated and utilized its funds during the accounting period.

S50. Ans.(c)
Sol. If the debit side of the Trial Balance exceeds the credit side, it indicates a possible error in either the posting of transactions or the calculation of totals. This could be due to incorrect ledger entries, missing credits, or overstated debits. The Trial Balance must balance, and any discrepancy needs to be investigated.

S51. Ans.(b [redacted]
Sol. As per S [redacted] red to spend
at least 2% [redacted] n Corporate
Social Respo [redacted]
Explanatio [redacted]
The Compar [redacted] f net worth,
turnover, or [redacted] ree financial
years towar [redacted] ute to social
and enviro [redacted] vironmental
sustainabilit [redacted] pending and
activities in [redacted]

S52. Ans.(d [redacted]
Sol. Simple [redacted]
Given:
Principal (P [redacted]
Rate (R) = 1 [redacted]
Time (T) = 2 [redacted]
SI = (7,000 [redacted]
SI = (140,00 [redacted]
SI = Rs. 1400

S53. Ans.(a)
Sol. Office Furniture is a suitable asset for the **Straight Line Method** of depreciation because it tends to provide consistent utility over its useful life. Unlike equipment such as oil rigs or vehicles that may experience variable wear and tear depending on usage, office furniture depreciates at a relatively steady rate. The Straight Line Method is ideal for assets that have predictable performance and usage over time.

S54. Ans.(c)
Sol. The inventories should be classified as raw materials, work-in-progress, finished goods, stock-in-trade, stores and spares, loose tools, and others (specifying the nature). Intangible assets are not included in these classifications.

S55. Ans.(b)
Sol.
Using the straight-line depreciation formula:

$$\text{Depreciation} = \frac{\text{Cost price of asset} - \text{Scrap value}}{\text{Estimated life of the asset}}$$

Substitute the given values:

$$\text{Depreciation} = \frac{₹200{,}000 - ₹20{,}000}{8} = \frac{₹180{,}000}{8} = ₹22{,}500$$

Therefore, the annual depreciation expense is ₹22,500.

S56. Ans.(b [redacted]
Sol. Stateme [redacted] rating Cycle
Method are [redacted] is incorrect
because wo [redacted] nancing, and
the capital a [redacted]

S57. Ans.(c [redacted]
Sol. The am [redacted]
TDS = Paym [redacted]
TDS = ₹5,00 [redacted]
Hence, the T [redacted]

S58. Ans.(b [redacted]
Sol. Share ca [redacted] d up capital,
and paid-up [redacted] cycle, from
authorization by the company's charter to actual payment by shareholders.

S59. Ans.(c)
Sol. Non-cash transactions should be **disclosed elsewhere** in the financial statements, typically in the **notes** to ensure transparency. While these transactions impact the company's financial position, they do not affect the actual cash flow, and thus are excluded from the cash flow statement itself.
- **(a)** Incorrect, as non-cash transactions are excluded from the cash flow statement.
- **(b)** Incorrect, they are not included in the cash flow statement but are disclosed separately.
- **(c)** Correct, non-cash transactions must be reported, but not in the cash flow statement.
- **(d)** Incorrect, non-cash transactions must still be reported to provide a full picture of the company's financial activities.

S60. Ans.(a)
Sol. A Bill of Exchange is an order from the drawer to the drawee to pay a specified sum of money to the payee. In contrast, a Promissory Note is a promise made by the drawee (or maker) to pay the payee a certain amount. In a Bill of Exchange, the drawer instructs the drawee to make the payment, whereas in a Promissory Note, the drawee assumes the responsibility of payment directly, without being ordered by another party.

S61. Ans.(a)
Sol. Capital expenditure is that expenditure whose benefit is enjoyed or consumed **in one** year(s) but over **many years.** It results in the **purchase** or acquisition of **assets** which may be used for many years. The main p [redacted] ncrease the **earning ca** [redacted] nditure.

S62. Ans.(c [redacted]
Sol.
- **Stateme** [redacted] omplex and irregula [redacted]
- **Stateme** [redacted] ing process, where t [redacted] cific ledgers. This pra [redacted] ansactions.
- **Stateme** [redacted] nly used to categori [redacted], purchases, cash rec [redacted] nt.

S63. Ans.(b [redacted]
Sol. The d [redacted] rmation to shareholde [redacted] nd the legal requiremen [redacted]

S64. Ans.(a [redacted]
Sol. Issuing [redacted] by the same amount, wh [redacted] ns balanced.

S65. Ans.(a [redacted]
Sol. Statement 1 accurately describes the purpose of the payback method, which is to measure the time it takes for the receipts from an investment to repay its cost. Statement 2 correctly states that the payback method can rank mutually exclusive projects by selecting those with the shortest payback period. However, Statement 3 is incorrect because the payback method does not consider the time value of money, which is one of its limitations.

S66. Ans.(b)
Sol. The defining feature of a cheque, as per Section 6 of the Negotiable Instruments Act, is that it is a special type of bill of exchange that is always drawn upon a specified banker and is payable on demand. This differentiates it from other negotiable instruments, which may not necessitate being drawn upon a banker or being payable on demand.

S67. Ans.(c)
Sol. Closing entries transfer the balances of revenue and expenses to the **Profit and Loss Account**. For revenue:
- **Debit Revenue Account** (Income) ₹1,00,000 – to close the revenue account.
- **Credit Profit and Loss Account** (Income Statement) ₹1,00,000 – to transfer the income to the profit and loss statement.

The **closing entry** for expenses will be:
- **Debit Profit and Loss Account** ₹80,000 and Credit Expenses Account ₹80,000.

S68. Ans.(b[redacted]
Sol. [redacted] or financial institution [redacted] financial statements. [redacted] investments like equity [redacted] the company's [redacted]

S69. Ans.(b[redacted]
Sol. The [redacted] unused resources [redacted] for adding [redacted] values (sales or [redacted]

S70. Ans.(b[redacted]
Sol. Credit [redacted], and it is one of the [redacted] The auditor assesses the [redacted] adherence to credit [redacted]

S71. Ans.(b[redacted]
Sol. The [redacted] with the company [redacted] can engage in legal actions and own properties independently.

S72. Ans.(d)
Sol. The popularity of Electronic/Online Payment methods is mostly because banks and payment service providers are making it easier. They've created user-friendly platforms like mobile wallets and online payment gateways, which make transactions convenient and safe. Things like speed, how easy it is to use, and being able to use them on digital platforms have made more people use them. Also, lots of people having smartphones and internet access makes these payment methods easier to use. While having fewer middlemen and collaborations between merchants and banks help, it's mostly because banks are providing better services and making it more convenient for people to use electronic payments.

S73. Ans.(c)
Sol. GST amount = (18/100) × ₹20,000
GST amount = 0.18 × ₹20,000
GST amount = ₹3,600
Total price = Product price + GST amount
Total price = ₹20,000 + ₹3,600
Total price = ₹23,600
Correct Answer: C) ₹3,600; ₹23,600

S74. Ans.(c)
Sol. P=(350 [redacted]
P=14,00,00 [redacted]
= 14,00,000 [redacted]
P=14,00,00 [redacted]
P=₹4,50,00 [redacted]

S75. Ans.(b [redacted]
Sol. Statem [redacted] repairs to machinery.
This statem [redacted] those on repairs to m [redacted]
Statement [redacted] is reported separately f [redacted]
This statem [redacted] as the consumptio [redacted]
Statement [redacted]
This statem [redacted] repairs to machinery a [redacted]
Statement [redacted] and repairs to buildings [redacted]
This statem [redacted] fuel, rent, and repairs [redacted]

S76. Ans.(b)
Sol. In the sum-of-the-years'-digits method, the depreciation is calculated by applying a fraction to the depreciable amount. The sum of the years' digits for 5 years is:
Sum of digits = 1 + 2 + 3 + 4 + 5 = 15
For the first year, the fraction applied is:
Depreciation for the first year = (5/15) x ₹2,00,000 = ₹66,667.

S77. Ans.(c)
Sol. In ledger postings, the term "To" is customarily used for accounts that appear on the debit side of a ledger account, indicating that the particular account is being debited. Conversely, the term "By" is used for accounts that appear on the credit side of the ledger account, indicating that the account is being credited. This standard practice helps in maintaining clarity and consistency in financial records.

S78. Ans.(b)

Sol. Keeping a written or electronic copy of a password in an easily locatable place **increases the risk of unauthorized access** to sensitive systems. Passwords should be stored securely to ensure that they cannot be easily found or misused.

Explanation:

Passwords are the first line of defense for protecting sensitive banking systems. Writing down or storing passwords in an unsecured location makes them easily accessible to unauthorized individuals, putting sensitive data at risk. Secure password storage, such as through password managers or by scrambling written passwords, minimizes the chance of someone accessing the information without permission. This practice aligns with IT security standards to prevent unauthorized breaches.

S79. Ans.(a [redacted]

Sol. 1.This s [redacted] erests under revaluation [redacted] ecognized in the Stateme [redacted] d Loss.

2. This state [redacted] of the same asset that w [redacted] recognized in the Stater [redacted]

3. This state [redacted] valuation is generally re [redacted] sting in the revaluation [redacted] rs' interests under the re [redacted]

4.This stater [redacted] ase that was recognized [redacted] rs' interests under the re [redacted]

S80. Ans.(b [redacted]

Sol. The cus [redacted] ollection of outstation c [redacted] tions. These charges repr [redacted] educing the balance. Ban [redacted]

S81. Ans.(b [redacted]

Sol. Stateme [redacted] s Account.

False. While the Trading Account is commonly prepared, it is not a necessary step for the preparation of the Profit and Loss Account. Many accountants prefer to prepare it, but it is not mandatory.

Statement 2: The Trading Account includes only the direct costs associated with the materials in which the firm is dealing.

True. The Trading Account takes into account only the direct costs related to the materials the firm deals with, excluding operating costs.

Statement 3: The Trading Account calculates the 'Cost of Goods Sold' to determine 'Gross Profit'.

True. The purpose of the Trading Account is to calculate the 'Cost of Goods Sold' and subtract it from Revenue to arrive at 'Gross Profit'.

Statement 4: The Trading Account includes operating costs such as salaries and rent.

False. Operating costs like salaries and rent are not included in the Trading Account. These costs are accounted for in the Profit and Loss Account.

S82. Ans.(b)
Sol. A Nostro Account refers to an account maintained by an Indian bank with its own branches located abroad. This type of account is used to facilitate the handling of foreign currency transactions and ensure smooth operations for international banking activities. It essentially helps in managing and reconciling foreign exchange transactions by allowing the bank to hold and transact in foreign currencies directly through its overseas branches.

S83. Ans.(d)
Sol. In entities where internal audit is not a specialized function and not managed by career internal auditors, the recommended minimum tenure for the Head of Internal Audit (HIA) is three years. This period allow [redacted] d processes.

S84. Ans.(b [redacted]
Sol. The goi [redacted] foreseeable future, usu [redacted] ng financial statements [redacted] continue as a going con [redacted] torical cost, leading to a [redacted]

S85. Ans.(c [redacted]
Sol. GST is [redacted] the cost of production [redacted] significantly enhancing [redacted]

S86. Ans.(c [redacted]
Sol. The pri [redacted] to financial institutions. [redacted] rities of one year or less [redacted] idity in the financial sys [redacted]

S87. Ans.(c [redacted]
Sol. The **His** [redacted] rchase price rather than their current market value. This creates a historical record of all business transactions. For example, if a trader purchases business premises for ₹5,00,000, the amount paid is recorded in the books as the original cost. The idea is to base financial reporting on objective, verifiable data. Other concepts like the Going Concern Concept and Matching Concept serve different purposes, but the recording of past transactions aligns specifically with the Historical Cost Concept.

S88. Ans.(a)
Sol. The Written Down Value Method calculates depreciation on the reduced book value.
Year 1: Depreciation = ₹100,000 × 20% = ₹20,000.
Book Value at the end of Year 1 = ₹100,000 - ₹20,000 = ₹80,000.
Year 2: Depreciation = ₹80,000 × 20% = ₹16,000.

S89. Ans.(b)
Sol. The correct answer is **Only B, C, D** because these statements accurately reflect the nuances of the term loan disbursement process.

- **Statement A** is incorrect because there are exceptions to the requirement of margin deposit, as mentioned in the case of personal or consumption loans, where the loan amount may be directly credited to the borrower's account.
- **Statement B** is correct, as the general procedure involves the bank paying the loan amount directly to the buyer of the asset, ensuring the loan is used for the intended purpose.
- **Statement C** is correct, as it acknowledges that if the borrower has already made some payments toward the purchase, and if verified, this can be counted as part of their margin contribution.
- **Statement D** is also correct because it highlights that in exceptional cases, such as personal or consum[redacted]ng remitted to a thir[redacted]

S90. Ans.(a[redacted]
Sol.
- **Balance[redacted]**
- **Subtrac[redacted]**
- **Add che[redacted]**

Therefore, t[redacted]

S91. Ans.(b[redacted]
Sol. Statem[redacted] partners is limited to th[redacted] structures.
Statement C[redacted]
Statement D[redacted]is treated as a separate e[redacted]
Statement A[redacted]nership law, but for tax p[redacted]

S92. Ans.(b[redacted]
Sol. The tri[redacted],000). Since the debit sid[redacted]

S93. Ans.(c)
Sol. Solvency ratios, often called Long-term Solvency Ratios, provide insights into a company's long-term financial stability. They analyze the firm's ability to meet long-term liabilities, ensuring the company can sustain its operations over an extended period.

S94. Ans.(d)
Sol. Balance as per Cash Book = ₹18,500
- Less: Bank charges recorded only in the Pass Book = ₹300
- Less: Dishonored cheque = ₹1,500
- Add: Interest credited by the bank = ₹400

Adjusted balance as per Cash Book = ₹18,500 - ₹300 - ₹1,500 + ₹400 = ₹17,100
Therefore, the correct option based on the solution is ₹17,100.

S95. Ans.(a)
Sol. Nowadays, banks that use core banking solutions (CBS) do their reconciliation through a central computer system. Banks with CBS use this technology to make the process of checking and matching inter-branch accounts more streamlined. This method uses technology to handle and fix differences between accounts, making the reconciliation process more orderly and automated. This not only makes the process quicker but also more accurate.

S96. Ans.(a)
Sol. Subsequent costs, including costs for parts requiring regular replacement and major inspections, should generally be capitalized if they extend the asset's useful life or enhance its capacity, thereby providing future economic benefits beyond the originally assessed standards. If such costs merely maintain the [redacted] its life, they should [redacted] that capital expenditure [redacted] the period in which they [redacted]

S97. Ans.(c [redacted]
Sol. When [redacted] forward points is the [redacted] presents the trade-off [redacted] interest on another cur[redacted] in such scenarios.

S98. Ans.(b [redacted]
Sol. Proper [redacted] ensures that the framew[redacted] organizational structure, b[redacted] in managing risk.

S99. Ans.(c [redacted]
Sol. When [redacted] ons that are recorded us[redacted] ds this as a credit to the [redacted] a machine, it records th[redacted]

S100. Ans.([redacted]
Sol.
1. This statement is incorrect. Derivatives require little or no initial net investment compared to other types of contracts having a similar response to changes.
2. This statement is correct. The value of derivatives changes in response to the change in a specified 'underlying' asset.
3. This statement is incorrect. The provided text states that derivatives are complex in their pricing and trading mechanisms and have the characteristic of high leverage.
4. This statement is correct. It is mentioned that derivatives are settled at a future date.