JAIIB AFM Practice Questions (Set-2)

Q1. When the drawer and the payee are identical in a Bill of Exchange scenario, what is the outcome?

(a) The payee is required to endorse the bill to a third party for payment.
(b) The bill loses its validity and cannot be honored.
(c) The bill is deemed null and cannot be utilized for transactions.
(d) Such occurrences do not occur in Bill of Exchange transactions.

Q2. Bank reconciliation statement compares a bank statement with _____?

(a) Passboo [redacted]
(b) Cash bo [redacted]
(c) Voucher [redacted]
(d) Financia [redacted]

Q3. In a m [redacted] **hich of the following s** [redacted] **, and semi-variable co** [redacted]

(a) Fixed co [redacted] osts remain constant ov [redacted]
(b) Variable [redacted] ariable costs fluctuate in [redacted]
(c) Semi-var [redacted] ariable costs exhibit a no [redacted]
(d) Fixed co [redacted] irectly with the level of p [redacted]

Q4. A comp [redacted] **interest of 8% to issue** [redacted] **te, interest expense wi** [redacted]

(a) $11,899 [redacted]
(b) $12,987
(c) $11,200
(d) $459,987

Q5. Which of the following is NOT a primary objective of a bank audit?

(a) Detection and prevention of fraud
(b) Ensuring the accuracy and completeness of financial records
(c) Compliance with statutory requirements and regulations
(d) Maximizing the bank's profitability

Q6. Which of the following statements regarding the Accounting Rate of Return (ARR) method is incorrect?

Statement 1: ARR does not take into consideration the time value of money, potentially leading to incorrect project rankings, especially when comparing projects with different income distributions over their useful life.

Statement 2: ARR relies on cash flows for project evaluation rather than accounting profits cash flows, which includes cash items.

Statement 3: ARR can be calculated in various ways, resulting in potential inconsistencies in project assessment.

Statement 4: A firm's decision to accept or reject a project using ARR may be influenced by its current rat[redacted]**projects by firms with** [redacted]

(a) Statemen[redacted]

(b) Statemen[redacted]

(c) Statemen[redacted]

(d) Statemen[redacted]

Q7. Accordi[redacted]**is an asset classified a**[redacted]

(a) If it is ex[redacted]

(b) If it is he[redacted]

(c) If it is ex[redacted]

(d) If it is no[redacted]

Q8. What a[redacted]

Statement [redacted]**e expenses exhibit cha**[redacted]

Statement [redacted]**re entirely proportion**[redacted]

(a) All of th[redacted]

(b) Statemen[redacted]

(c) Statemen[redacted]

(d) None of the statements is correct.

Q9. In complex financial scenarios, what role does the Modigliani-Miller theorem play, and what are its primary implications for firms?

(a) The Modigliani-Miller theorem addresses the impact of taxes on a firm's capital structure decisions, highlighting the advantages of debt financing in a tax-advantaged environment. Its primary implications suggest that firms should prioritize debt financing over equity to maximize shareholder value.

(b) The Modigliani-Miller theorem asserts that, under certain assumptions, the value of a firm is independent of its capital structure. This implies that in a perfect capital market with no taxes or transaction costs, a firm's value is determined solely by its underlying assets and cash flows.

(c) The Modigliani-Miller theorem argues that firms should always strive for an optimal capital structure by balancing the benefits of debt financing with potential bankruptcy costs. It emphasizes the importance of maintaining a conservative debt-to-equity ratio to mitigate financial distress and preserve shareholder value.
(d) The Modigliani-Miller theorem provides insights into the complexities of asymmetric information and agency costs within firms. It suggests that in situations where managers have more information than shareholders, debt financing can be an effective tool for aligning interests and reducing agency conflicts.

Q10. Which of the following is an assumption of a fair value measurement that the transaction to sell the ass[redacted]
(a) In the ab[redacted]
(b) In the m[redacted]
(c) Both (a)[redacted]
(d) Only (a)[redacted]

Q11. Sumit[redacted]ut with an interest rat[redacted] days if he deposits ₹1[redacted]
(a) 103,000[redacted]
(b) 103,205[redacted]
(c) 105,000[redacted]
(d) 104,000[redacted]

Q12. The to[redacted]he firm has arranged s[redacted]t of margin or NWC req[redacted]irm?
(a) 75 lakhs[redacted]
(b) 100 lakh[redacted]
(c) 85 lakhs[redacted]
(d) 200 lakh[redacted]

Q13. Which of the following transactions does not generate a credit or debit entry between offices?
1. Issue of remittance instruments like drafts on other branches.
2. Payment of remittance instruments like drafts drawn by other branches.
3. Payment to/receipts from other branches of the proceeds of instruments received/sent for collection/realization/clearing.
4. Transactions through NEFT, ECS and RTGS.
5. ATM transactions of the customer either at ATMs linked with other branches or with merchant establishments.
6. Transactions through payment gateways of ATMs etc.

(a) 1, 2, and 3
(b) 4, 5, and 6
(c) 3, 4, and 5
(d) None of the above

Q14. What is one of the primary responsibilities of back offices in specialized functions like Treasury operations and Forex?
(a) Managing front office activities directly
(b) Controlling confirmations and settlement transactions
(c) Handling customer service inquiries
(d) Conduct[redacted]

Q15. What [redacted]
(a) Fees pai[redacted]
(b) Amount [redacted]
(c) Penalty [redacted]
(d) Interest [redacted]

Q16. Consi[redacted]
Statement [redacted] generating
reports to a[redacted]
Statement [redacted] categories,
namely fixe[redacted]f both fixed
and variabl[redacted]
(a) Statemen[redacted]
(b) Statemen[redacted]
(c) Both Sta[redacted]
(d) Both Sta[redacted]

Q17. If a co[redacted]he owner's equity?
(a) $30,000
(b) $70,000
(c) $100,000
(d) $130,000

Q18. Which of the subsequent features is not counted among the advantages of Core Banking?
(a) It facilitates multi-currency operations.
(b) It ensures uninterrupted 24/7 operations.
(c) It leads to heightened customer contentment.
(d) It results in augmented profits for the bank as customers may incur additional charges for core banking services.

Q19. Which statement about Concurrent Audit is true?
1. A concurrent audit is done every year to check financial transactions.
2. Concurrent audit aims to reduce the time between a transaction and its review.
3. Only internal auditors hired by the bank carry out concurrent audits.
4. Important areas do not get detailed checks during a Concurrent Audit.
(a) Only Statement 2 is correct.
(b) Statements 1 and 3 are correct.
(c) Statements 2 and 4 are correct.
(d) Only Statement 3 is correct.

Q20. What [redacted]aration and manual rec[redacted]
(a) Compute[redacted]
(b) Compute[redacted]-keeping.
(c) Compute[redacted]
(d) Compute[redacted]

Q21. Which [redacted]
(a) GST is ai[redacted]
(b) GST is ch[redacted]
(c) GST has [redacted]
(d) GST ensu[redacted]

Q22. What [redacted]
(a) The act o[redacted]
(b) The act o[redacted]
(c) The act o[redacted]
(d) The act o[redacted]

Q23. Under[redacted]set.
(a) Original cost.
(b) Market value.
(c) Written down value.
(d) Scrap value.

Q24. Which of the following is relevant when determining the WACC for a new project?
(a) The historical cost of existing funds
(b) The risk profile of the new project
(c) The current market value of the firm's equity
(d) The firm's past dividend payments

Q25. The statement of "source and application of fund "is known as
(a) Cash Flow statement
(b) Fund Flow Statement
(c) Balance Sheet
(d) Notes To Accounts

Q26. Complete the following by selecting the right set of options:
In a business, ___ transactions play a very important role. For manufacturing goods, a ___ purchases raw materials, the majority of which will be on ___. Once the goods are manufactured, they will be [redacted] lesalers or regular cu[redacted] d from the wholesaler[redacted]
(a) credit, m[redacted]
(b) cash, ret[redacted]
(c) credit, w[redacted]
(d) cash, ma[redacted]

Q27. What [redacted] Accounting Standards?[redacted]
(a) A perio[redacted] year for all companies.
(b) A perio[redacted] rated on or after the 1st[redacted]
(c) A fixed [redacted] company's incorporati[redacted]
(d) A flexib[redacted] lendar year based on its[redacted]

Q28. Identi[redacted]
Statement 1[redacted]
Statement 2: A cheque is exclusively issued against a bank.
Statement 3: The acceptor of a bill of exchange is entitled to a three-day grace period beyond its due date.
Statement 4: Cheques do not require stamp duty.
Statement 5: It is mandatory to issue a notice of dishonor for bills of exchange.
(a) Only Statements 1 and 4 are correct.
(b) Only Statements 2 and 3 are correct.
(c) Only Statements 1, 2, and 5 are correct.
(d) All of the above statements are correct.

Q29. Z Corporation purchased a vehicle for Rs. 20,000 in January 2005. Depreciation is charged at 20% per annum on the diminishing balance method. At the end of the fourth year, it was sold for Rs. 5,000. What was the profit or loss on the sale of the vehicle?
(a) Profit Rs. 2,048
(b) Profit Rs. 1,024
(c) Loss Rs. 3,192
(d) Loss Rs. 1,024

Q30. Which of the following can be inferred regarding the classification of non-current investments?
A. Non-curr [illegible]
B. The class [illegible] **ments, with further sub** [illegible]
C. Investme [illegible] **on-current investment** [illegible]
D. The cl [illegible] **estm** [illegible] **in equity instrument** [illegible] **ures or** [illegible]
(a) Only A, B [illegible]
(b) Only B, C [illegible]
(c) Only B, D [illegible]
(d) All of the [illegible]

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Q31. Which [illegible] **pproach is incorrect?**
(a) The NOI [illegible] ot increases, because the [illegible] nes.
(b) Accordin [illegible] ses, the total interest cost [illegible] T).
(c) The mar [illegible] income and business ris [illegible]
(d) The app [illegible] value of the firm, as any benefits from debt are offset by an increased required return on equity.

Q32. Which statements accurately describe key aspects of a Hindu Undivided Family (HUF) as a form of business organization in India?
Statement 1: HUF comes into existence through a contract between its members.
Statement 2: The members of an HUF are called co-parceners.
Statement 3: The business of an HUF is managed by the senior-most female member, also known as Karta.
Statement 4: For income tax purposes, an HUF is considered a separate entity and is taxed separately.

(a) Statements 1 and 2 only
(b) Statements 2 and 4 only
(c) Statements 1 and 3 only
(d) Statements 3 and 4 only

Q33. Which regulator in India was responsible for overseeing the commodities futures market before its merger with another regulatory body?
(a) Reserve Bank of India (RBI)
(b) Securities and Exchange Board of India (SEBI)
(c) Forward Markets Commission (FMC)
(d) Ministry of Finance

Q34. Consi[redacted]ell as Long-term and S[redacted]
Statement [redacted] of current conditions.[redacted]
Statement [redacted] the current conditions.[redacted]
Statement [redacted] focused on business fo[redacted]
Statement [redacted] ed planning of various [redacted]
(a) Stateme[redacted]
(b) Stateme[redacted]
(c) Stateme[redacted]
(d) Stateme[redacted]

Q35. The B[redacted]
A. Controlle[redacted]
B. Accounta[redacted]
C. Manager[redacted]
D. Accounta[redacted]
(a) Only B
(b) Only C
(c) Only D
(d) None of the above

Q36. A company purchases a machine for ₹300,000, and it is expected to produce 50,000 units over its lifetime. If the machine produces 8,000 units in the first year, what will be the depreciation using the Units of Production Method?
(a) ₹48,000
(b) ₹50,000
(c) ₹56,000
(d) ₹60,000

Q37. What details need to be included for each category of share capital in the financial statements?

(a) The financial statements should encompass information regarding both the number and monetary value of shares that have been authorized.

(b) Detailed records should be provided concerning the number of shares that have been issued, subscribed, and fully paid, as well as those that have been subscribed but not yet fully paid.

(c) The financial statements should explicitly state the nominal or par value associated with each share.

(d) All of the aforementioned details pertaining to share capital are essential components that need to be included in the financial statements.

Q38. A com [redacted] **leasing and bank finan** [redacted] **a potential advantage** [redacted]

(a) Leasing [redacted]

(b) Leasing [redacted]

(c) Leasing [redacted]

(d) Leasing [redacted]

Q39. Why i [redacted] **nportant in Ind AS-7?**

(a) It indica [redacted]

(b) It reflect [redacted]

(c) It repres [redacted] cash flows.

(d) It provid [redacted] s.

Q40. Wages [redacted]

(a) Capital E [redacted]

(b) Revenue [redacted]

(c) Deferred [redacted]

(d) None of [redacted]

Q41. What [redacted]

(a) A financi [redacted]

(b) An instrument whose value is based on future changes in various financial factors

(c) A fixed-term investment with guaranteed returns

(d) A type of insurance policy related to financial markets

Q42. 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

Q43. Which of the following can be inferred regarding the classification and characteristics of taxes imposed by governments?

A. Direct taxes are paid directly to the government by the taxpayer, and their burden can be transferred to another person.

B. Income tax is an example of a direct tax, as it is imposed directly on individuals with taxable income and cannot be shifted to others.

C. Corporate tax, wealth tax, and capital gains tax are examples of indirect taxes.

D. Indirect taxes include taxes such as property tax and securities transaction tax (STT).

(a) Only B
(b) Only A, B
(c) Only B, C[redacted]
(d) All of the[redacted]

Q44. Fill in [redacted]

Depreciati[redacted]t its useful economic li[redacted]. It is the ________[redacted]regular use and is caus[redacted]nuous. The estimated [redacted] as salvage value or ju[redacted]as straight-line, falling[redacted]

(a) Operatin[redacted]
(b) Expense[redacted]
(c) Wear an[redacted]
(d) Residual[redacted]

Q45. Why i[redacted]ompared to term loans [redacted]

(a) Bonds a[redacted]ging.
(b) Term loa[redacted]termination.
(c) Investor[redacted]eption, and market cond[redacted]
(d) Banks a[redacted] interest rates for term loans.

Q46. What is one of the primary benefits of using the technique of standard costing in management?

(a) It provides real-time updates of inventory levels to management.
(b) It helps in comparing actual costs with estimated costs to find and fix inefficiencies and wastages.
(c) It allows the company to reduce overall product prices directly.
(d) It offers a detailed analysis of customer preferences and market trends.

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Q47. The amount withdrawn from the bank and spent results in ____.
(a) change in assets only
(b) change in liabilities only
(c) change in both assets and liabilities
(d) no changes

Q48. A bank reconciliation statement is prepared with the balance of:
(a) Pass book
(b) Cash book
(c) Either cash book or pass book
(d) Neither [redacted]

Q49. How [redacted] in product manufactu[redacted]
(a) Cost Cen[redacted]
(b) Cost Cen[redacted]
(c) Mixed C[redacted]
(d) Cost Cen[redacted]

Q50. Every [redacted] ause states ___ capital.[redacted]
(a) Authoriz[redacted]
(b) registere[redacted]
(c) both
(d) none of [redacted]

Q51. Which [redacted] noured bill receivable, [redacted]
(a) The amo[redacted] ease.
(b) The curr[redacted] s or current liabilities.
(c) The com[redacted]
(d) The dish[redacted] insolvent.

Q52. The estimated profits of a project with a life span of 4 years are as under:
1st year = 50,000
2nd year = 52,000
3rd year = 56,000
4th year = 60,000
If the initial investment in a project is Rs. 18,00,000. What is ARR?
(a) 6.89%
(b) 4.44%
(c) 6.05%
(d) 5.56%

Q53. Fill in the blanks:
The reconciliation work of Inter Office accounts is normally centralised at a designated office of the bank, typically known as the ___ department. With the advent of the new CBS environment, ___ of the banks have opted to centralise this reconciliation work at the ___ department located at the Head Office.
(a) reconciliation, most, IT
(b) IT, some, reconciliation
(c) reconciliation, few, financial
(d) financial, most, IT

Q54. What [redacted]ial records as per the l[redacted]
(a) To enha[redacted]
(b) To appea[redacted]
(c) To comp[redacted]
(d) To decre[redacted]

Q55. Rebat[redacted]
(a) Concessi[redacted]
(b) Rebate p[redacted]
(c) Unexpire[redacted]
(d) None of [redacted]

Q56. A Ba[redacted]etween the balances o[redacted]e added to the Cash Bo[redacted]
(a) Cheques[redacted]
(b) Cheques[redacted]
(c) Bank cha[redacted]
(d) Direct d[redacted]

Q57. Which[redacted]
(a) An AJP i[redacted]
(b) An AJP is a legal entity separate from natural persons, recognized by law when it does not fit into other categories of persons.
(c) An AJP includes all individuals working in a group without formal registration.
(d) An AJP is any person or organization given special recognition by the court.

Q58. Which of the following is a task that falls outside the purview of cost accounting?
(a) Gathering information on production costs for managerial decision-making.
(b) Conducting thorough analyses and providing cost-related reports to management.
(c) Establishing product prices in line with market dynamics.
(d) Documenting and preserving production cost data for future analysis and decision-making.

Q59. How would you describe a company that possesses the following attributes: it has a solitary individual as its sole member and is legally established as a separate entity?

(a) Chartered Company

(b) Private Company

(c) Government company

(d) One Person Company

Q60. Regarding the classification of assets and liabilities in a balance sheet, which of the following statements is correct?

(a) An asset [redacted] before the reporting da[redacted]

(b) A liabili[redacted]ght to defer settlement [redacted]

(c) A receiva[redacted] account of goods purch[redacted]

(d) All other[redacted]

Q61. Under[redacted]lance sheet for the be[redacted]e financial statements[redacted]

(a) When th[redacted]

(b) When ite[redacted]

(c) When th[redacted]

(d) When ar[redacted] of financial position at t[redacted]

Q62. Which[redacted]s of Ind AS 116 based [redacted]

A. Ind AS 11[redacted]f the lessor, highlightin[redacted]

B. The stan[redacted]the lessor's net investment in the lease, calculated as the present value of future lease payments.

C. The calculation of the present value of lease rentals receivable by the lessor does not require any discount rate according to Ind AS 116.

D. Ind AS 116 requires the use of the lessee's incremental borrowing rate for the discounting of future lease payments if the interest rate implicit in the lease cannot be readily determined.

(a) Only A, C

(b) Only B, D

(c) Only B

(d) All of the above

Q63. Fill in the blanks:

1. Computerization and technological innovations have enabled banks to operate on the principle of ________ where all branches of a bank are linked to each other online.

2. A customer having an account with any branch of a bank can deposit money into his account, withdraw money, and make inquiries regarding balance, etc., in other branches/outlets of the bank, which are linked _________.

3. The concept of automated banking through _________is the result of computerization and technological innovation.

4. ATM transactions are automatically accounted for their occurrence with the help of _________.

(a) Centraliz [illegible]

(b) Back offi [illegible]

(c) Compute [illegible]

(d) Compute [illegible]

Q64. Wher [illegible] fore [illegible] he bank be included in [illegible]

(a) In the 'D [illegible]

(b) In the 'C [illegible]

(c) In inter- [illegible]

(d) In the 'D [illegible] branch

Q65. Calcul [illegible] 11% [illegible] sec [illegible] Rs 110 if the market inte [illegible]

(a) 123.15

(b) 125.35

(c) 120.13

(d) 122.22

Q66. Fill th [illegible]

Interest Co [illegible]

(a) Profit after charging Interest and Income Tax

(b) Profit before charging Interest and Income tax.

(c) Earnings after tax

(d) Return on Investment

Q67. If capital expense is recorded as a revenue expense, then which calculation will be wrong?

(a) Bank balance

(b) Debtors

(c) Creditors

(d) Net profit

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Q68. Which of the following statements concerning journal entries is not correct?
(a) The journal entries show the effect of transactions
(b) The debited account titles are listed first in the journal
(c) The account balance is provided by the journal entries
(d) Each journal entry should start with the date

Q69. A company has authorized capital of ₹50,00,000 divided into 5,00,000 equity shares of ₹10 each. It issued 4,00,000 shares, and out of these, 3,50,000 shares were subscribed. How much is the subscribed capital?
(a) ₹35,00,0 [redacted]
(b) ₹50,00,0 [redacted]
(c) ₹40,00,0 [redacted]
(d) ₹30,00,0 [redacted]

Q70. Fill in [redacted]
1. Fixed pri [redacted]
2. Cost-plus [redacted] **fit.**
3. In Time [redacted]
4. Under co [redacted] **xamine the**
contractor' [redacted]
(a) Variable [redacted]
(b) Semi-va [redacted]
(c) Fixed tot [redacted]
(d) Notional [redacted]

Q71. Consi [redacted] **ip:**
Statement [redacted] **not restrict**
the right t [redacted] **ribe to any**
security of [redacted]
Statement [redacted] **shares are**
freely transferable.
Statement 3: A government company is one in which at least 53 percent of the paid-up share capital is held by the Central Government or by any State Government or partly by the Central Government and partly by one or more State Governments.
Which of the following statements is true?
(a) Only Statement 2 is true.
(b) Statements 1 and 2 are true.
(c) Statements 2 and 3 are true.
(d) All of the statements are true.

Q72. What is the key advantage of Joint Stock Companies compared to other forms of business, like partnerships, particularly in the context of shareholder liability?
(a) Shareholders in Joint Stock Companies have unlimited liability.
(b) Shareholders in Joint Stock Companies can recover their investment from other shareholders if the company fails.
(c) Shareholders in Joint Stock Companies have liability limited to the nominal value of their shares.
(d) Shareholders in Joint Stock Companies are entitled to profits but must contribute more in case of company failure.

Q73. Which of the following statements are advantages of a budgetary control system?
1. It decrea [redacted] **expressed through the** [redacted]
2. It leads t [redacted] **n.**
3. It fosters [redacted]
4. It discou [redacted] **nctionaries.**
5. It promo [redacted] **y.**
6. It enhanc [redacted]
(a) Statemen [redacted]
(b) Statemen [redacted]
(c) Statemen [redacted]
(d) Statemen [redacted]

Q74. An ele [redacted]
- **Be** [redacted]
- **En** [redacted]
- **Cos** [redacted]

Determine [redacted] **ginning and end of the p** [redacted]
(a) 6
(b) 8
(c) 7
(d) 9

Q75. Which statement best describes the impact of computerization on the back-office operations of financial institutions?
(a) Computerization has led to a decrease in the significance of back-office tasks, with a greater emphasis on front-office functions.
(b) The role of the back office in supporting trading activities has been notably reduced as a result of computerization.
(c) The implementation of computerization has completely removed the need for the 'Reconciliation' process in the back office.
(d) The integration of computerization has revolutionized the handling of the 'Reconciliation' process in the back office.

Q76. The _____ indicates the percentage of each sales rupee remaining after the firm has paid for its goods.
(a) Net Profit Margin
(b) Operating Profit Margin
(c) Price Earnings Ratio
(d) Gross Profit Margin

Q77. Which of the following statements is correct regarding the considerations for changes in financial statements?
Statement 1: "Depreciation must be factored in when comparing successive balance sheets to accurately [redacted]
Statement [redacted] have been added to re[redacted]
(a) Stateme[redacted]
(b) Stateme[redacted]
(c) Both Sta[redacted]
(d) Both Sta[redacted]

Q78. Which [redacted]pment of a single asse[redacted]y, function, or ultimate[redacted]
(a) General [redacted]
(b) Sales an[redacted]
(c) Building[redacted]
(d) Rental A[redacted]

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Q79. Which [redacted]takeholder Theory?
1. Agency T[redacted]s on behalf of another [redacted] principal's interests.
2. Stakeholder Theory emphasizes the diverse interests of various groups, both within and outside an organization, and asserts that the collective interests of these groups define the organization's mission.
3. Agency Theory primarily centers on the concerns of shareholders, while Stakeholder Theory focuses on the interests of all groups associated with the organization.
(a) Statements 1 and 2 are correct.
(b) Statements 1 and 3 are correct.
(c) Statements 2 and 3 are correct.
(d) All statements are correct.

Q80. What is included in the scope of financial management concerning compliance?
(a) Ensuring the profitability of the business by maximizing returns on investments.
(b) Ensuring compliance with statutory and regulatory provisions regarding capital markets, audit and accounting, disclosures, and taxation.
(c) Ensuring the growth and expansion of the business into new markets.
(d) Ensuring the development of new products and services to meet customer demands.

Q81. Read the statements carefully:
Statement 1: Non-fund-based facilities offered by commercial banks, a crucial component of financial instruments, encompass a range of instruments such as letters of credit, bank guarantees [redacted] ternational trade trans [redacted] tering trust between pa [redacted]
Statement [redacted] king sector of India, e [redacted] establish a predetermi [redacted] draw funds as needed, [redacted] day-to-day financial op [redacted]
(a) Both Sta [redacted]
(b) Stateme [redacted]
(c) Statemen [redacted]
(d) Both Sta [redacted]

Q82. Which [redacted]
(a) Batch c [redacted] by the total number of u [redacted]
(b) Batch co [redacted] by dividing the individu [redacted]
(c) Batch co [redacted] one unit by dividing the [redacted]
(d) Batch c [redacted] sed on time periods rath [redacted]

Q83. The following balances are provided:
- **Salaries Paid: ₹30,000**
- **Outstanding Salaries: ₹5,000**
- **Prepaid Salaries: ₹3,000**

What is the Salaries Expense to be recorded in the Profit and Loss Account?
(a) ₹32,000
(b) ₹28,000
(c) ₹35,000
(d) ₹30,000

Q84. What is the correct sequence of steps in the manual accounting process of a bank for recording accounting entries?
(a) Begin with recording entries in the journal, followed by entries in the ledger accounts.
(b) Start by entering entries in the control account, then proceed with entries in the journal.
(c) Initiate the process by recording entries in the physical ledgers, then move on to the journal.
(d) Commence by entering entries in the journal, and subsequently record them in the control account.

Q85. Why is it important for the balance sheet to balance between assets and liabilities?
(a) It ensures that assets always exceed liabilities.
(b) It demonstrates the business's ability to fulfill its financial commitments.
(c) It reflect[redacted]
(d) It indica[redacted]

Q86. Calcul[redacted]
Assets: Rs. [redacted]
Liabilities: [redacted]
(a) Rs. 60,0[redacted]
(b) Rs. 120,[redacted]
(c) Rs. 70,0[redacted]
(d) Rs. 160,[redacted]

Q87. What [redacted]
1. A lease c[redacted] **one party grants anot**[redacted]
2. It provid[redacted] **or receives periodic pa**[redacted] **use.**
3. Lease ag[redacted] **lly uniform for all tena**[redacted]
4. Violating [redacted]
(a) 1 and 2
(b) 3 and 4
(c) 1,2 and 4
(d) 1,2,3 and 4

Q88. Which accounting standard mandates the uniform use of an accounting technique once adopted, with any modifications being openly reported to ensure clear and comparable financial statements?
(a) Convention of Conservatism
(b) Convention of Disclosure
(c) Convention of Materiality
(d) Convention of Consistency

Q89. What best describes a "forward exchange rate" in foreign exchange markets?
(a) It is the rate at which a bank agrees to exchange one currency for another at a future date, based on current market conditions, without requiring immediate settlement.
(b) The forward exchange rate is a special rate offered for immediate cash transactions in the forex market, allowing for the instant exchange of currencies at today's price.
(c) It represents the interest rate differential between two currencies in a swap agreement, where no actual currency exchange takes place until the contract matures.
(d) Forward exchange rate refers to the fluctuating market rate that applies to currency exchanges scheduled to occur in real-time, adjusting constantly with market dynamics.

Q90. 400 li[redacted]loss of 25% of the mate[redacted]rred in the period. Ho[redacted]cess in the period?
(a) 500
(b) 520
(c) 560
(d) 571

Q91. Why [redacted]sh or cash equivalents[redacted]
(a) Because [redacted]cess cash in cash equival[redacted]
(b) Because [redacted]
(c) Because [redacted]
(d) Because [redacted]ents.

Q92. Which [redacted]
(a) statutory [redacted]
(b) long for[redacted]
(c) tax audit[redacted]
(d) none of [redacted]

Q93. Which of the following statements is correct regarding the maintenance of profit and loss accounts in banks?
Statement 1: All banks maintain a profit and loss account in the general ledger with separate books for each revenue or expense head/sub-head.
Statement 2: For managerial purposes, the account heads in the profit and loss ledgers are more detailed than those shown in the published profit and loss accounts of banks.
(a) Both Statement 1 and Statement 2 are correct.
(b) Statement 1 is correct, and Statement 2 is incorrect.
(c) Statement 1 is incorrect, and Statement 2 is correct.
(d) Both Statement 1 and Statement 2 are incorrect.

Q94. Which statement accurately describes the format requirements for financial statements of banking companies in India?

(a) Banking companies must present their financial statements following the format outlined in Schedule III of the Companies Act, 2013.

(b) Banking companies are required to adhere to the format specified in the third schedule annexed to the Banking Regulation Act for presenting their financial statements.

(c) RBI mandates banking companies to use Form A and Form B for their financial reporting.

(d) Banking companies are allowed to choose any format that suits their reporting needs, as long as it complies with general accounting standards.

Q95. Which [redacted] ed Average Cost of Capi[redacted]

(a) Market i[redacted]

(b) Compan[redacted]

(c) External [redacted]

(d) Brand re[redacted]

Q96. Which [redacted] high-yield bonds over [redacted]

(a) Investors [redacted] ment-grade bonds, resul[redacted]

(b) Investor [redacted] es suggest a potential fo[redacted]

(c) Investor [redacted] ting for the increased ri[redacted]

(d) Investor [redacted] he return of principal, m[redacted]

Q97. Broke[redacted]

(a) Capital E[redacted]

(b) Revenue Expenditure.

(c) Deferred Revenue Expenditure.

(d) Revenue Receipt.

Q98. How is a contingency described in accounting?

(a) A specific situation with a predictable result.

(b) A situation with an assured profit.

(c) A situation with an unclear future outcome – either a gain or a loss – that cannot be accurately determined at present.

(d) A condition or situation with a predetermined gain.

Q99. Which statement regarding depreciation is incorrect?
(i) Depreciation is a component of operational expenses.
(ii) It entails a decrease in the worth of an asset.
(iii) The decline in an asset's value arises from its utilization, which may result from wear and tear or other factors.
(iv) The reduction in an asset's value occurs gradually and persistently.
(a) i, ii only
(b) iii only
(c) All of the above
(d) None of [redacted]

Q100. Whic [redacted]
(a) Acceptin [redacted]
(b) . Disburs [redacted]
(c) Providin [redacted]
(d) Inter-ba [redacted]

Solutions

S1. Ans.(a)
Sol. In some [redacted] the payee are the sa [redacted] e, the payee is required t [redacted] ransfers the right to rece [redacted] e used as an instrument [redacted]
This situatio [redacted] or), and the bill is made [redacted] e to endorse the bill to a [redacted] orm of trade credit.

S2. Ans.(b)
Sol. The ba [redacted] sued by the bank) with the cash book (maintained by the account holder). It's used to identify any discrepancies between these two records.
The cash book is maintained by the account holder, while the passbook (or bank statement) is issued by the bank to provide a record of all transactions related to the account.

S3. Ans.(d)
Sol. The relationship between fixed, variable, and semi-variable costs in a cost structure.
- Fixed costs do not change with production levels.
- Variable costs change proportionally with production.
- Semi-variable costs have both fixed and variable components and change with production but not necessarily in a linear manner.

S4. Ans.(c)
Sol. Cost of Debt = Interest Expense (1- Tax Rate)
Cost of Debt = $16,000(1-30%)
Cost of Debt = $16000(0.7)
Cost of Debt = $11,200
The cost of debt of the company is $11,200.

S5. Ans.(d)
Sol. A bank audit primarily focuses on ensuring the accuracy of the bank's financial records, detecting fraud, and ensuring compliance with statutory requirements. The audit's goal is to provide an independen[redacted]dit objective.

S6. Ans.(b)
Sol. Some li[redacted]

S7. Ans.(a)
Sol. Accordi[redacted]

S8. Ans.(a)
Sol. Statemen[redacted] 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.

S9. Ans.(b)
Sol. The Modigliani-Miller theorem, in its most basic form, states that in a perfect capital market with no taxes, bankruptcy costs, or agency costs, the value of a firm is determined solely by its underlying assets and cash flows. This means that the way a firm chooses to finance its operations (whether through equity or debt) does not affect its overall value. This theorem provides critical insights into the relationship between capital structure and firm value.

S10. Ans.(c)
Sol. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the absence of a principal market or in the most advantageous market for the asset or liability.

S11. Ans.(b [redacted]
Sol.
$\text{Principal (P)} = ₹100,000$
$\text{Rate (r)} = 6.5\% \text{ per annum}$
$\text{Time (t)} = 180 \text{ days}$

The formula for the amount with simple interest for part of a year is:
$$A = P \times \left(1 + r \times \frac{t}{365}\right)$$
$$A = 100,000 \times \left(1 + 0.065 \times \frac{180}{365}\right)$$
$$A = 100,000 \times 1.03205$$
$$A = ₹103,205$$

S12. Ans.(a [redacted]
Sol. NWC = [redacted]
= 200 – 125 [redacted]
= 75 lakhs
Current rati [redacted]
= 200/125
= 1.6

S13. Ans.(d)
Sol. Inter-office transactions mostly originate at branches. Each branch may have several transactions with other branches, as well as with the head office of the bank. In many transactions, undertaken by the branch, one leg of the transaction involved is Inter Office Account.

S14. Ans.(b)
Sol. In specialized functions like Treasury operations and Forex, the back office plays a crucial role in directly supporting the trading room or front office. One of the main responsibilities of the back office in this context is to control confirmations and settlement transactions. This involves ensuring that the details of trades and transactions are accurately confirmed and settled, which is essential for the smooth functioning of financial operations.

S15. Ans.(b)

Sol. Noting charges refer to the amount paid to a Notary Public for officially recording the fact that an instrument, such as a bill of exchange or promissory note, has been dishonoured. This formal noting serves as legal evidence of the dishonour, which can be used for further legal action if necessary.

S16. Ans.(c)

Sol. Statement 1 is accurate. Marginal costing encompasses both the process of recording costs (cost accounting) and generating reports to aid in decision-making. This means it not only records costs but also provides reports that assist in decision-making.

Statement 2 is also true. Under marginal costing, total costs are segregated into fixed costs and variable costs. Additi [redacted] nd these are categorized [redacted]

S17. Ans.(b [redacted]

Sol. Using th [redacted] ange to find Owner's Equ [redacted]),000.

S18. Ans.(d [redacted]

Sol. Option [redacted] ged extra for core bankin [redacted] e efficiency, streamline [redacted] savings and potentially i [redacted] omers extra specifically [redacted]

S19. Ans.(a [redacted]

Sol.

- Stateme [redacted] out the year, usually [redacted]
- Stateme [redacted] shortly after they ha [redacted]
- Stateme [redacted] concurrent audits, [redacted]
- Statement 4 is incorrect as there is a focus on thorough checking in crucial areas during a Concurrent Audit.

S20. Ans.(c)

Sol. Computerization in banking has significantly diminished the dependence on traditional manual practices such as voucher preparation and maintaining manual records. The use of online transaction processing and automated systems has streamlined operations and lessened the need for manual handling. However, it remains important for bank staff to be familiar with manual accounting methods. This knowledge ensures staff can adequately address customer inquiries and auditor questions, rather than pleading ignorance of the processes and procedures.

S21. Ans.(c)
Sol. The introduction of Goods and Services Tax (GST) was primarily aimed at simplifying the indirect tax structure in India and making it easier for businesses to comply with tax regulations. The overall intention of GST was to streamline and simplify the tax process, not make it more difficult.

S22. Ans.(d)
Sol. "Clearance of cheques" refers to the procedure where cheques submitted for payment undergo verification and processing. This includes confirming the authenticity of the cheque, ensuring there are enough funds in the issuer's account, and ultimately, transferring the amount to the recipient's account. The clearanc [redacted] ith cheques
from other [redacted] sh book and
when they a [redacted]

S23. Ans.(a [redacted]
Sol. Depreci [redacted] acquire the
asset, install [redacted]

S24. Ans.(b [redacted]
Sol. When c [redacted] of the new
project. Thi [redacted] tors will be
influenced b [redacted] rical cost of
existing fun [redacted]

S25. Ans.(b [redacted]
Sol. The "so [redacted] nt, provides
a summary [redacted] ic period. It
outlines the [redacted] erstand how
funds are ge [redacted] he financial
health and n [redacted] ning.

S26. Ans.(a [redacted]
Sol. In a business, **credit** transactions play a very important role. For manufacturing goods, a **manufacturer** purchases raw materials, the majority of which will be on **credit**. Once the goods are manufactured, they will be sold to **wholesalers** and **retailers**. Here also the manufacturer will give credit to his wholesalers or regular customers. Thus, credit passes on from the manufacturer to the **wholesaler** and from the wholesalers to **retailers** and from the retailers to the ultimate consumers.

S27. Ans.(b)
Sol. A "Financial year" is a specific time that usually finishes on March 31st each year. If a company starts its business on or after January 1st, then its first financial year will end on March 31st of the next year, giving them time to prepare their financial statements properly.

S28. Ans.(d)
Sol.
1. A bill of exchange is versatile, allowing it to be drawn against any party, including banks, demonstrating its wide applicability in trade and finance. This contrasts with a cheque, which is specifically drawn against a bank, reflecting its nature as a banking instrument.
2. Acceptance is a key feature of bills of exchange, requiring the drawee's agreement to pay, whereas cheques are directly payable on demand without the need for acceptance.
3. The provision of a grace period for bills of exchange allows for a brief extension beyond the maturity date, accommodating for any settlement delays, a provision not applicable to cheques, which are expected to be payable immediately upon presentation.
4. The disti [redacted] with bills of exchang [redacted] ng their use for imme [redacted]
5. The obli [redacted] s the formal mechani [redacted] s, reflecting their im [redacted]

S29. Ans.(c [redacted]
Sol. Initial [redacted]
Depreciatio [redacted]
- **End of Y** [redacted]
  - Depr [redacted]
  - Rema [redacted]
- **End of Y** [redacted]
  - Depr [redacted]
  - Rema [redacted]
- **End of Y** [redacted]
  - Depr [redacted]
  - Rema [redacted]
- **End of Y** [redacted]
  - Depr [redacted]
  - Rema [redacted]

Sale of the vehicle:
- Sold for = Rs. 5,000

Loss on sale:
- Loss = Book value at the end of Year 4 - Sale price
- Loss = Rs. 8,192 - Rs. 5,000 = Rs. 3,192

S30. Ans.(c)
Sol. Statement A: Non-current investments must be classified exclusively as trade investments.
This statement is incorrect. Non-current investments are classified as both trade investments and other investments, not exclusively as trade investments.

Statement B: The classification of non-current investments includes both trade and other investments, with further sub-classifications such as investment property and mutual funds.
This statement is correct. The classification of non-current investments does include both trade investments and other investments, with sub-classifications including investment property, mutual funds, and others.
Statement C: Investments in government securities are excluded from the classification of non-current investments.
This statement is incorrect. Investments in government or trust securities are explicitly listed as one of the sub-classifications of non-current investments.
Statement D: The classification of non-current investments encompasses investments in equity instruments, preference shares, and debentures or bonds.
This statem [redacted] ions of non-current inve [redacted]

S31. Ans.(a [redacted]
Sol. Accordi [redacted] e increases, the cost of e [redacted] ption among equity share [redacted] rimarily the risk of bank [redacted] at while the cost of debt [redacted] rall value of the firm con [redacted]

S32. Ans.(b [redacted]
Sol. Stateme [redacted] not through a contract.
Statement 2 [redacted]
Statement 3 [redacted] r-most male member, kn [redacted]
Statement 4 [redacted] ntity and is taxed separa [redacted]

S33. Ans.(c [redacted]
Sol. The For [redacted] r overseeing the commodities futures market in India. However, it was merged with the Securities and Exchange Board of India (SEBI) on September 28, 2015. This merger brought the regulation of both securities and commodities under the purview of SEBI.

S34. Ans.(b)
Sol. Statement 1:This statement is correct. A basic budget is designed for long-term use, typically without factoring in current conditions. It serves as a foundational framework and is based on standard or ideal conditions, making it less adaptable to changing circumstances.
Statement 2: This statement is correct. A current budget is tailored for short-term use and is formulated with consideration of the existing circumstances and conditions. It is designed to be more responsive to immediate changes and fluctuations in the business environment.

Statement 3: This statement is correct. A long-term budget encompasses a period longer than a year and is primarily oriented toward business forecasting and strategic planning for the future. It is less detailed in terms of specific itemized data.
Statement 4: This statement is incorrect. A short-term budget usually spans up to one year, not five years. Additionally, while it does involve planning various budget items, it is typically more focused on the immediate future and is more detailed and specific compared to long-term budgets.

S35. Ans.(c)
Sol. A bank reconciliation statement is prepared to reconcile the balances as per the cash book (bank column) with the balances as per the pass book (bank statement).
It is done by the accountant of the business as it is the business which needs to find the causes of differences [redacted] statements and books o[redacted]

**S36. Ans.(a[redacted]
Sol. The de[redacted]tal expected production. [redacted]
Depreciatio[redacted]
Depreciatio[redacted]

**S37. Ans.(d[redacted]
Sol. (a) The [redacted]s a company is allowed t[redacted]
(b) The num[redacted]aid provides information[redacted]d (promised to be bought[redacted]
(c) The par [redacted]
Therefore, a[redacted]each class of share capita[redacted]

**S38. Ans.(b[redacted]
Sol. Leasin[redacted] company's dividend po[redacted] may require restrictions on dividend payments to ensure that the company retains sufficient earnings to service its debt, whereas leasing agreements tend to be more lenient in this regard, providing more financial flexibility to the lessee.

S39. Ans.(c)
Sol. Option C accurately describes the importance of the separate disclosure of cash flows arising from investing activities according to Ind AS-7. This disclosure is crucial because it represents the extent to which expenditures have been made for resources intended to generate future income and cash flows. It provides insights into the investments made by the entity and their potential to contribute to future financial performance.

S40. Ans.(a)
Sol. Wages paid in the installation of new machinery are considered a **capital expenditure**. Capital expenditures are costs incurred to acquire, improve, or extend the useful life of a long-term asset, such as machinery. They are investments that provide benefits over an extended period rather than being consumed immediately. The installation of new machinery enhances the company's productive capacity and is expected to generate benefits over several accounting periods. Therefore, it is categorized as a capital expenditure.

S41. Ans.(b)
Sol. A derivative is an instrument that derives its value from changes in various financial factors such as interest rat[redacted]es (referred to as the "u[redacted]ons in these financial va[redacted]fic financial instruments[redacted]and various options. The[redacted](in this case, the Bank) fr[redacted]

**S42. Ans.(d[redacted]
Sol. Section[redacted]he option to choose betw[redacted]s section, an individual ([redacted]exemptions, such as thos[redacted]Section 80C. This option[redacted]he from the financial yea[redacted]

**S43. Ans.(a[redacted]
Sol.
- **Option** [redacted]er, and their burden [redacted]direct taxes cannot b[redacted]
- **Option** [redacted]viduals with taxable i[redacted]
- **Option** [redacted]direct taxes. These ar[redacted]
- **Option D**: Incorrectly states that indirect taxes include property tax and STT, which are actually direct taxes.

S44. Ans.(b)
Sol. Depreciation is an effort to stretch out the cost of a long-lasting asset throughout its useful economic life as an **expense** to the profit and loss account. Depreciation is a part of **operating costs**. It is the **reduction** in the value of assets. The decrease in the value of an asset is due to its regular use and is caused by **wear and tear**. The decrease in the value of assets is gradual and continuous. The estimated value of an item at the end of its useful life is called **residual value**, often known as salvage value or junk value. Depreciation is calculated using a variety of techniques, such as straight-line, falling balance, and units of production depreciation.

S45. Ans.(c)
Sol. This question highlights the complexity of determining the cost of debt for bonds and debentures. Unlike term loans, where the interest rate is transparent and set by the bank or financial institution, the cost of debt for bonds and debentures is influenced by various factors, including the coupon rate, investors' perception of the firm's risk profile, and prevailing market conditions. This leads to the yield to maturity (YTM) being the relevant measure for the return on a bond or debenture in the secondary market.

S46. Ans.(b)
Sol. Standard costing is a technique that involves comparing actual costs incurred during production with the est [redacted] anagement identify are [redacted] anagement can take ste [redacted]

S47. Ans.(a [redacted]
Sol. When [redacted] ounts. This transaction [redacted] le the bank account bal [redacted] sition of the entity.

S48. Ans.(c [redacted]
Sol. A bank [redacted] ank balance shown in th [redacted] cash book) and the bala [redacted] conciliation statement st [redacted] ts are made to arrive at t [redacted]

S49. Ans.(c [redacted]
Sol. A cost [redacted] support to productive [redacted] al function, occasionally [redacted] stance, thus embodying [redacted]

S50. Ans.(a)
Sol. The capital clause in a company's memorandum of association states the authorized capital. Authorized capital, also known as authorized stock or nominal capital, refers to the maximum amount of capital that a company is allowed to issue to shareholders. It represents the upper limit defined in the company's charter or memorandum of association.

S51. Ans.(c)
Sol. When a bill receivable is dishonored, it means the amount that was supposed to be received will now be shown as an amount due from debtors. This does not affect the company's current liabilities or the current ratio if the customer is still solvent. The company's current liabilities remain unchanged, and thus, the current ratio also remains unchanged.

S52. Ans.(c)
Sol. ARR = Average profit after tax/ average value of investment
Average profit = 50,000 + 52,000 + 56,000 + 60,000 /4
Average profit = 2,18,000/4= 54,500
Average investment = 18,00,000/2 = 9,00,000
ARR = (54,500/9,00,000) *100
ARR = 6.05%

S53. Ans.(a)
Sol. The reconciliation work of Inter Office accounts is normally centralised at a designated office of the bank, typic [illegible] new CBS environmen [illegible] department located at th [illegible]

S54. Ans.(c [illegible]
Sol. It is e [illegible] records in accordance [illegible] Tax Act, and Income Tax [illegible] nts, properly document th [illegible] onsibilities, thereby achi [illegible] undamental reason for a [illegible]

S55. Ans.(c [illegible]
Sol. Rebate [illegible] given to the borrower w [illegible] r receives a reduction o [illegible] discount is considered [illegible]

S56. Ans.(b [illegible]
Sol.
1. Cheques [illegible] fect the Pass Book ba [illegible]
2. Cheques [illegible] ce, but the corresponding entry in the Pass Book will be made only after the cheques are credited by the bank.
3. Bank charges: These are recorded in the Pass Book but need to be adjusted in the Cash Book.
4. Direct deposits by customers: These are recorded in the Pass Book and need to be added to the Cash Book balance to reconcile.

S57. Ans.(b)
Sol. An Artificial Juridical Person (AJP) is an entity that is not a natural person but is recognized by law as a separate legal entity when it does not fall under other categories like individuals, companies, or firms. Option (B) correctly defines this concept, while the other options describe scenarios that do not match the definition of an AJP.

S58. Ans.(c)

Sol. Cost accounting primarily deals with the collection, analysis, and reporting of information related to the costs incurred in production processes. This information is vital for managerial decision-making. Setting standard selling prices based on market demand and supply is not typically a responsibility of cost accounting. This task falls under the domain of pricing strategies and market analysis, which are areas distinct from cost accounting.

S59. Ans.(d)

Sol. A One Person Company (OPC) is a legal entity with a solitary individual as its sole member. It is established with a distinct legal identity independent of its member. OPCs offer the benefits of limited liability, ena [redacted] he necessity of forming p [redacted]

S60. Ans.(b [redacted]

Sol. (a) This [redacted] lized within twelve mont [redacted]

(b) This sta [redacted] not have an uncondition [redacted] porting date. This means [redacted]

(c) This stat [redacted] spect of the amount due [redacted]

(d) This stat [redacted] fied as non-current.

S61. Ans.(d [redacted]

Sol. Ind AS- [redacted] ng period, in addition to [redacted] etrospective application [redacted] ns, provided any of these [redacted] e beginning of the prece [redacted] view of the impact of su [redacted]

S62. Ans.(b)

Sol. A is incorrect because Ind AS 116 specifically states that the leased asset is not capitalized on the lessor's balance sheet as an asset; instead, it is presented as a receivable.

B is correct as it accurately reflects the provision of Ind AS 116, where the leased asset, despite being owned by the lessor, is not shown as a capital asset but as a receivable equal to the net investment in the lease.

C is incorrect because the standard explicitly requires the use of a discount rate, specifically the interest rate implicit in the lease, to calculate the present value of lease rentals receivable.

D is correct in general accounting practice under Ind AS 116, as the lessee's incremental borrowing rate may be used when the implicit rate cannot be easily determined, though this point specifically about the lessee's rate as a fallback is more broadly applicable and might not be directly stated in the context provided but aligns with accounting principles for leases.

S63. Ans.(a)
Sol. Computerization and technological innovations have enabled banks to operate on the principle of **centralized banking** where all branches of a bank are linked to each other online.
A customer having an account with any branch of a bank can deposit money into his account, withdraw money, and make inquiries regarding balance, etc., in other branches/outlets of the bank, which are linked **online**.
The concep [redacted] echnological
innovation. [redacted]
ATM transa [redacted] **ters**.

S64. Ans.(c [redacted]
Sol. Balanc [redacted] red internal
transactions [redacted] the 'Deposit
Accounts' a [redacted] hes. Proper
accounting [redacted] abilities and
to maintain [redacted]

S65. Ans.(d [redacted]
Sol. Coupon [redacted]
So, Current [redacted]
= 11 x 100/ [redacted]
When mark [redacted]
the market i [redacted]
So, Market P [redacted]
= 11x100/9 [redacted]

S66. Ans.(b [redacted]
Sol. The Int [redacted] to cover its
interest expenses with its operating income. The formula is:
Interest Coverage Ratio=Profit before charging Interest and Income tax/ fixed interest charges
This ratio indicates how many times a company can cover its interest expenses with its earnings before interest and taxes (EBIT). A higher ratio suggests a better ability to meet interest obligations.

S67. Ans.(d)
Sol. When a capital expense is incorrectly recorded as a revenue expense, it means that an expenditure that should have been capitalized (added to the balance sheet as an asset) has been treated as an immediate expense (income statement item). This error impacts the calculation of net profit in the following way:

Net Profit: Net profit is calculated as the difference between total revenue (income) and total expenses. If a capital expense is incorrectly recorded as a revenue expense, it artificially inflates the total expenses in the income statement. As a result, the expenses are higher than they should be, leading to a lower reported net profit.

S68. Ans.(c)
Sol. The journal entries themselves do not provide the account balances. They record individual transactions and their effects on specific accounts, but they do not give an account's current balance.
To find the balance of an account, you would need to look at the general ledger, which is a complete record of all financial transactions of a business. The general ledger summarizes the effects of journal entries on each account and provides the current balance for each account.

S69. Ans.(a[redacted]
Sol. The sub[redacted]areholders:
Subscribed [redacted]
Subscribed [redacted]
Hence, the s[redacted]

S70. Ans.(c[redacted]
Sol. Fixed p[redacted]
Cost-plus co[redacted]t.
In Time and[redacted]
Under cost-[redacted]contractor's
contract cos[redacted]

S71. Ans.(a[redacted]
Sol. Stateme[redacted]wo hundred,
restricts the[redacted]cribe to any
security of t[redacted]
Statement 3[redacted]aid-up share
capital is h[redacted]the Central
Governmen[redacted]

S72. Ans.(c)
Sol. The main advantage of Joint Stock Companies over other forms of business organizations like partnerships is the concept of limited liability. In Joint Stock Companies, shareholders' liability is restricted to the nominal value of the shares they hold. This means they are not personally liable for the company's debts beyond the amount they have invested. This limited liability feature encourages more people to invest in large-scale businesses without the fear of losing personal assets, unlike partnerships, where partners may be liable for all business debts, even beyond their initial investment.

S73. Ans.(c)
Sol. Statement 1 is incorrect. Budgetary control enhances the probability of achieving planned objectives, not decrease it.

Statement 2 is incorrect. Budgetary control leads to optimal utilization of limited resources, not wasteful utilization.
Statement 3 is correct. Budgetary control fosters better coordination among various functionaries of the organization.
Statement 4 is incorrect. Budgetary control encourages proactive thinking and actions as targets are known to the functionaries.
Statement 5 is correct. Budgetary control promotes delegation of authority while emphasizing the culture of accountability.
Statement 6 is correct. Budgetary control enhances the transparency of performance evaluation for various functionaries.

S74. Ans.(a [redacted]
Sol. [redacted]

First, calculate the average inventory:

$$\text{Average Inventory} = \frac{\text{Beginning Inventory} + \text{Ending Inventory}}{2}$$
$$\text{Average Inventory} = \frac{₹120{,}000 + ₹80{,}000}{2}$$
$$\text{Average Inventory} = ₹100{,}000$$

Then, calculate the stock turnover ratio:

$$\text{Stock Turnover Ratio} = \frac{\text{COGS}}{\text{Average Inventory}}$$
$$\text{Stock Turnover Ratio} = \frac{₹600{,}000}{₹100{,}000}$$
$$\text{Stock Turnover Ratio} = 6$$

S75. Ans.(d [redacted]
Sol. With th [redacted] ' process in the back o [redacted] y in which reconciliati [redacted] of computer systems and [redacted]

S76. Ans.(d [redacted]
Sol. Gross Profit Margin is a financial metric that represents the percentage of revenue remaining after deducting the cost of goods sold (COGS). It indicates how efficiently a company generates profit from its direct production or acquisition costs. Gross Profit Margin is calculated as (Gross Profit / Total Revenue) * 100. It provides insights into the profitability of a company's core operations before considering other expenses like operating costs and taxes.

S77. Ans.(a)
Sol. Statement 1 correctly explains the importance of considering depreciation and asset sales when comparing successive balance sheets. It clarifies that depreciation must be factored in to accurately assess the change in fixed assets.

Statement 2, on the other hand, contains incorrect information. It states that the buyback of shares may not be correctly reflected because profits have been added to reserves. This is misleading. In reality, the buyback of shares is recorded as a reduction in equity.

S78. Ans.(c)
Sol. A building agreement is deliberately discussed to bring about the development of a single asset or a group of assets that exhibit strong links in terms of design, technology, function, or ultimate purpose. This type of agreement is commonly used in the construction industry to establish the terms, conditions, and specifications for construction projects. It covers aspects like costs, timelines, and the roles and responsibilities of the parties involved.

S79. Ans.(d[redacted]
Sol. Agency[redacted]ng on behalf
of another [redacted]ews on key
business ma[redacted]rests of the
principal.
Stakeholde[redacted]akeholders)
both withir[redacted]nd the local
community.[redacted]mission.

S80. Ans.(b[redacted]
Sol. Financi[redacted]e laws and
regulations [redacted] This means
the compar[redacted]y and avoid
penalties.

S81. Ans.(a[redacted]
Sol. Stateme[redacted] commercial
banks. Lette[redacted]uments that
facilitate va[redacted]rade. These
instruments[redacted]default.
Statement 2[redacted]y banks for
working cap[redacted]o a specified
limit, allowi[redacted]ements. This
flexibility m[redacted]tor.

S82. Ans.(c)
Sol. Batch costing is a method of costing where a batch of similar products is considered as one job. The total cost of producing the entire batch is calculated first. Then, to find the cost of a single unit within the batch, the total batch cost is divided by the number of units in the batch. This approach ensures that the cost per unit is accurately determined for batches of similar products.

S83. Ans.(a)
Sol. The total Salaries Expense to be recorded in the Profit and Loss Account is calculated as follows:
Salaries Expense = Salaries Paid + Outstanding Salaries - Prepaid Salaries
Salaries Expense = ₹30,000 + ₹5,000 - ₹3,000 = ₹32,000

S84. Ans.(c)

Sol. In the manual accounting process of a bank, the initial step involves the staff responsible for entering entries directly into the physical ledgers. Following this, all entries under a specific ledger category are transcribed into the journal, also known as the day book. Lastly, the cumulative total is documented in the relevant control account within the General Ledger. This information is subsequently utilized in generating both the balance sheet and the Profit and Loss account.

S85. Ans.(b)

Sol. The balance of assets and liabilities on the balance sheet signifies the business's capability to meet its financial [redacted]er's Equity) shows that [redacted]lustrating a balance bet[redacted]

S86. Ans.(c[redacted]

Sol. Owner'[redacted]

Owner's Eq[redacted]

S87. Ans.(d[redacted]

Sol. A lease [redacted]

- It consti[redacted]h one party grants a[redacted]
- The cont[redacted]the lessor to receive [redacted]e.
- Lease ag[redacted]s applicable to all ten[redacted]
- Breachi[redacted]ding nature of such a[redacted]

S88. Ans.(d[redacted]

Sol. The Co[redacted], it must be applied consistently in subsequent periods. Should there be a need to alter this method, the change must be transparently reported. This principle ensures that financial statements remain clear and comparable over time, distinguishing it from the other options listed.

S89. Ans.(a)

Sol. A forward exchange rate is an agreed-upon rate for exchanging one currency for another at a future date, determined at the time of the contract. Unlike spot rates, which are for immediate currency exchanges, forward rates are used in contracts to lock in an exchange rate for a transaction that will occur later. This is particularly useful for businesses and investors looking to hedge against currency fluctuations and secure a known rate for future financial planning.

S90. Ans.(d)

Sol. The number of liters during this process of material input is 400 liters in this period. So, the normal and abnormal loss of material input during this period is 25% + 5% = 30%

So, for 100% we get 400 x 100 / 70

= 4000 / 7 = 571.4 liters = 571 litres.

S91. Ans.(a)

Sol. Cash flows exclude movements between items that constitute cash or cash equivalents because they are part of cash management. This means managing the extra money the business has by investing it in short-term, [redacted] n the main business act[redacted]

S92. Ans.(c[redacted]

Sol. The tax [redacted] eport issued by tax profe[redacted] of financial statements [redacted]

S93. Ans.(c[redacted]

Sol. Stateme[redacted] ofit and loss account in t[redacted] head. This is not universa[redacted] ofit and loss accounts.

Statement 2 [redacted] e profit and loss ledgers [redacted] f banks. This allows for a [redacted] n the bank's operations.

S94. Ans.(b[redacted]

Sol. In India[redacted] ule annexed to the Bank[redacted] specifically designed for banking companies and is distinct from the formats laid down in Schedule III of the Companies Act, 2013. This ensures that the financial statements of banking companies accurately reflect their unique operations and activities in the banking sector.

S95. Ans.(b)

Sol. Internal factors affecting WACC are specific to the company's decisions and policies. These include how the company structures its debt and equity (capital structure policy), its choices about investing in long-term projects (capital investment policy), and how it distributes profits to shareholders (dividend policy). These factors influence the overall cost of capital for the company.

S96. Ans.(c)
Sol. High-yield bonds, also known as junk bonds, are riskier than investment-grade bonds because they are rated below investment grade by credit rating agencies. Due to this increased risk, investors expect to earn a higher yield as compensation. Option C is correct as it directly links the higher expected yield to the increased risk, reflecting the rationale behind an investor's decision to choose high-yield bonds. Option A is incorrect because it incorrectly states that high-yield bonds are lower risk and more stable, which is not true. Option B is incorrect because the lower ratings suggest higher risk, not necessarily potential for higher long-term capital appreciation. Option D is incorrect as high-yield bonds do not typically come with guarantees of principal return through collateral.

S97. Ans.(a [redacted]
Sol. Brokera [redacted]
Capital expe [redacted] In this case, paying brok [redacted] l cost of the asset.

S98. Ans.(c [redacted]
Sol. In accou [redacted] me, and this outcome ma [redacted] ntingency, it cannot be ac [redacted]

S99. Ans.(d [redacted]
Sol. Depreci [redacted] n asset over time due to [redacted] gradual and ongoing, co [redacted]

S100. Ans.([redacted]
Sol. ATMs d [redacted] , disbursing cash, inter-b [redacted]