

ALL THE VERY BEST FOR YOUR EXAMS

SAMPLE QUESTIONS FOR JAIIB ACCOUNTING & FINANCE FOR BANKERS

Though we had taken enough care to go through the questions, we request everyone to update yourself with the latest information through RBI website and other authenticated sources. In case you find any incorrect/doubtful information, kindly update us also (along with the source link/reference for the correct information) as lot of questions were shared by many people.

Accounting & Finance for Bankers

Q received a sum of rs. 20 lac on sale of a property which he has invested in term deposit wit a bank @10% interest for 10 year with the provision that he shall get fixed amount every 10 years how much amount shall receive

- a. Rs. 325491
- b. Rs. 325941
- c. Rs, 324480
- d. Rs. 323490

Ans - a

Solution

$$\begin{aligned} \text{EMI} &= P \cdot R \cdot \frac{(1+r)^T}{(1+r)^T - 1} \\ &= 2000000 \cdot 0.10 \cdot \frac{(1+0.10)^{10}}{(1+0.10)^{10} - 1} \\ &= 200000 \cdot \frac{2.593742}{2.593742 - 1} \\ &= 200000 \cdot \frac{2.593742}{1.593742} \\ &= 200000 \cdot 1.627454 \\ &= 325490.8 \\ &= 325491 \end{aligned}$$

.....

Mr. X needs 10,00,000 to meet the expenses on the higher study of his son at the end of 10 years from now. If the interest rates are assumed at 12%, how much amount he should deposit annually.

- 56969
- 55980
- 56589
- 56984

Ans - d

Solution:

$$\begin{aligned} A &= FV \cdot \frac{r(1+r)^n - 1}{(1+r)^n - 1} \\ &= 1000000 \cdot \frac{0.12(1.12)^{10} - 1}{(1.12)^{10} - 1} \\ &= 1000000 \cdot \frac{0.12}{3.105848 - 1} \\ &= 120000 \cdot \frac{0.12}{2.105848} \\ &= 120000 / 2.105848 \\ &= 56984.169 \\ &= 56984.17 \end{aligned}$$

.....

Mr. X needs 10,00,000 to meet the expenses on the study of his son at the end of 20 years from now. If the interest rates are assumed at 12%, how much amount he should deposit annually.

- 13788
- 13878
- 18378
- 18738

Ans - b

Solution:

$$\begin{aligned} A &= FV \cdot \frac{r(1+r)^n - 1}{(1+r)^n - 1} \\ &= 1000000 \cdot \frac{0.12(1.12)^{20} - 1}{(1.12)^{20} - 1} \\ &= 120000 \cdot \frac{0.12}{9.646293 - 1} \\ &= 120000 \cdot \frac{0.12}{8.646293} \end{aligned}$$

$$=120000/8.646293$$

$$=13878.78$$

.....

An Inflation rate of 10% and an expected nominal cash flow of Rs. 11,00,000/- lac, the value of the real cash flow?

990000

1000000

1100000

1210000

Ans - b

Solution

Real Cash flow= Nominal Cash flow/(1+Inflation Rate)

$$1100000/1+0.10$$

$$=11/1.10$$

$$=10,00,000$$

Effective Interest Rate of 10% of annual interest and compounding semi-annually

a. 10 %

b. 10.25 %

c. 10.5 %

d. 10.75 %

Ans - b

Effective Interest Rate $= (1 + \text{periodic Interest Rate})^n - 1$

$$= (1 + 10/2)^2 - 1$$

$$= (1.1025)^2 - 1$$

$$= 0.1025$$

$$= 10.25\%$$

.....

An amount of money is deposited in a Bank that gives an interest of 5%, compounded annually, If the amount got after six year is Rs. 5000, then what is the principal amount of money that was deposited initially?

3317

3371

3713

3731

Ans - d

Solution

Future cash flow= Rs. 5000

Interest rate=5%=0.05

Time period = 6 years

Present Value= Future value/(1+r)^n

=5000/(1+0.05)^6

=5000/1.3400956

=3731.07

.....

A person invested Rs. 100000 in a bank FDR @ 6% p.a. for 1 year. If interest is compounded on quarterly basis, the amount payable shall be

106136

106316

116136

116316

Ans - a

Solution:

P = 100000

R = 6% / 4 = 0.015 (since compounding is quarterly, rate is divided by 4)

T = 1 * 4 = 4 (since compounding is quarterly, time is multiplied by 4)

Since compounding is quarterly and its only 1-time investment, the formula to be used:

$$FV = P * (1+R)^T$$

So,

$FV = 100000 * (1+0.015)^4$

106136 (paise rounded) Ans.

.....

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

848.48

884.48

888.48

844.88

Ans - c

Solution:

P = 10000

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

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

The formula of EMI =

$$P * R * (1 + R)^T \div \{ (1 + R)^T - 1 \}$$

So,

$$EMI = 10000 * 0.01 * (1 + 0.01)^{12} \div \{ (1 + 0.01)^{12} - 1 \}$$

888.48 Ans

A person raised a house loan of Rs. 10 lac @ 12% ROI repayable in 10 years. Calculate EMI.

13447

13474

14347

14374

Ans - c

Solution:

$P = 10 \text{ lac}$

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

$T = 10 * 12 = 120$ (In EMI or Equated Monthly Instalment, we multiply time with 12)

The formula of EMI =

$$P * R * (1 + R)^T \div \{ (1 + R)^T - 1 \}$$

So,

$$EMI = 1000000 * 0.01 * (1 + 0.01)^{120} \div \{ (1 + 0.01)^{120} - 1 \}$$

14347 Ans

Returns Outward Book is maintained to record

- a. Return of good purchased
- b. Return of goods sold
- c. Return of old assets sold
- d. Return of anything purchased

Ans - a

The entry regarding payment of the bill will be passed in the books of the drawer if the bill is

- retained
- endorsed
- discounted
- retained or sent to bank for collection

Ans - d

.....

Errors of part omission do not permit

- a. Correct totalling of the Balance sheet
- b. Correct totalling of the Trial Balance
- c. The trial balance to agree
- d. Preparation of final accounts

Ans - c

.....

A is drawer and B is acceptor of the bill. A endorses the bill to c. The bill is dishonoured on due date. A will debit

- a. B's a/c
- b. C's a/c
- c. Bills Receivable a/c
- d. Cash a/c

Ans - a

.....

Entries for deposits of cheques into the bank are made by the bank on the credit of customer account

- Immediately
- On their clearing/collection
- After 7 days
- After reconciliation

Ans - b

.....

Instruments payable to order can be transferred or negotiated by

- a. Endorsement & delivery
- b. Mere delivery
 - Encashment
 - None of the above

Ans - a

.....

Which of the following is not a deferred revenue expenditure ?

- a. Preliminary expenses for setting up a company.
- b. Rights issue amount.
- c. Huge sales promotion expenditure in launch of new product
- d. Cost of preparing project report

Ans - b

.....

Noting charges are

- a. Paid to bank for dishonour
- b. Paid to drawer for dishonour
- c. Paid to notary public for recording dishonour
- d. None of the above.

Ans - c

.....

Mr. X is to receive Rs. 100000, as interest on bonds at the beginning of each year for 5 years @ 5% ROI. Calculate the present value of the amount he is to receive.

- 445596
- 449556
- 454596
- 454956

Ans - c

Solution:

P = 10000
R = 5% p.a.
T = 5 Y

$$PVAD = (C \div R) \times \{ (1 + R)^T - 1 \} \times (1 + R) \div (1 + R)^T$$

So,

$$PVAD = (100000 \div 0.05) \times \{ (1 + 0.05)^5 - 1 \} \times (1 + 0.05) \div (1 + 0.05)^5$$

454596 Ans

.....

X draws a bill on Y for 50,000 for 3 months. Before the due date Y sends 1/5th of the amount to X. Y requested X to draw a new bill for the balance amount plus interest @ 12% p.a. for 3 months. Find the amount of the new bill.

5,150

- 4,140
- 4,120
- 5,440

Ans - c

.....

Yield of interest rate which is below than coupon rate, this yield is classified as

- a. yield to maturity
- b. yield to call
- c. yield to earning
- d. yield to investors

Ans - b

.....

Debit balance as per Cash Book of abc enterprise as on 31.03.2017 is 1,500. Cheques deposited but not cleared amounts to 100 and Cheques issued but not presented of 150. The bank allowed interest amounting 50 and collected dividend 50 on behalf of xyz enterprise. Balance as per pass book should be

- 1,600
- 1,450
- 1,650
- 1,850

Ans - c

.....

Bank overdraft as per Cash Book - 14,500
Cheque deposited but not credited - 3,000
Cheque issued but not presented - 6000
Overdraft as per bank statement will be

- 11,500
- 11,000
- 19,800
- None of the above

Ans - a

.....

Which of the following are added to net profit after tax and extraordinary items to reach to net profit before tax and extraordinary items? (i) Provision for tax made during the year, (ii) Proposed dividend made during the year, (iii) Transfer to General reserves and other reserves

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

Ans - d

.....

Given production is 1,00,000 units, fixed costs is Rs 2,00,000 Selling price is Rs 10 per unit and variable cost is Rs 6 per unit. Determine profit using technique of marginal costing.

- a. Rs 2,00,000
- b. Rs 4,00,000
- c. Rs 6,00,000
- d. Rs 8,00,000

Ans - a

Fixed cost = $200000/100000 = \text{Rs } 2$ + variable cost 2 = total cost is rs 8 selling price per unit 10-8 = $2 * 100000 = 200000$

.....

KYC guidelines take into account the recommendations of an international Financial Action Task Force (i) on anti-money laundering standards, (ii) on combating financing of terrorism, (iii) on manipulation of economic offences

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

Ans - a

.....

A sleeping partner asks the bank to stop operations in th Next day he comes to request that he gave the instruction by mistake

- a. bank can allow operations if he gives in writing
- b. bank can allow operation if all the partners make a request
- c. bank cannot allow operation even when requested by afl
- d. any of the above

Ans - b

A sum of money at simple interest amounts to Rs. 2,800 in 2 years and to Rs. 3,250 in 5 years. Find the sum and the rate of interest.

- a. Rs. 2,500 ; 4%
- b. Rs. 2,500 ; 5%
- c. Rs. 3,000 ; 4%
- d. Rs. 2,500 ; 6%

Ans - d

.....

A minor can be allowed to open a saving bank account, where he

- a. could sign and his age is at least 12 years
- b. his age is above 16 years
- c. could sign in English and his age is 16 years
- d. could sign and his age is 10 years or above

Ans - d

.....

A minor 16 years of age, is having an FDR of Rs.10000 with the bank. He requested for before-maturity payment. Can bank allow before maturity payment?

- a. bank can accept the request of the minor
- b. bank can accept the request, if accompanied by another request from the guardian
- c. bank can accept the request for loan and not pre-mature cancellation, as that amounts to breaking the contract, for which he has no authority
- d. bank cannot accept the request

Ans - a

.....

Working Capital of a company is 1,35,000 and current ratio is 2.5. Liquid Ratio is 1.5 and the proprietary ratio is 0.75. Bank overdraft is Rs.30,000. There are no long term loans and fictitious assets. Reserves and surplus amount to Rs.90,000 and the gearing ratio (Equity Capital I Preference Capital) is 1.2. From the above, calculate

1. Current assets

- Rs.60,000
- Rs.90,000
- Rs.1,35,000
- Rs.2,25,000

Ans - d

.....

2. Quick Liabilities

- Rs.60,000
- Rs.90,000
- Rs.1,35,000
- Rs.2,25,000

Ans - a

.....

3. Quick Assets

- Rs.60,000
- Rs.90,000

Rs.1,35,000
Rs.2,25,000

Ans - b

.....

4. Stock

Rs.60,000
Rs.90,000
Rs.1,35,000
Rs.2,25,000

Ans - c

.....

5. Preference Capital

Rs.60,000
Rs.90,000
Rs.1,35,000
Rs.2,25,000

Ans - a

.....

6. Equity Capital

Rs.60,000
Rs.90,000
Rs.1,20,000
Rs.2,25,000

Ans - c

.....

On 1.3.2017 X draws a bill on Y for 3 months for 20,000. On 4.5.2017 Y pays the bill to X at 12% discount, the amount of discount will be

- a. 200
- b. 400
- c. 600
- d. 100

Ans - a

.....

The main benefit of using a foreign exchange broker is that the broker provides_ to the trades until an exchange rate is agreed on for a trade.

- a. technological resources

low-cost information
anonymity
low-cost trading services

Ans - c

.....

Under the diminishing balance method depreciation, depreciation amount will not (i) Increase every year, (ii) Remain constant every year, (iii) Decreases every year

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

Ans - a

.....

At 5% per annum simple interest, Rahul borrowed Rs. 500. What amount will he pay to clear the debt after 4 years ?

- 750
- 700
- 650
- 600

Ans - D

Explanation:

We need to calculate the total amount to be paid by him after 4 years, So it will be Principal + simple interest. So,

$$\Rightarrow 500 + 500 * 5 * 4 / 100$$
$$\Rightarrow \text{Rs. } 600$$

.....

The spot exchange rate and the forward exchange rate differ by the

- a. location of the trade
- b. type of trader
- c. type of currency exchanged
- d. timing of the actual currency exchange

Ans - d

.....

You want to buy an ordinary annuity that will pay you Rs. 4000 a year for next 20 years. you expect annual interest rate will be 8 percent over that time period. the maximum price you would be willing to pay for the annuity is closest to

- a. Rs. 32000
- b. Rs. 39272
- c. Rs. 40000
- d. Rs. 80000

Ans - b

Solution

$$\begin{aligned}
 & A/r * (1+r)^n - 1 / (1+r)^n \\
 & 4000 / .08 * ((1.08)^{20} - 1) / 1.08^{20} \\
 & 50000 * 4.66095 - 1 / 4.66095 \\
 & = 50000 * 3.66095 / 4.66095 \\
 & = 50000 * 0.78545 \\
 & = 39272.57 \\
 & = 39272
 \end{aligned}$$

.....

You want to buy an ordinary annuity that will pay you Rs. 4000 a year for next 20 years. you expect annual interest rate will be 8 percent over that time period. the maximum price you would be willing to pay for the annuity is closest to

- a. Rs. 32000
- b. Rs. 39272
- c. Rs. 40000
- d. Rs. 80000

Ans - b

Solution

$$\begin{aligned}
 & A/r * (1+r)^n - 1 / (1+r)^n \\
 & 4000 / .08 * ((1.08)^{20} - 1) / 1.08^{20} \\
 & 50000 * 4.66095 - 1 / 4.66095 \\
 & = 50000 * 3.66095 / 4.66095 \\
 & = 50000 * 0.78545 \\
 & = 39272.57 \\
 & = 39272
 \end{aligned}$$

You recently earned a 13% return on an investment during the preceding year. if the inflation rate during that period is 8% what was your real return during that period.

- 5%
- 4.63%
- 4.42%
- 6%

Ans - b

Solution

$$\begin{aligned}
 & \text{Real rate of return} = (r1 + 1 / r2 + 1) - 1 \\
 & = (1.13 / 1.08) - 1 = 0.04629 \\
 & = 4.63\%
 \end{aligned}$$

.....
Effect of 14% compounding quarterly on effective annual int rate %

- 14.25
- 14.50
- 14.75
- 15.00

Ans - c

Solutions

Effective rate = $(1 + \text{Annual ROI}/N)^n - 1$

$$(1 + 14\%/4)^4 - 1$$

$$1.035^4 - 1 = 1.1475 - 1$$

$$0.1475 = 14.75\%$$

.....
If the U.S. dollar is worth 129.68 Japanese yen, then the Japanese yen is worth US dollars.

- 0.007711
- 129.68
- 0.002289
- 354.25

Ans - a

X Invested Rs.100000 In A Bank FDR At 6% P.a. For One Year. If Interest Is Compounded On Half-yearly Basis, the Amount Payable Shall Be?

- 106000
- 106160
- 106130
- 106090

Ans - d

Solution:

$$P = 100000$$

$$R = 6\% \text{ half-yearly} = 3\% @ \text{ p.a.} = 0.03 \text{ p.a.}$$

$$T = 1 \text{ yr} = 2 \text{ half yrs}$$

$$FV = P * (1 + R)^T$$

$$100000 * (1 + 0.03)^2$$

$$= 100000 * 1.0609$$

$$106090$$

.....
The statement "the INR rose today from 65.20 to 64.90" makes sense because

a. The U.S. gains when INR loses



b. These numbers measure INR per dollar, not dollars per INR
c. These numbers are indexes, defined relative to a base of 100
d. These numbers refer to time of day that the change took place

Ans - b
.....

The price at which one can enter into a contract today to buy or sell a currency 30 days from now is called a

- a. Reciprocal exchange rate
- b. Effective exchange rate
- c. Exchange rate option
- d. Forward exchange rate

Ans - d
.....

Forward exchange rates are useful for those who wish to

- a. Protect themselves from the risk that the exchange rate will change before a transaction is completed
- b. Gamble that a currency will fall/rise in value
- c. Exchange currencies at a point in time in the future
- d. All of the above

Ans - d
.....

Based on the supply and demand model of the exchange rate, which of the following should cause the Philippine peso to appreciate?

- a. Concern abroad over the safety of Philippine toy exports
- b. An increase in remittances from Philippine workers abroad to their families at home
- c. Repayment by the Philippine government of its debt to the IMF
- d. Increased imports by Philippine consumers of electronics made in Taiwan

Ans - b
.....

According to the Purchasing Power Parity theory, the value of a currency should remain constant in terms of what it can buy in different countries of

- Bonds
- Stocks
- Goods
- Labor

Ans - c
.....

Suppose spot USD/INR is 46.75 and 1 year US interest rate is 5% while it is 11% in India. The 1 year USD/INR forward rate is

- a) 42.22
- b) 47.29
- c) 49.55
- d) d. 52.55

Ans - c

.....

If the EuroINR is equal to INR 70.25 and Bangadesi Taka EuroBTK exchange rate is BTK99.18, the cross rate INRBTK rate is

- a. 1.4118 INR for BTK
- b. 1.4118 BTK for INR
- c. 0.708 BTK for INR
- d. 0.708 INR for BTK

Ans – a

.....

Ravi availed a house loan of Rs. 15 lac @ 9% ROI repayable in 20 years. Calculate EMI.

- 12496
- 12946
- 13496
- 13946

Ans - c

Solution:

P = 15 lac

R = 9% / 12 = 0.75% (In EMI or Equated Monthly Instalment), we need to find monthly rate, so we divide rate by 12)

T = 12*20 = 240 (In EMI or Equated Monthly Instalment, we multiply time with 12)

The formula of EMI = $P * R * (1 + R)^T \div \{ (1 + R)^T - 1 \}$

So,

$$\begin{aligned} \text{EMI} &= 1500000 * 0.0075 * (1 + 0.0075)^{240} \div \{ (1 + 0.0075)^{240} - 1 \} \\ &= (1500000 * 0.0075 * 6.0092) \div 5.0092 \\ &= 67603 / 5.0092 \\ &= 13496 \end{aligned}$$

.....

A sum of money at simple interest amounts to Rs. 11700 in 3 years and to Rs. 15300 in 7 years. What is the principal amount?

6000

7000

8000

9000

Ans - d

Explanation:

SI for 4 years = $15300 - 11700 = 3600$

SI for 3 years = $3600 / 4 * 3 = 2700$

principal = $11700 - 2700 = 9000$

.....

Assets

Net Fixed Assets - 400

Inventories - 150

Cash - 50

Receivables - 150

Goodwill - 50

Total Assets - 800

Liabilities

Capital - 180

Reserves - 20

Term Loan - 300

Bank C/C - 200

Trade Creditors - 50

Provisions - 50

Total Liabilities - 800

1. Net Worth = ?

180

200

250

300

Ans - b

Explanation :

Capital + Reserve = 200

.....

2. Tangible Net Worth = ?

100

150

180

200

Ans - b

Explanation :

Net Worth - Goodwill = 150

.....

3. Outside Liabilities = ?

200

400

600

800

Ans - c

Explanation :

TL + CC + Creditors + Provisions = 600

.....

4. Net Working Capital = ?

a. 50

100

150

200

Ans - a

Explanation :

CA - CL = 350 - 300 = 50

.....

5. Current Ratio = ?

1:1.33

1:1.17

1.33:1

1.17:1

Ans - d

Explanation :

CA / CL = 350 / 300 = 1.17 : 1

.....

6. Quick Ratio = ?

0.33:1

0.66:1

1:0.33

1:0.66

Ans - b

Explanation :

Quick Assets / CL = $200/300 = 0.66 : 1$

.....

Nominal accounts relate to (a) incomes (b) expenses (c) assets (d) liabilities

- a. A to d all
- b. A and b only
- c. B and c only
- d. A and c only

Ans - b

.....

The journal entries are posted in the ledger

- a. In order of their category
- b. In order of their dates
- c. In order of their importance
- d. As per discretion of the firm

Ans - b

.....

At the end of each financial year all accounts of and are transferred to trading and profit & loss account, called closing entries

- a. Assets, liabilities
- b. Income, liabilities
- c. Expenses, assets
- d. Income, expenses

Ans - d

.....

A firm has purchased few items at different prices of Rs.50, Rs.60, Rs.70, Rs.80 and Rs.90. what is the rate of valuation of the goods as per average cost method ?

- a. Rs.70, being the middle item
- b. Rs.70, being the average of all items
- c. Rs.50, being the base item to be purchased
- d. Rs.90, being the last item to be purchased

Ans - b

Which of the following accounts is called valuation account or contra account ? (a) provision for depreciation account (b) provision for doubtful debts account (c) stock reserve account (d) reserves and surpluses account:

- a. A to d all
- b. A, b and c only
- c. A, c and d only
- d. B, c and d only

Ans - b

.....

A cash book is of different types such as (a) simple cash book (b) double column cash book (c) three column cash book

- a. A to c all
- b. Only a and b
- c. Only a and c
- d. Only b and c

Ans - a

.....

Bank paid some interest to the party. Firm deposited one cheque with the bank. The entry in respect of these two would be made first by and respectively

- a. Bank, bank
- b. Bank, firm
- c. Firm, firm
- d. Firm, bank

Ans - b

.....

The bank pass book shows a balance of Rs.30000. its comparison with the cash book shows that bank has debited a sum of Rs.100 as incidental charges and a cheque of Rs.2000 issued by the firm has not been paid by the bank so far. The balance as per cash book is Rs.

- 32100
- 31900
- 27900
- 28100

Ans - d

.....

A double columnar cash book has two columns on each side (which one is false)

- a. One column is meant for cash and another for discount
- b. The discount column on the debit side represents the discount allowed
- c. The cash column on the credit side represents cash received

d. The discount column on the credit side means the discount allowed and cash column on the debit side means cash received.

Ans - d

.....

Returns of goods from the customers of the firm should be credited to and debited to

- a. Customer account, sales returns
- b. Sales account, sales returns
- c. Customer account , sales account
- d. Sales returns, customer account

Ans - a

.....

In gross trail balance, which of the following is taken (a) total of debit columns of each ledger account (b) total of credit columns of each ledger account (c) total of receipt of cash book (d) total of payment of cash book

- a. A to d all
- b. Only a and b
- c. Only c and d
- d. Only a and c

Ans - a

.....

A person invested Rs. 1000000 in a bank FDR @ 12% p.a. for 1 year. If interest is compounded on quarterly basis, the amount payable shall be

- 1095209
- 1125509
- 1130509
- 1145509

Ans - b

Solution:

$$P = 1000000$$

$$R = 12\% / 4 = 0.03 \text{ (since compounding is quarterly, rate is divided by 4)}$$

$$T = 1 * 4 = 4 \text{ (since compounding is quarterly, time is multiplied by 4)}$$

Since compounding is quarterly and its only 1-time investment, the formula to be used:

$$\text{-----}$$
$$FV = P * (1+R)^T$$
$$\text{-----}$$

So,

$$FV = 1000000 * (1+0.03)^4$$

1125509

.....

Cost of asset = 10,00,000

Estimated residual value = 10% of the cost

Estimated useful life of asset = 4 years

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

500000

600000

700000

750000

Ans - d

Explanation :

Depreciation rate = $(1/\text{useful life}) \times 200\%$

= $1/4 \times 200\% = 20\% \times 2 = 50\%$

[Year 1]

Depreciation amount for year 1

beginning book value x depreciation rate

10,00,000 x 50%

5,00,000

Accumulated depreciation at the end of year 1 = 5,00,000

Book value at the end of year 1

10,00,000 - 5,00,000

5,00,000

[Year 2]

Depreciation amount for year 2

beginning book value x depreciation rate

5,00,000 x 50% = 2,50,000

Accumulated depreciation at the end of year 2

5,00,000 + 2,50,000 = 7,50,000

.....

MR. X took a loan for 10 years at the rate of 8% per annum on Simple Interest, If the total interest paid was Rs. 5000, the principal was

6200

6250

7500

7550

Ans - B

Explanation:

$$S.I.=P*R*T/100 \Rightarrow P=S.I.*100/R/T$$

By applying above formula we can easily solve this question, as we are already having the simple interest.

$$P = 5000*100/10/8$$
$$6250$$

.....

There was simple interest of Rs. 21000 on a principal amount at the rate of 10 % p.a. in 3 years. Find the principal amount

- A. Rs 60000
- B. Rs 70000
- C. Rs 75000
- D. Rs 80000

Ans - B

Explanation:

$$S.I.=P*R*T/100$$
$$\Rightarrow P=S.I.*100/R/T$$
$$P = 21000*100/10/3$$
$$70000$$

.....

Which one of the following statements is/are 'True'? (i) Any expenditure incurred to maintain the assets in the same state of efficiency is revenue expenditure, (ii) Heavy expenditure of revenue nature the impact of which is expected to last for more than a year is termed as 'Deferred revenue Expenditure', (iii) Any expenditure which is unreasonably large, is capital expenditure.

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

Ans - a

.....

An expenditure incurred on shifting the stock to a new site is an example of

- a. revenue expenditure
- b. capital expenditure
- c. deferred revenue expenditure
- d. All of the above

Ans - a

.....

Which of the following statements are true? (i) Common-size balance sheet shows relative value of the various items, (ii) In the common size income statement, each product is represented as a percentage of the net sales figure, (iii) Common size income statements represent the various elements as a percentage of the gross profit

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

Ans - a

.....

Which of the following statements are true? (i) Vertical Analysis is also termed as dynamic analysis, (ii) Horizontal analysis is also termed as dynamic analysis, (iii) Static Analysis is not extremely useful for the long-term financial planning

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

Ans - c

.....

Partnership firms whose liability does not extend to their personal assets are called firms.

- a. Limited Partnership
- b. Liabilities Partnership
- c. Limited Liabilities
- d. Limited Liabilities Partnership

Ans - d

.....

A bank subscribing to the BCSBI Code should inform the customer regarding the details and terms of (i) Loans at fixed rates of interest, (ii) Loans at floating rates of interest, (iii) Interest on deposits

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

Ans - a

.....

Branches can improve their image by (i) organizing customer meet regularly, (ii) attending to only high profile customers, (iii) not accepting criticism

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

Ans - a

.....
As per extant rules for the purpose of calculation of interest on domestic term deposits, repayable in less than 3 months; for a leap year:

- a. the actual no. of days should be reckoned at 365 days
- b. the actual no. of days should be reckoned at 366 days
- c. banks are free to adopt their methodology with information being provided to customers.
- d. the actual no. of days should be reckoned at 360 days

Ans - b
.....

The elements of good delivery of customer service include: (i) speed, (ii) accuracy, (iii) dress code

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

Ans - a
.....

Ram borrows Rs. 5000 for 2 years at 4% p.a. simple interest. He immediately lends money to Rahul at 25/4% p.a. for 2 years. Find the gain of one year by Ram.

- 110.50
- 111.50
- 112.50
- 113.50

Ans - C

Explanation:

Two things need to give attention in this question, First we need to calculate gain for 1 year only.

Second, where we take money at some interest and lends at other, then we use to subtract each other to get result in this type of question.

Lets solve this Simple Interest question now.

$$\begin{aligned} \text{Gain in 2 year} &= [(5000 \times 25/4 \times 2/100) - (5000 \times 4 \times 2/100)] \\ &= (625 - 400) \\ &= 225 \end{aligned}$$

$$\text{So gain for 1 year} = 225/2 = 112.50$$

.....

In case of joint account, stop payment of cheque should be authorised by (i) only primary customer, (ii) all the authorised signatories, (iii) any authorised signatory

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

Ans - d

.....

A private limited company has shareholders.

- a. 2 to 200
- b. 1 to 49
- c. 7 to 51
- d. 2 to 50

Ans - a

.....

Revamping the attitude of the staff to customer implies

- a. Customer Education
- b. Customer Orientation
- c. Customer Service
- d. Customer Revamping

Ans - d

.....

Talwar committee recommended the introduction of

- a. Core banking
- b. Teller System
- c. Credit cards
- d. ATMs

Ans - a

.....

For a rewarding interpersonal relationship with a customer, the most important requirements are: (Choose the most appropriate one)

- a. communication skill, ambiance, employees dress, incentives, b. core banking, communication skill, ambiance, employee's dress c. listening, core banking, communication skill, ambiance d. communication skill, conflict resolution, persuasion

Ans - b

A torn cheque has been presented for payment. The paying bank can pay the cheque if (i) The drawer confirms mutilation, (ii) The collection banker confirms mutilation, (iii) Clearing House confirms mutilation

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

Ans - b

.....

A customer walks into the branch 5 minutes after the scheduled opening time. He finds the counters empty, the system down and the Branch Manager absent. He questions a sub-staff about it. The ideal response from the staff should be:

- a. Express his helplessness and reply in an indifferent manner.
- b. Tell a story that a member colleague is getting married and everybody has gone to attend the same.
- c. Tell a lie that the system has failed and everybody has gone to the canteen.
- d. Apologise for the inconvenience and ask him to be seated in the meantime.

Ans - d

.....

Bank's should obtain and keep on record photos of all depositors with certain exceptions. Choose the incorrect option in respect of the exception.

- a. Local authorities
- b. Pardanashin women
- c. Staff members
- d. Govt. departments

Ans - b

.....

Failure to recredit customer's A/c in case of failed ATM transaction will entitle the customer to receive compensation at per day by the card issuing bank.

- a. Rs. 250.00
- b. SB Interest rate
- c. OD Interest rate
- d. Rs. 100.00

Ans - d

.....

Nomination facility is available across a wide variety of banking services. Select the incorrect option from among the following regarding nomination in respect of deposits.

- a. Nomination is intended for individuals including sole proprietary concern.

- b. Nomination can be made only in favour of individuals
- c. A joint deposit account can have more than one nominee
- d. In joint deposit A/c, nominee's right arises only the death of all depositors.

Ans - c

.....

BCSBI is not registered as a (i) Society, (ii) Company, (iii) Institution

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

Ans - c

.....

An NRI customer requests the Branch Manager to open a NRE deposit by email enclosing a signed scanned letter. He finds that the deposit has not been issued even after a week. The Branch Manager should:

- a. advise the customer to contact the staff concerned directly.
- b. try to cover the lapse and deny receiving the mail.
- c. promise to look into the matter and get back immediately
- d. advise that the system is overloaded and email requests will not be entertained

Ans - c

.....

B drew a bill of 10,000 for 2 months on A for mutual accommodation. It was decided that the proceeds would be shared equally. How much amount would be received by A if the bill was discounted @12% p.a.?

- 9,800
- 5,000
- 5,100
- 4,900

Ans - d

.....

A minor approaches your branch to open a self operated current account since he is regularly receiving the dividend income and has to pay regular payments for which frequent cheques will be required to be drawn. How would you deal with his request?

- a. Current account will be opened keeping in view his genuine needs
- b. current account can be opened when it is jointly opened with his guardian
- c. current account can be opened but there is higher degree of risk since this involves very high frequency of issue of cheques on which the minor will not be personally liable as a drawer
- d. will be opened after obtaining HO permission

Ans - c

.....

QIS statements are required to be submitted by borrowers enjoying working capital limits of Rs & above

- a. 5 crore
- b. 10 crore
- c. 25 crore
- d. 50 crore

Ans - b

.....

When the minor attains majority in case of a joint account with the guardian

- a. the guardian can continue to operate the account as per terms of the account when it was opened
- b. the guardian cannot be permitted to operate the account without consent of the minor who has attained majority
- c. the account should be closed as a new party has come into picture
- d. minor's ratification for past transaction should be obtained

Ans - b

.....

Ravi drew a bill on Raj for 50,000 for 3 months. Proceeds are to be shared equally. Ravi got the bill discounted @ 12% p.a. and remits required proceeds to Raj. The amount of such remittance will be

- 24,250
- 25,000
- 16,167
- 32,333

Ans - a

.....

Which of the following does not effect cash flows proposal?

- a. Salvage Value
- b. Depreciation Amount
- c. Tax Rate Change
- d. Method of Project Financing

Ans - d

.....

Cash Inflows from a project include (i) After-tax Operating Profits, (ii) Raising of Funds, (iii) Tax Shield of Depreciation

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

Ans - b

.....

Balance as per Cash Book on 31.03.2017 - 20,000
 Cheques sent to bank but not entered in cashbook - 2,200
 Cheques issued and presented on 7th April - 3,000
 Bill payable by Bank not entered in the cash book - 1,600
 Balance as per pass book will be

- 19,200
- 23,600
- 20,800
- 6,400

Ans - b

.....

Which of the following is not a relevant cost in Capital Budgeting? (i) Sunk Cost, (ii) Opportunity Cost, (iii) Allocated Overheads

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

Ans - b

.....

A firm in the name of M/s xyz is maintaining a current account with ABC Bank. The firm is having 5 partners and one of them being very old, is a dormant partner. The account is operated by two other partners jointly. A cheque of Rs. 1650, in favour of State Electricity Board is presented through clearing. The bank received a stop payment of the cheque, from the dormant partner.

- a. the cheque being of a small amount should be paid
- b. the cheque being in favour of an important payee, dues should be paid
- c. the cheque should be paid, as the stop payment instruction from a dormant partner
- d. the cheque should not be paid, as dormant partner also has the authority to stop operations of the account

Ans - d

.....

Cost of asset = 1,00,000
 Estimated residual value = 10,000
 Estimated useful life of asset = 5 years

Find the book value at the end of 3rd year using double declining balance method.

- 21600
- 24000
- 25600
- 36000

Ans - a

Explanation

$$\begin{aligned} \text{Depreciation rate} &= (1/\text{useful life}) \times 200\% \\ &= 1/5 \times 200\% = 20\% \times 2 = 40\% \end{aligned}$$

(*) depreciation stops when book value = residual value

$$\begin{aligned} \text{[Year 1] Depreciation amount for year 1} \\ &= \text{beginning book value} \times \text{depreciation rate} \\ &= 1,00,000 \times 40\% = 40,000 \end{aligned}$$

$$\begin{aligned} \text{Accumulated depreciation at the end of year 1} &= 40,000 \\ \text{Book value at the end of year 1} &= 1,00,000 - 40,000 = \\ &= 60,000 \end{aligned}$$

$$\begin{aligned} \text{[Year 2] Depreciation amount for year 2} \\ &= \text{beginning book value} \times \text{depreciation rate} \\ &= 60,000 \times 40\% = 24,000 \end{aligned}$$

$$\begin{aligned} \text{Accumulated depreciation at the end of year 2} \\ &= 40,000 + 24,000 = 64,000 \end{aligned}$$

$$\begin{aligned} \text{Book value at the end of year 2} \\ &= 1,00,000 - 64,000 = 36,000 \end{aligned}$$

$$\begin{aligned} \text{[Year 3] Depreciation amount for year 3} \\ &= \text{beginning book value} \times \text{depreciation rate} \\ &= 36,000 \times 40\% = 14,400 \end{aligned}$$

$$\begin{aligned} \text{Accumulated depreciation at the end of year 3} \\ &= 40,000 + 24,000 + 14,400 = 78,400 \end{aligned}$$

$$\begin{aligned} \text{Book value at the end of year 3} \\ &= 1,00,000 - 78,400 = 21,600 \end{aligned}$$

.....

Which of the following is treated as Corrective Action Plan (CAP) for SMA-2 accounts? (i) Rectification & Regularization of account, (ii) Restructuring of account, (iii) Recovery of overdue

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

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

Ans - d

.....

To file particulars of charge Of the assets of a company with ROC within 30 days is the responsibility of

- Creditor
- financing bank or financial institution
- concerned company or its officials responsible for this job
- all of the above

Ans - c

.....

Periodical legal audit is applicable for loan accounts with credit exposure of Rs. and above

- a. 10 lacs
- b. 1 crore
- c. 5 crore
- d. 10 crore

Ans - c

.....

Cash flow from sales is calculated by (i) Cash sales + Cash Collections, (ii) Sales + Opening debtors + Opening B/R – Closing Debtors – Closing B/R

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) nor (ii)

Ans - c

.....

Which of the following are cash flow from operating activities? (i) Cash Receipts from customers, (ii) Cash Paid to Supplier and Employees, (iii) Purchase of fixed assets

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

Ans - a

.....

What will be sales in units if fixed cost is Rs 50,000 Contribution per unit is Rs 60 and desired profit per unit is Rs 10.

- a. 1,000 units
- b. 2,000 units
- c. 3,000 units
- d. 6,000 units

Ans - a

.....

Consider the following data pertaining to a firm.

Credit balance as per bank column of cash book - 13,000

Bank interest on overdraft appeared only in the pass book - 2,600

Cheques deposited but not collected by the bank - 5,000

The balance as per pass book is

- a. 20,600 (Dr)
- b. 18,500 (Dr)
- c. 18,500 (Cr)
- d. 15,600 (Dr)

Ans - a

.....

Determine total as well as per unit contribution if Sales is Rs 40,000, Sales in units is 4,000 and variable cost is Rs 30,000.

- a. Rs 10,000 and Rs 2.5
- b. Rs 20,000 and Rs 3.6
- c. Rs 30,000 and Rs 2.5
- d. Rs 30,000 and Rs 3.6

Ans - a

.....

Under method of least squares, a linear equation is developed in the form of _____ wherein Y is total cost, a=fixed cost, b= marginal cost and X is output.

$$Y=a+bX$$

$$Y=a-bX$$

$$Y=a*bX$$

None of the above

Ans - a

.....

If sales revenues are Rs 4,00,000; cost of goods sold Rs 3,10,000 and operating expenses are Rs 60,000 the gross profit is

- a. Rs 30,000
- b. Rs 60,000
- c. Rs 90,000

d. Rs 1,20,000

Ans - c

.....

The foreign exchange spot market provides that permit payments to flow between individuals, businesses, and other organizations that prefer to use different currencies.

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

Ans - c

.....

The process known as takes advantage of an opportunity to make a riskless profit using three exchange rates.

- a. forward trading
- b. spot trading
- c. triangular arbitrage
- d. revaluation

Ans - c

.....

Bonds may be secured by (i) Floating charge on assets, (ii) Fixed charge on assets, (iii) Unsecured bonds are also issued

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

Ans - d

.....

A draws a bill on B for 4,500 for mutual accommodation in the ratio 2:1. A got it discounted at 4,230 and remitted 1/3rd of the proceeds to B. At the time of maturity, how much amount A should remit to B such that B can pay off the bill?

- a. 3,000
- b. 2,880
- c. 2,920
- d. 3,010

Ans - a

.....

Find the compound interest on Rs.16,000 at 20% per annum for 9 months, compounded quarterly.

- a. Rs 2520
- b. Rs 2521
- c. Rs 2522
- d. Rs 2523

Ans - c

Explanation:

Please remember, when we have to calculate C.I. quarterly then we apply following formula if n is the number of years

$$\text{Amount} = P(1 + \frac{R}{400})^{4n}$$

$$\text{Amount} = P(1 + \frac{R}{400})^{4n}$$

Principal = Rs.16,000;

Time=9 months = 3 quarters;

Rate = 20%, it will be $20/4 = 5\%$

So lets solve this question now,

$$\text{Amount} = 16000(1 + \frac{5}{100})^3 = 18522$$

$$\text{C.I.} = 18522 - 16000 = 2522$$

.....

X Ltd., approached ABC Bank for a working capital loan of Rs.3,00,000 on 18.3.2010. All the documents were in order and as per the check list. The Bank sanctioned the loan on 25.5.2010. X Ltd., lodged a complaint with the Bank for the delayed sanction. Choose the correct option from the following:

- a. Bank is not at fault because sanctioning of loans takes time
- b. Bank is at fault, disposal of credit limits up to Rs.5,00,000 should be done within 4 weeks
- c. Company (customer) is equally at fault since the matter was not followed up
- d. Bank is not at fault since they were busy with annual closing and related matters.

Ans - a

.....

A customer approaches a bank for a housing loan and the bank obtains information / report on the customer from the Credit Reference Agencies. The correct procedure to be followed by the bank in case the customer asks for a copy of the report would be:

- a. The bank can refuse to part with the information saying it is confidential.
- b. The bank can share the information if the customer requests and pays for the same.
- c. Customer cannot ask for a copy of the report.
- d. Information is not obtained from Credit Reference Agencies for housing loans.

Ans - a

.....

Which is the Statute/Act applicable in the rights of a bank as bailee?

- a. Bankers Books Evidence Act, 1891
- b. RBI Act, 1934
- c. Negotiable Instruments Act, 1881
- d. Indian Contract Act, 1872

Ans - d

.....

OCBs are directly/indirectly owned by to the extent of at least %

- a. PIOs, 75
- b. NRIs, 60
- c. PIOs, 50
- d. NRIs, 50

Ans - b

.....

FCNR accounts can not be opened as (i) Savings Bank account, (ii) Term Deposit, (iii) Current Account

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

Ans - b

.....

The loss shown by a unit at the end of the year is Rs 50,000/- . The Depreciation for the year is Rs 80,000/-. The unit has-

- a. Cash loss of Rs 30,000/-
- b. Cash loss of Rs 1,30,000/-
- c. Cash profit of Rs 30,000/-
- d. Cash profit of Rs 1,30,000/-

Ans - c

.....

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

- a. Rs 2 lacs
- Nil
- Rs 1 lacs
- None of the above

Ans - c

.....

A person borrowed an amount of Rs. 50000 for 8 years @ 18% ROI. What shall be monthly payment?

- 916.86
- 961.86
- 986.16
- 996.16

Ans - c

Solution:

$$P = 50000$$

$$R = 18\% \div 12 = 0.015\% \text{ (In EMI, divide rate by 12)}$$

$$T = 8 * 12 = 96 \text{ (In EMI, multiply time with 12)}$$

The formula of EMI =

$$P * R * (1 + R)^T \div \{ (1 + R)^T - 1 \}$$

So,

$$\text{EMI} = 50000 * 0.015 * 1.015^{96} \div (1.015^{96} - 1)$$

986.16 Ans

.....

Funded Debt equity ratio is 2:1 and owned funds Rs. 2 lac. Amount of total assets Rs. 10 lac. What is current ratio if the fixed assets are of Rs. 4 lac?

- 1:1
- 1.9:1
- 1.5:1
- None of the above

Ans - c

.....

A customer desirous of making a complaint against a bank approaches the staff for the correct procedure. The employee should

- a. refuse to help the customer.
- b. direct him to the Banking Ombudsman.
- c. direct him to RBI.
- d. advise the customer the procedure and time limit for complaint redressal.

Ans - d

The maximum amount which can be remitted through NEFT is

- a. Rs. 10 lacs
- b. Rs. 20 lacs
- c. Rs. 25 lacs
- d. There is no upper limit

Ans - d

.....

Nomination facility is available for (i) Cash credit A/cs, (ii) Articles in safe custody, (iii) Deposit A/cs

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

Ans - c

.....

The prescribed time schedule for redressal of general complaints is

- a. 15 days
- b. 60 days
- c. 30 days
- d. 20 days

Ans - d

.....

A customer wrote the date on a cheque in Hindi, in the following manner, 'Asadha 10, 1933'. What should the paying banker do when presented with the cheque?

- a. Cheque should be accepted for payment if otherwise in order
- b. Cheque should be returned to the customer.
- c. Customer should be asked to replace the cheque with a fresh cheque with English date.
- d. Cheque should be cancelled and destroyed.

Ans - a

.....

.....

The maturity proceeds of a TDR should be credited to the Current A/c or SB A/c of the depositor if the amount exceeds Rs.

- 50,000
- 20,000
- 25,000
- 75,000

Ans - b

.....

The minimum amount that can be transmitted under RTGS is

- a. Rs. 1 lac
- b. Rs. 2 lacs
- c. Rs. 10 lacs
- d. There is no lower limit

Ans - b

.....

Who is responsible for any shortage either in hand or Vault Balance?

- a. Head Cashier
- b. All Cashiers
- Accountant
- All of them

Ans - a

.....

Determine Contribution if Sales is Rs 1,50,000 and P/V ratio is 40%.

- a. Rs 30,000
- b. Rs 50,000
- c. Rs 60,000
- d. Rs 70,000

Ans - c

.....

Total liabilities of a Balance Sheet of a firm are Rs. 80 lac and Current Ratio 1.5:1. If its fixed assets and assets other than current assets are Rs.50 lacs and debt equity ratio 3:1 what is the amount of long term liabilities?

- a. Rs. 20 lac

- b. Rs. 45 lac
- c. Rs. 15 lac
- d. Rs. 10 lac

Ans - b

.....

Current Assets of a firm as per its Balance Sheet are Rs. 60 lac and debt equity ratio 2:1. If net working capital is Rs. 20 lac and total liabilities of Rs.100 lac, what is the amount of net worth?

- a. Rs. 20 lac
- b. Rs. 18 lac
- c. Rs. 15 lac
- d. Rs. 25 lac

Ans - a

.....

Current Assets of a firm increase from Rs. 60 lac to Rs. 90 lac but there is no change in the current ratio of 1.5:1. What is the increase in the current liabilities?

- a. Rs. 25 lac
- b. Rs. 20 lac
- c. Rs. 18 lac
- d. Rs. 15 lac

Ans - b

.....

With 25% margin on stocks, a firm's drawing power for its cash credit account with the bank increased from Rs. 4.50 lac to Rs. 7.50 lac. What is the change in stock level?

- a. Rs. 2 lac
- b. Rs. 3 lac
- c. Rs. 4 lac
- d. Rs. 5 lac

Ans - c

.....

Which of the following statements are true? (i) Comparative financial statement is an example of horizontal analysis, (ii) Trend Analysis is an example of vertical analysis, (iii) Cash flow analysis is an example of horizontal analysis.

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

Ans - b

.....

Which of the following are legally permissible circumstances in which a bank can disclose the affairs of its customers? (i) Under Banker's Books Evidence Act, 1891, (ii) In public interest, (iii) Disclosure in the interest of the bank itself

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

Ans - d

.....

Which of the following statements are true? (i) Funds Flow statement is one of the ways to analysis & interpret financial statements, (ii) Cash Flow Statement is one of the ways to analysis & interprets financial statements, (iii) Common-size statement one of the ways to analysis & interprets financial statements

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

Ans - d

Which of the following statements are true about Horizontal Analysis? (i) It do not examines the periodical trend, (ii) It is useful for long-term analysis, (iii) It is useful for long-term planning

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

Ans - c

.....

Max permissible LTV ratio for Auto Loans upto Rs. 10 Lacs is % of 'on road price' of the car.

- 80
- 85
- 90
- 95

Ans – b

.....

Liquid ratio is also known as (i) Quick ratio , (ii) Acid test ratio, (iii) Working capital ratio

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

d. (i), (ii) and (iii)

Ans – a

.....

FCNR deposits can be opened in (i) Hongkong Dollar, (ii) New Zealand Dollar, (iii) UAE Dirham

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

Ans - d

.....

If A lends Rs. 3500 to B at 10% p.a. and B lends the same sum to C at 11.5% p.a., then the gain of B (in Rs.) in a period of 3 years is ...

- A. Rs. 154.50
- B. Rs. 155.50
- C. Rs. 156.50
- D. Rs. 157.50

Ans - D

Explanation:

We need to calculate the profit of B.

It will be,

SI on the rate B lends - SI on the rate B gets

Gain of B = $3500 \times 11.5 / 100 \times 3 - 3500 \times 10 / 100 \times 3$

1207.50 - 1050

157.50

.....

Sahil took a loan for 6 years at the rate of 5% per annum on Simple Interest, If the total interest paid was Rs. 1230, the principal was

- 4100
- 4200
- 4300
- 4400

Ans - A

Explanation:

$S.I. = P \times R \times T / 100$

$\Rightarrow P = S.I. \times 100 / R \times T$

By applying above formula we can easily solve this question, as we are already having the simple interest.

$$P = 1230 * 100 / 6 / 5$$
$$4100$$

.....

A firm records the income and expenditure when it is actually received and incurred. The firm is following which of the following accounting system

- a. Accrual system
- b. Hybrid system
- c. Mercantile system
- d. A and c both

Ans - c

.....

Which of the following are not properly matched in terms of classification of accounts?

- Machinery- real account
- Ramesh (buyer of goods from the firm on credit)- personal account
- Bank account – real account
- Salary paid- nominal account

Ans - c

.....

Bank reconciliation statement is

- a. Ledger account
- b. part of the cash book
- c. a statement showing difference between the balance in the pass book and cash book
- d. a statement of position of balance of two books

Ans - c

.....

The receipt side of the cash books is overcast by Rs.100 and the overdraft as per pass book is the starting point. The amount of Rs.100 will be

- Added
- Reduced
- Kept unaltered
- None of the above

Ans - a

.....

.....

Trial balance remains untallied due to errors. Various types of errors can be(a) error of omission (b) error of commission (c) errors of principal (d) intentional errors

- a. A, b and c only
- b. A, c and d only
- c. B, c and d only
- d. A to d all

Ans - a

.....

XYZ had purchased certain goods from ABC firm but these were not recorded in the purchase journal. This is error of It will (affect / not affect) the trial balance

- a. Omission affect
- b. Compensating, not affect
- c. Principle, affect
- d. Omission, not affect

Ans - d

.....

A company came out with a public issue of 2 lac shares of Rs.10 each payable as application money @ Rs.3 and allotment money @ Rs.3. Final call amount has also been called which has not been received on 400 shares. In this problem, what would be the amount that would be credited to capital reserve after forfeiture?

- Rs.16000
- Rs.24000
- Rs.40000
- Rs.4000

Ans - b

.....

While making the positing, the staff of a firm credited the personal account of the partner instead of the account of the firm. This would be called

- a. Error of principle
- b. Error of omission
- c. Compensating error and error of commission
- d. None of the above

Ans - c

.....

The closing stock given in the trial balance is transferred to which of the following accounts

- a. Trading account
- b. Profit and loss account
- c. Manufacturing account
- d. Balance sheet

Ans - d

.....

An error that nullifies the wrong effect of another error is called

- Omission
- Commission
- Principle
- Compensating error

Ans - d

.....

Goods purchased from Ramesh Kumar have been recorded in the sales register

- a. No rectification is required
- b. Rectification can be done by making the correct
- c. Rectification can be made by passing a journal entry debiting the sale account by Rs.500 and debiting the purchase account by Rs.500 and crediting the Ramesh Kumar account by Rs.1000
- d. Rectification can be made by passing a journal entry debiting the sale account by Rs.1000 and crediting the purchase account by Rs.500 and crediting the Ramesh Kumar account by Rs.500

Ans - c

.....

A purchase of Rs.6800 has been made by the firm but the amount has been posted to creditor's account for Rs.6000. for rectification, the journal entry would be

- a. Debit creditor and credit purchase account Rs.800
- b. Debit purchase account and credit suspense account Rs.800
- c. Debit suspense account and credit creditor's account Rs.800
- d. Debit creditor's account and credit suspense account Rs.800

Ans - c

.....

Which of the following is not true ?

- a. Wrong balance an account affect in the trial balance
- b. Closing stock does not appear in the trial balance
- c. Trial balance is prepared after preparation of the final account
- d. Sales are shown on the credit side of the trail balance

Ans - c

.....
An expenditure which helps in generating revenue for more than one year is called expenditure and an expenditure which generates the revenue in the same year is called expenditure

- a. Revenue, capital
- b. Capital, revenue
- c. Capital, capital
- d. Revenue, revenue

Ans - b

.....
Which of the following expenses is not a deferred revenue expenditure ?

- a. Huge advertisement expenses to promote a new product
- b. Expenses incurred on raising capital through public issue by a company
- c. Purchases of machinery on credit from supplier
- d. Expenses for formation and registration of a company

Ans - c

.....
Profit for the objective of calculating a ratio may be taken as (i) Profit before tax but after interest, (ii) Profit before interest and tax, (iii) Profit after interest and tax

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

Ans - d

.....
Which of the following falls under Profitability ratios? (i) General Profitability ratios , (ii) Overall Profitability ratios, (iii) Comprehensive Profitability ratios

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

Ans - a

.....
Quick ratio is 1.8:1, current ratio is 2.7:1 and current liabilities are Rs 60,000. Determine value of stock.

- a. Rs 54,000
- b. Rs 60,000

- c. Rs 1, 62,000
- d. None of the above

Ans - a

.....

Which one of the following statements is/are 'True'? (i) Cheques sent for collection but not yet collected will result in increasing the balance of the Cash Book, (ii) Direct collections received by the bank on half of its customer will decrease the balance as per the Cash Book, (iii) The Bank Reconciliation Statement is Prepared to reconcile the balance as shown by Cash Book and the balance as shown by Pass Book

- a. Only (i) and (ii)

.....

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

Ans - b

Debtors Turnover ratio is also known as (i) Receivables turnover ratio, (ii) Debtors velocity, (iii) Payable turnover ratio

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

Ans - a

The amount of Rs. 5,000 paid to a transport company to carry a machine should be debited to

- a. Cash a/c
- b. Machinery a/c
- c. The Transport Caompany's a/c
- d. Freight a/c

Ans - d

On dishonour of a bill, the holder in due course presents the bill to a notary public to record the facts of dishonour on the bill or on paper attached to the bill, its is called

- Dishonour
- Noting
- Noting charges
- Protesting charges

Ans - b

.....

Recovery of bad debts previously written off

- a. Increases revenue and assets
- b. Increases expenses and assets
- c. Decreases assets and expenses
- d. Decreases revenue and assets

Ans - a

.....

Cash discount allowed to a debtor should be credited to

- a. Sales a/c
- b. Discount a/c
- c. Cash a/c
- d. Customer's a/c

Ans - d

.....

An expenditure on advertisement for furtherance of market for products is not an example of (i) revenue expenditure, (ii) capital expenditure, (iii) deferred revenue expenditure

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

Ans - a

.....

On the dishonour of the bill received through endorsement, debit is given to

- a. Payee's a/c
- b. Acceptor's a/c
- c. Endorser's a/c
- d. Bills Receivable a/c

Ans - c

.....

.....

.....

Withdrawals by proprietor would (i) reduce liabilities, (ii) reduce assets, (iii) owner's equity

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

Ans - c

.....

Petty Cash Book records

- a. Petty expenses
- b. Petty expenses paid in cash
- c. all expenses
- d. outstanding expenses

Ans - b

.....

Mr. X had a 5 year TDR for Rs. 5,00,000 with Bank A maturing on 30.6.2019. Mr. X suddenly passed away on 1.2.2016. The nominee of Mr. X approached the bank with the relevant papers for payment of the deposit. The bank should:

- a. prematurely close the deposit without any penalty
- b. pay the amount only on maturity
- c. prematurely close the deposit and charge penal interest
- d. close the deposit and pay no interest

Ans - a

.....

As per RBI / BCSBI, Customer Service Day is to be observed

- a. every quarter
- b. on 15th of every month
- c. on 1st of every month
- d. once a year

Ans – b

.....

.....
A foreigner who cannot speak English walks into a branch for encashment of Traveller's cheques. (Choose the appropriate option from among the following)

- a. The staff should refuse to encash the TCs
- b. The staff should send the customer to another bank
- c. The staff should try to communicate with the customer as much as possible and understand his needs
- d. The staff should refer the customer to the Head Office

Ans - c

.....

A Small Scale unit achieved significant profits and wished to prepay Rs. 4,00,000 towards the term loan. The Bank should:

- a. levy prepayment penalty on the repaid amount
- b. not permit prepayment of Term Loans
- c. permit prepayment and not levy any penalty
- d. retain the amount in a fixed deposit and credit interest to Term loan

Ans - b

.....

Which one of the following is/are a false statement ? (i) Errors of principle affect the agreement of the trial balance, (ii) Errors of omission do not affect the agreement of the trial balance, (iii) If the two sides of trial balance tally, the books of accounts can be taken as absolutely accurate

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

Ans - b

.....

On the Branch Manager's first day at a rural branch, a customer meets him for a tractor loan. The appropriate action by the BM would be:

- a. the BM should not sanction any loan on the first day

.....

-
- b. he should tell the customer that he doesn't know anything about tractors and decline the loan
 - c. he should direct the customer to meet the counter staff
 - d. he should listen to the proposal and promise to consider it at the earliest

Ans - d

.....

The two major customer service committees were

- a. Talwar committee, Tandon committee
- b. Rangarajan committee, Tandon committee
- c. Talwar committee, Goiporia committee
- d. Goiporia committee, Rangarajan committee

Ans - c

.....

A customer failed to receive cash from the ATM, but found his account was debited. The amount should be reimbursed within a maximum period of

- a. 10 days
- b. 15 days
- c. 12 days
- d. 7 days

Ans - d

.....

A committee was constituted by RBI, in 2010, under the chairmanship of Dr. / Shri to look into the customer service aspects.

- a. M. Damodaran
- b. Usha Thorat
- c. C. Rangarajan
- d. A Vaidyanathan

Ans - c

.....

.....

The time limit to settle claims in deceased accounts if all the documents are in order is:

- a. 30 days
- b. 45 days
- c. 15 days
- d. 60 days

Ans - c

.....

Normally, changes to Terms and Conditions are to be made with prospective effect giving notice of

- a. 1 month
- b. 3 month
- c. 2 month
- d. 15 days

Ans - a

.....

Maximum complaints received by Banking Ombudsman generally relate to

- a. Credit cards
- b. Non adherence to fair practices code
- c. Behavior of staff
- d. Delay in providing loans and advances

Ans - a

.....

The Banking Ombudsman is appointed by

- IBA
- Government of India
- RBI
- Supreme Court

Ans - c

.....

.....

Banking is a oriented industry

people
staff
incentive
system

Ans - a

.....

Customer has been defined under

- a. BR Act, 1949
- b. Indian Contract Act, 1872
- c. Negotiable Instruments Act, 1881
- d. There is no statutory definition under the BR Act, 1949 or any other relevant Act

Ans - a

.....

Effective annual rate of interest corresponding to nominal rate of 10% per annum compounded half yearly will be

- a. 10.20 %
- b. 10.25 %
- c. 10.30 %
- d. 10.35 %

Ans - b

Explanation:

Let the amount Rs 100 for 1 year when compounded half yearly, $n = 2$, Rate = $10/2 = 5\%$

$$\text{Amount} = 100(1 + 5/100)^2 = 110.25$$

$$\text{Effective rate} = (110.25 - 100)\% = 10.25\%$$

.....

.....

.....

Debentures can be redeemed by:

- a. Purchase in open market
- b. Drawing a lot
- c. Redemption in lumpsum
- d. All above

Ans - b

.....

7000 shares of Rs 100 were issued at discount of 10% and redeemed at premium of 5%. Loss at time of issue is equal to:

- 1,05,000
- 70,000
- 45,000
- 7,00,000

Ans - b

.....

Calculate the amount of an annuity of Rs. 12,000 for 15 years. Rate of interest is 14 p.a.

- a. Rs. 2,49,912
- b. Rs. 1,24,956
- c. Rs. 1,00,000
- d. Rs. 1,12,000

Ans - a

.....

Calculate the present value of an annuity of Rs. 12,000 for 15 years. The rate of compound interest is 4 p.a.

- a. Rs. 1,00,000
- b. Rs. 1,20,000
- c. Rs. 1,28,880
- d. Rs. 2,57,760

Ans – c

.....

.....

A machine was purchased for Rs 1,16,000 payments made Rs 10,000 by cheque and remaining by issue of shares of Rs 10 each @ 10.50 each. Number of share allotted will be

- 11000
- 9000
- 10000
- 8000

Ans - c

.....

Goodwill is raised at the time of:

- Dissolution
- Admission
- Death
- Both b & c

Ans – d

.....

Claim 'of a retiring partner can be paid:

- a. In full
- b. In installment
- c. Half yearly
- d. Both a & b

Ans - d

.....

Purchase A/c shows only:

- a. All purchases of goods & Assets
- b. Only cash of goods & Assets
- c. All cash and credit purchase of trading goods
- d. Only credit of goods

Ans - c

.....

.....

.....

Strict adherence to KYC norms is achieved through

- a. Following the statutory authority guidelines
- b. Identification of customers with appropriate documents
- c. Strict Implementation of the Banks Systems and procedures while opening the accounts
- d. All of the above

Ans – d

.....

Cost of the goods - Rs. 99000, Opening Stock - Rs. 13500, Purchases - Rs. 75000, Sales - Rs. 112500. Find other expenses.

- 10000
- 10500
- 13500
- 24000

Ans - b

.....

While accounts are transferred from one branch to another, the receiving branch is expected to comply with KYC Norms. Which one of the following is/are correct in this regard?

- a. Detailed verification of Customer Profile as received from the earlier branch is to be done with caution and if required fresh details are to be obtained
- b. Fresh details are to be obtained and a fresh customer profile is to be prepared
- c. No transaction is to be permitted for the first six months till the customer is fully know to the bank
- d. Detailed verification is not needed but the account is opened immediately and informed to the customer

Ans - a

.....

A has to pay Rs. 22,000 to B after 1 year. B asks A to pay Rs. 11,000 in cash Immediately and defer the payment of Rs. 11,000 for 2 years. A agrees to it. Counting the rate of interest at 10% p.a. in this new mode of payment

- a. A gains Rs. 734
-

-
- b. A loses Rs. 734
 - c. A gain Rs. 1,100
 - d. B gains Rs. 1,100.

Ans - a

.....

A term loan of a firm has been rescheduled by the Bank. As a result of this, which of the following has been affected?

- debt-equity ratio
- current ratio
- quick ratio
- debt-service coverage ratio

Ans - d

.....

A firm has been producing 4000 units of an item with its break even at 2000 units. Now it increases the no. of units produced to 5000. What is the change in the break even no. of units ?

- a. 3000
- b. 2000
- c. 1000
- d. nil

Ans - d

.....

Receivables period is not worked out on the basis of..... (i) Cost of production, (ii) Sales, (iii) Cost of sales

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

Ans - b

.....

.....
What is the N P V of the following at 15%

t = 0	t = 1	t = 2
-120,000	-100,000	300,000

19,887
80,000
26,300
40,000

Ans - a

.....

Which of the following will not affect Trial Balance

- a. Goods sold on credit not recorded in books.
- b. Overstating of sales register.
- c. Rent account credited instead of debit.
- d. Salary debited to the extent ½ the amount.

Ans – a

.....

A sum of money at simple interest amounts to Rs. 815 in 3 years and to Rs. 854 in 4 years. The sum is:

- A. Rs. 650
- B. Rs. 690
- C. Rs. 698
- D. Rs. 700

Ans - C

Explanation:

S.I. for 1 year = Rs. (854 - 815) = Rs. 39.
S.I. for 3 years = Rs.(39 x 3) = Rs. 117.

Principal = Rs. (815 - 117) = Rs. 698.

.....

.....

.....

A Company has Net Worth of Rs.5 Lac, Term Liabilities of Rs.10 Lac. Fixed Assets worth RS.16 Lac and Current Assets are Rs.25 Lac. There is no intangible Assets or other Non Current Assets. Calculate its Net Working Capital.

- a. 1 lac
- b. 2 lac
- c. - 1 lac
- d. - 2 lac

Ans - c

Explanation :

Total Assets = 16 + 25 = Rs. 41 Lac

Total Liabilities = NW + LTL + CL = 5 + 10 + CL = 41 Lac

Current Liabilities = 41 – 15 = 26 Lac

Therefore Net Working Capital = CA – CL = 25 – 26 = (-) 1 Lac

.....

Discount received in advance is a:

- a. Real a/c
- b. Personal a/c
- c. Nominal a/c
- d. None

Ans - b

.....

Dual concept records transaction on bases of:

- a. Single entry system
- b. Double a/c system
- c. Double entry system
- d. All of these

Ans - c

.....

.....

Which of the following is an accounting equation?

- a. Assets = Liabilities
- b. Assets = Equity - Liability
- c. Assets = Capital + Liabilities
- d. Liability = Asset + Capital

Ans - c

.....

A woman invests some money partly in 4% stock at 120 and partly in 3% stock at 96. To get equal dividends from both, she must invest the money in the ratio ...

- 2:3
- 3:4
- 4:5
- 15:16

Ans - d

.....

Return of goods from customer should be credited to

- a. Sales Return a/c
- b. Purchases Return a/c
- c. Goods a/c
- d. Customer's a/c

Ans - d

.....

Freight expenses for moving new machinery to factory is

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

Ans - c

.....

.....

For an expense to be classified as revenue or capital depends on

- a. Kind of expense
- b. Duration of the benefit of the expenditure
- c. Effect on revenue earning capacity
- d. All of the above

Ans - d

.....

Cost of goods sold is

- a. Opening stock + purchases + closing stock
- b. Opening stock + purchases – closing stock
- c. Opening stock – purchases + closing stock
- d. None of above

Ans - b

.....

Invoice journal is used for recording....purchases

- Cash
- Credit
- Discount on
- All

Ans - b

.....

Which of the following is not a deferred revenue expenditure ?

- a. Preliminary expenses for setting up a company.
- b. Amount raised through Rights issue.
- c. Huge sales promotion expenditure in launch of new product
- d. Cost of preparing project report

Ans - b

.....

.....

.....

Accounting assumes that the business will continue to operate for a long time in future. This concept is called as ?

- a. Going concern concept
- b. Entity going concept
- c. Both a & b
- d. Neither a nor b

Ans - c

.....

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

- Principal
- Interest
- Annuity
- None of the above

Ans - c

.....

A financier claims to be lending money at simple interest, But he includes the interest every six months for calculating the principal. If he is charging an interest of 10%, the effective rate of interest becomes.....

- 10.25%
- 10%
- 9.25%
- 9%

Ans - a

Explanation:

Let the sum is 100.

As financier includes interest every six months, then we will calculate SI for 6 months, then again for six months as below:

SI for first Six Months = $(100 \times 10 \times 1) / (100 \times 2) = \text{Rs. } 5$

.....

.....

Important: now sum will become $100+5 = 105$

SI for last Six Months = $(105*10*1)/(100*2) = \text{Rs. } 5.25$

So amount at the end of year will be $(100+5+5.25) = 110.25$

Effective rate = $110.25 - 100 = 10.25$

.....

To determine how long an investment will be double, you have to divide number by annual rate of interest.

- a. 62
- b. 64
- c. 72
- d. 74

Ans - c

.....

Private Sector Companies can issue bonds.

- a. Secured
- b. Unsecured
- c. Any one of the above
- d. None of these

Ans - c

.....

Functions of a trial balance

- a. To act as a device to check the arithmetical accuracy of the accounting process
- b. To provide summary position of each account and accounts in general
- c. To act as a starting point for preparation of final accounts
- d. All the above

Ans - d

.....

.....

.....

The securities acquired and the old assets are sold at the time of replacement a new asset is purchased under.

- a. Straight Line Method
- b. Diminishing balance Method
- c. Sinking fund method.
- d. Neither a nor b.

Ans - c

.....

A sum amounts to Rs. 2,916 in 2 years and to Rs. 3,149.28 in 3 years at Compound interest. The sum is.....

- a. Rs. 1,500
- b. Rs. 2,000
- c. Rs. 2,500
- d. Rs. 3,000

Ans – c

.....

Accounting Standards Board is constituted by

- a. National Advisory Committee
Law
Institute of Chartered Accountants of India
Professional Accounting Bodies

Ans – c

.....

A journal generally has columns

- 3
- 4
- 5
- 6

Ans – c

.....

.....
The income break even analysis is good tool to the banker in appraising.....

- a. Working capital proposals
- b. Term Loan proposals
- c. Underwriting proposal
- d. Letter of credit proposal

Ans – b

.....

Break even point is not calculated as..... (i) Total fixed cost/contribution per unit, (ii) Total variable cost/contribution per unit, (iii) Total fixed cost/variable cost per unit

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

Ans - c

.....

Revenue Recognition is dealt in Accounting Standard

- a. AS 9
- b. AS 19
- c. AS 26
- d. AS 28

Ans - a

.....

Prepaid expenses are shown as

- Debit
- Credit
- Either Debit or Credit
- Intangibles

Ans - a

.....

.....

.....

Which one of the following statements is/are 'false'? (i) When money is withdrawn from the bank, the Bank debits the Customer's Account, (ii) Cheques issued but no presented will reduce the balance as per Pass Bank, (iii) Pass Book is the statement of account maintained by the customer of the bank

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

Ans - c

.....

A sum of money invested at compound interest AMOUNTS to Rs. 10000 in 3 years and to Rs 10600 in 4 years. The rate on interest per annum is.

- 4%
- 5%
- 6%
- 7%

Ans - C

Explanation:

S.I. on Rs 10000 for 1 year = 600
 Rate = $(100 \times 600) / (10000 \times 1) = 6\%$

.....

Find the rate at Simple interest, at which a sum becomes four times of itself in 10 years.

- 10%
- 20%
- 30%
- 40%

Ans - C

Explanation:

Let sum be x and rate be r%

.....

.....

then, $(x * r * 10) / 100 = 3x$ [important to note here is that simple interest will be $3x$ not $4x$, because $3x + x = 4x$]

=> $r = 30\%$

.....

x borrowed Rs. 100000 from the bank @ 24% p.a. for 1 year, payable on EMI basis. The amount of EMI will be?

6594

6954

9456

9546

Ans - c

Solution:

$P = 100000$

$R = 24\% / 12 = 2\%$ (In EMI or Equated Monthly Instalment, we need to find monthly rate, so we divide rate by 12)

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

The formula of EMI = $P * R * (1 + R)^T \div \{ (1 + R)^T - 1 \}$

So,

$EMI = 100000 * 0.02 * (1 + 0.02)^{12} \div \{ (1 + 0.02)^{12} - 1 \}$

$(100000 * 0.02 * 1.268242) \div 0.268242$

$2536.484 / 0.268242$

9456

.....

A financier claims to be lending money at simple interest, But he includes the interest every six months for calculating the principal. If he is charging an interest of 10%, the effective rate of interest becomes.....

10.25%

10%

9.25%

.....

9% Ans -

a

Explanation:

Let the sum is 100.

As financier includes interest every six months, then we will calculate SI for 6 months, then again for six months as below:

SI for first Six Months = $(100 \times 10 \times 1) / (100 \times 2) = \text{Rs. } 5$

Important: now sum will become $100 + 5 = 105$

SI for last Six Months = $(105 \times 10 \times 1) / (100 \times 2) = \text{Rs. } 5.25$

So amount at the end of year will be

$(100 + 5 + 5.25) = 110.25$

Effective rate = $110.25 - 100 = 10.25$

To measure a firm's solvency as completely as possible, we need to consider

- a. The firm's relative proportion of debt and equity in its capital structure
- b. The firm's capital structure and the liquidity of its current assets
- c. The firm's ability to use Net Working Capital to pay off its current liabilities
- d. The firm's leverage and its ability to make interest payments on its long-term debt

Ans - d

Which of the following statements are true? (i) Financial statements are only interim report, (ii) Financial statements are also known as annual records, (iii) Financial statements are historic

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

Ans - c

.....

The term 'Financial Statement' covers

- a. Profit & Loss Statement
- b. Balance sheet and Profit & Loss Statement appropriation account
- c. Profit & Loss Statement and Balance sheet
- d. All of above are false

Ans - c

.....

Which of the following is true about financial statements? (i) Financial statement gives a summary of accounts, (ii) Financial statements can be stated as recorded facts.

- a. Only i
- b. Only ii
- c. Both i and ii
- d. None of the above

Ans - c

.....

Which of the following statements are false? (i) When all the figures in a balance sheet are stated as percentage of the total, it is termed as horizontal analysis, (ii) When financial statements of several years are analyzed, it is termed as vertical analysis, (iii) Vertical Analysis is also termed as dynamic analysis

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

Ans - b

.....

State which of them are true? (i) When ratios of previous years are compared with current years, they are called trend ratios, (ii) Trend percentages and trend ratios are used in static analysis, (iii) Reliability of financial analysis depends upon the reliability of financial data

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

.....

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - d

.....

A person invested Rs. 500000 in a bank FDR @ 8% p.a. for 1 year. If interest is compounded on yearly basis, the amount payable shall be

520000

525000

535000

540000

Ans - d

Solution:

$P = 500000$

$R = 8\%$ yearly

$T = 1$ yr

Since compounding is annually and its only 1-time investment, the formula to be used:

$$FV = P * (1+R)^T$$

So,

$$FV = 500000 * (1+0.08)^1$$

540000 Ans.

.....

Find the compound interest on Rs.48,000 at 16 % per annum for 6 months, compounded quarterly.

a. Rs. 2196

b. Rs. 2968

c. Rs. 3916

d. Rs. 4260

Ans - c

.....

Explanation:

Please remember, when we have to calculate C.I. quarterly then we apply following formula if n is the number of years

$$\text{Amount} = P(1 + R/100)^n$$

Principal = Rs.48,000;

Time=6 months = 2 quarters;

Rate = 16%, it will be $16/4 = 4\%$

So lets solve this question now,

$$\text{Amount} = 48000(1 + 0.04)^2$$

$$48000 \times 1.0816 = 51916$$

$$\text{C.I} = 51916 - 48000 = 3916$$

Income & Expenditure account is not a (i) Personal account, (ii) Real account, (iii) Nominal account

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

Ans - a

Which of the following is part of reconciliation? (i) Cash paid by customer to the trader, (ii) Cheque issued, presented, and on the debit side in the passbook and cashbook, (iii) Bank charges debited

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

Ans - c

.....

Errors which affect one account can be

- a. Errors of full omission
- b. Errors of principle
- c. Errors of posting
- d. None of the above

Ans - c

.....

The Receipts & Payment a/c of a cricket club shows the following details -Subscriptions : Current received Rs. 21,000 Arrears received Rs. 1,000 Advance received Rs. 1,600 There are 12,000 members each of them paying an annual subscription of Rs. 20. The amount to be credited to Income & Expenditure a/c will be

- a. Rs. 21,600
- b. Rs. 22,600
- c. Rs. 23,600
- d. Rs. 24,000

Ans - d

.....

Stock of stationery of a club on 1st January 2005 Rs. 3,000; Creditors for stationery on 31st December 2005 Rs. 2,000; Opening balance of creditors for stationery Rs. 3,000; Payment for stationery during the year 2005 Rs.14,000; Stock of stationery on 31st December 2005 Rs. 2,000. The amount to be charged for stationery to the income & Expenditure

- a. Rs. 13,000
- b. Rs. 14,000
- c. Rs. 15,000
- d. Rs. 16,000

Ans - b

.....

Which is not a cash activity listed on the cash flow statement?

- a. Operating activities
 - b. Investing activities
-

-
- c. Purchasing activities
 - d. Financing activities

Ans - c

.....

What financial ratio helps management evaluate profits available for dividends?

- a. Retention rate
- b. Debt ratio
- c. Debt service coverage ratio
- d. Cash ratio

Ans - a

.....

The days' sales in inventory ratio formula uses which of the following

- a. Current year sales
- b. Beginning inventory
- c. Prior year sales
- d. Ending inventory

Ans - d

.....

Earnings per share shows investors the earned per outstanding share of stock.

- a. Operating income
- b. Income before taxes
- c. Net income
- d. Income before interest and taxes

Ans - c

.....

The dividend payout ratio is calculated by dividing total dividends by

- a. Operating income
 - b. Income before taxes
-

-
- c. Income before interest and taxes
d. Net income

Ans - d

.....

Find the compound interest on Rs. 7500 at 4% per annum for 2 years, compounded annually.

- a. Rs. 610
b. Rs. 612
c. Rs. 614
d. Rs. 616

Ans - b

Explanation:

$$\text{Amount} = [7500 \times (1 + 0.04)^2] = (7500 \times 2625 \times 2625) = 8112$$

$$\text{So compound interest} = (8112 - 7500) = 612$$

.....

Find compound interest on Rs. 7500 at 4% per annum for 2 years, compounded annually

- a. Rs 312
b. Rs 412
c. Rs 512
d. Rs 612

Ans - d

.....

Find the compound interest on Rs.16,000 at 20% per annum for 9 months, compounded quarterly

- a. Rs 2520
b. Rs 2521
c. Rs 2522
d. Rs 2523

Ans - c

.....

Explanation:

Please remember, when we have to calculate C.I. quarterly then we apply following formula if n is the number of years

$$\text{Amount} = P(1 + \frac{R}{400})^{4n}$$

Principal = Rs.16,000;

Time=9 months = 3 quarters;

Rate = 20%, it will be $20/4 = 5\%$

So lets solve this question now,

$$\text{Amount} = 16000(1 + \frac{5}{100})^3 = 18522 \quad \text{C.I.} = 18522 - 16000 = 2522$$

.....

What will be the difference between simple and compound interest @ 10% per annum on the sum of Rs 1000 after 4 years ?

- A. Rs 62.10
- B. Rs 63.10
- C. Rs 64.10
- D. Rs 65.10

Ans - C

Explanation:

$$\text{S.I.} = 1000 * \frac{10}{100} * 4 = 400$$

$$\text{C.I.} = [1000(1 + \frac{10}{100})^4 - 1000] = 464.10$$

So difference between simple interest and compound interest will be

$$464.10 - 400 = 64.10$$

.....

Underwriting commission on share issued by banking company can't exceed:

- a. 2 1/2% of paid up capital
 - b. 2% of paid up capital
-

- c. 3% of paid up capital
- d. 2 1/2 of called up capital

Ans - a

.....

..... is the whole time servant of bank.

- Director
- Chairman
- Manager
- Member

Ans - b

.....

Debit the debtor and credit the creditor's rule apply to:

- a. Real A/c
- b. Personal a/c
- c. Nominal a/c
- d. None

Ans - b

.....

Mr. A borrowed Rs. 10,400. He wants to pay this in two annual equal installments. The rate of compound interest is 8% per annum. Find the amount of each installment.

- a. Rs. 2,916
- b. Rs. 5,832
- c. Rs. 5,200
- d. Rs. 5,000

Ans - b

.....

In double entry system, credit means:

- a. Decrease in loss

.....

-
- b. Increase in asset
 - c. Decrease in capital
 - d. Increase in expenses

Ans – a

.....

A person wants to pay his loan of Rs. 2,522 payable in three equal annual Installments. If the rate of compound interest is 5% p.a.; find out the amount of each installment.

- a. Rs. 600
- b. Rs. 650
- c. Rs. 700
- d. Rs. 800

Ans - d

.....

A lease of Rs.80,000 was taken on 1st January 2005 for 2 years. Calculate the Annuity (Annual Depreciation) if rate of increase is 10% p.a.

- a. Rs. 40,095
- b. Rs. 44,045
- c. Rs. 46,795
- d. Rs. 46,095

Ans - d

.....

Narration starts with word:

- To
- By
- Being
- With

Ans – c

.....

.....

.....

In a club, amount received from special fund is Rs. 17,000 and expenditure incurred from the fund is Rs. 9,000. The amount to be credited to Income & Expenditure a/c would be

- Nil
- Rs. 8,000
- Rs. 9,000
- Rs. 17,000

Ans - a

.....

The present worth of Rs. 7,020 due in two equal half-yearly installments @ 8%p.a. simple interest is

- Rs. 6,500
- Rs. 6,625
- Rs. 6,750
- Rs. 7,000

Ans - b

.....

The purpose of depreciation is to:

- a. Reduce fixed assets
- b. Save income tax
- c. Reduce fixed assets to nil
- d. Allocate the cost

Ans - d

.....

Accounts in banks are closed on every year.

- a. 31 Dec
- b. 31 Mar
- c. 30 June
- d. 31 July

Ans – b

.....

.....
A fund flow statement is a statement offor a definite period between two definite dates. (i) source of funds, (ii) use of funds

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

Ans - d

.....
Increase in liabilities and decrease in assets will indicate.....

- a. Increase in source of funds
- b. Decrease in sources of funds
- c. Will not affect funds position
- d. None of the above

Ans - a

.....
Rajesh borrowed Rs. 50000 from the bank @ 12% p.a. for 1 year, payable on EMI basis. The amount of EMI will be?

- 4424.24
- 4244.24
- 4424.44
- 4442.44

Ans - d

Solution:

P = 50000

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

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

The formula of EMI =

$$P * R * (1 + R)^T \div \{ (1 + R)^T - 1 \}$$

.....

So,

$$\begin{aligned} \text{EMI} &= 50000 * 0.01 * (1+0.01)^{12} \div \{(1+0.01)^{12} - 1\} \\ &= (50000 * 0.01 * 1.126825) \div 0.126825 \\ &= 563.4125 / 0.126825 \\ &= 4442.44 \end{aligned}$$

The Term Loan is required to be repaid in 7 years. The funds flow statement is required atleast for

- a. 5 years
- b. 6 years
- c. 7 years
- d. 8 years

Ans - c

For a seasonal industry unit like sugar, tea etc. for knowing immediate liquidity position, bank would need..... (i) A fund flow statement, (ii) A cash flow statement

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

Ans - b

The profit margin ratio measures the earned from each dollar of sales.

- a. Operating income
- b. Net income
- c. Income before taxes
- d. Income before interest and taxes

Ans - b

.....
Which of the following is considered a profitability measure?

- a. Days sales in inventory
- b. Fixed asset turnover
- Price-earnings ratio
- Return on Assets

Ans - d

.....

Firm A has a Return on Equity (ROE) equal to 24%, while firm B has an ROE of 15% during the same year. Both firms have a total debt ratio (D/V) equal to 0.8. Firm A has an asset turnover ratio of 0.9, while firm B has an asset turnover ratio equal to 0.4. From this we know that

- a. Firm A has a higher profit margin than firm B
- b. Firm B has a higher profit margin than firm A
- c. Firm A and B have the same profit margin
- d. Firm A has a higher equity multiplier than firm B

Ans - b

Explanation :

Profit margin of firm A=5.33% and for firm B=7.5% - use Du Pont Identity

.....

The right of set off cannot be exercised by a bank if

- a. The funds are in the same right and belong to the customer
- b. There is an agreement between bank and customer to exclude the right of set off
- c. Debts are due and not contingent
- d. Debts have crystallized

Ans - d

.....

ATM stands for

- a. Any Time Money

.....

-
- b. Automated Teller Machine
 - c. Automatic Transfer of Money
 - d. Automatic Teller Money

Ans - b

Life Certificate in respect of pensioners is obtained once every year in

- March
- November
- January
- April

Ans - b

PIN stands for

- a. Personal Information Number
- b. Personal Identity Number
- c. Personal Identification Number
- d. Personal Index Number

Ans - c

WWW refers to

- a. Wide Web World
- b. World Wide Web
- c. World Web Wide
- d. Web Wide World

Ans - b

The period of credit in respect of debit cards is

- a. 10 days
-

-
- b. 5 days
 - c. 2 days
 - d. Non-existent

Ans - d

.....
An ante-dated cheque if presented for payment after expiry of the validity period can be paid if it is revalidated by

- a. The collecting banker with seal and signature
- b. The drawer under his signature
- c. The payee with his signature
- d. Any one of the above

Ans - b

.....
A special crossing on a cheque consists of

- a. Two parallel transverse lines
- b. The words ' Ac/ Payee only' between two parallel lines
- c. The name of a banker across the face of the cheque
- d. The words 'and company' between two parallel lines

Ans - b

.....
BCSBI code of commitment provides that Current/Savings Bank a/c's should be closed within days of receiving the application.

- 1
- 3
- 7
- 10

Ans - c

.....
.....

.....

Pension accounts are eligible for % concession in minimum balance requirements as well as in service charges.

- 50
- 60
- 100
- 25

Ans - a

.....

In case of payments in deceased a/c's, no sureties are required for claims upto Rs.

- 100,000
- 25,000
- 200,000
- 50,000

Ans - d

.....

The BCSBI has been set up to

- a. Provide redressal mechanism to customers for non-compliance of the codes
- b. Look into complaints to the extent it points to any systemic failure in compliance with the codes
- c. Provide additional grievance mechanism, in addition to the Banking Ombudsman, for deficiency in customer service
- d. None of the above

Ans - a

.....

A branch cannot acquire a successful image through

- a. Random customer meets
 - b. Participation in fairs
 - c. Association with social activities of academic institutions
 - d. Acceptance of appreciation as well as criticism for its services with grace
-

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

The minimum period of a TDR is days

- 7
- 10
- 15
- 3

Ans - a
.....

Bankers Cheques/ Drafts cannot be paid in cash if the amount is Rs. and above

- 20,000
- 25,000
- 50,000
- 75,000

Ans - a
.....

If a firm has 100 in inventories, a current ratio equal to 1.2, and a quick ratio equal to 1.1, what is the firm's Net Working Capital?

- 0
- 100
- 200
- 1,000
- 1,200

Ans - c

Explanation :

$CA/CL=1.2$ and $(CA-100)/CL=1.1 \Rightarrow$ solve and find $CL=1,000$ and $CA=1,200 \Rightarrow$ answer c
.....
.....

.....
A company has a perpetual

- Profits
- Losses
- Succession
- All the above

Ans - c
.....

Share of a limited company can be classified into

- Equity
- Preference
- Equity and Preference
- None of the above

Ans – c
.....

A sum amounts to Rs. 2,916 in 2 years and to Rs. 3,149.28 in 3 years at Compound interest. The sum is.....

- a. Rs. 1,500
- b. Rs. 2,000
- c. Rs. 2,500
- d. Rs. 3,000

Ans - c
.....

The is affixed on all important documents and contracts of a company.

- a. Registered seal
- b. Common Seal
- c. Govt. seal
- d. All the above

Ans - b
.....
.....

.....

..... capital is the amount with which Company is formed.

- Authorised
- Subscribed
- Both a & b
- All the above

Ans - a

.....

Capital subscribed by the public is called capital.

- Authorised
- Subscribed
- Preference
- Any of the above

Ans - b

.....

Paid-up Capital means amount of capital actually paid by

- Shareholders
- Equity Shareholders
- Preference Shareholders
- All of the above

Ans - a

.....

If a partner draw amount of Rs 1,000 p.m in beginning of every month, what will be the interest on drawing @ 15%:

- a. Rs 800
- b. Rs 900
- c. Rs 975
- d. Rs 825

Ans - b

.....

.....

.....

A truck cost 8,900 with a residual value of 500. it is estimated the useful life of the truck is 4 years. The amount of depreciation expense in year 2 by using the declining balance at twice the straight line rate is...

- 2,225
- 4,200
- 4,450
- 8,400

Ans - c

.....

Trade discount is shown in:

- a. Cash book
- b. Subsidiary books
 - Journal
 - Ledger

Ans - b

.....

On 1st January 2002, Mr. X purchased a plant costing Rs. 82,000 and spent Rs. 8,000 in its erection. The estimated effective life of the plant is 10 years, its scrap value being Rs. 10,000. What will be the depreciation value at the end of the 3rd year, under straight line method? Accounts are closed on 31st December each year.

- a. Rs. 61,000
- b. Rs. 58,000
- c. Rs. 56,000
- d. Rs. 54,000

Ans - c

.....

A firm purchased a machine for Rs. 5,00,000 on 1st April 2004, Its estimated effective life is 5 years at the end of which it will have a scrap value of Rs. 1,40,000. What will be the amount of depreciation each year if charged under straight line method.

- a. Rs. 60000
-

-
- b. Rs. 72,000
 - c. Rs. 80,000
 - d. Rs. 1,00,000

Ans - b

On 1st January 2002, a firm purchased machinery worth Rs., 1 lakh, and on 1st July 2004, it buys additional machinery worth Rs. 20,000 and spends Rs. 2,000 and spends Rs. 2,000 on its erection. Annual depreciation is 10% on straight line method. What will be written down value at the end of 5th year?

- a. Rs. 66,000
- b. Rs. 66,500
- c. Rs. 65,600
- d. Rs. 56,500

Ans - b

Find compound interest on Rs. 7500 at 4% per annum for 2 years, compounded annually

- A. Rs 312
- B. Rs 412
- C. Rs 512
- D. Rs 612

Ans - D

Cash - 50,000, Debtors - 1,00,000, Inventories - 1,50,000, Current Liabilities - 1,00,000, Total Current Assets - 3,00,000. Find the Current Ratio.

- 1:1.5
- 1:3
- 1.5:1
- 3:1

Ans - d

.....

Explanation :

$$3,00,000/1,00,000 = 3 : 1$$

The ideal Current Ratio preferred by Banks is 1.33 : 1

.....

Accounting principles are generally not based on (i) Imagination, (ii) Subjectivity, (iii) Practicability

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

Ans - a

.....

Under the money measurement concept the following will not be recorded in the books of account of the business (i) Value of furniture, (ii) Quality of company goods, (iii) Bad health of managing director

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

Ans - c

.....

Find the compound interest on Rs.16,000 at 20% per annum for 9 months, compounded quarterly

- A. Rs 2520
- B. Rs 2521
- C. Rs 2522
- D. Rs 2523

Ans - C

Explanation:

.....

.....

Please remember, when we have to calculate C.I. quarterly then we apply following formula if n is the number of years

$$\text{Amount} = P(1 + \frac{R}{4})^n$$

Principal = Rs.16,000;

Time=9 months = 3 quarters;

Rate = 20%, it will be $20/4 = 5\%$

So lets solve this question now,

$$\text{Amount} = 16000(1 + 5/100)^3 = 18522$$

$$\text{C.I.} = 18522 - 16000 = 2522$$

.....

Final accounts of a limited company consist of

- a. Balance Sheet
- b. Profit and Loss account
- c. Trading account
- d. Both a and b

Ans - c

.....

..... of the companies Act prescribes the form of balance sheet.

- a. Schedule V
- b. Schedule VI
- c. Schedule VII
- d. Schedule VIII

Ans - b

.....

Merchant bank is one that normally doesn't deal in

- a. International finance
 - b. Retail Products
 - c. Long-term loans for companies
-

d. Underwriting

Ans - b

.....

Which of the following can't be taken as Proof of Identity?

- a. Voter ID
- b. Driving License
- c. Ration Card
- d. Aadhaar Card

Ans - c

.....

Composite vouchers normally contain

- a. Only Debit entries
- b. Only Credit entries
- c. Both Debit and Credit entries
- d. Any of the above

Ans - c

.....

Accounting for which of the following is normally not carried out at Head Offices?

- a. Funds Management
 - Investments
 - CASA
 - Bills re-discounting

Ans – c

.....

FIU-Ind comes under the department of

- a. Banking, Ministry of Finance
 - b. Commerce, Ministry of Finance
 - c. Revenue, Ministry of Finance
-

.....

d. Intelligence, Ministry of Finance

Ans - c

.....

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

- a. Rs. 951
- b. Rs. 975
- c. Rs. 1,020
- d. Rs. 1,051

Ans - b

.....

In perpetual bonds

- a. Interest is paid even beyond maturity period
- b. Only interest is paid and has no maturity value
- c. Interest and maturity value is paid in advance
- d. All the above

Ans - b

.....

Value of the asset is increased or the business has acquired more of that asset, then there is a

.....

- a. Credit in Real Account
- b. Debit in Real Account
- c. Credit in Nominal Account
- d. Debit in Nominal Account

Ans - b

.....

.....

.....

Which of the following statements are false? (i) Cash flow statement is a substitute for cash account, (ii) Appropriation of retained earnings is not shown in Cash flow statement, (iii) Net cash flow during a period can never be negative

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

Ans - d

.....

Given Maximum value of production and minimum value of production is 10,000 and 5000 units respectively. Maximum total cost is RS 25,000 and minimum total cost is Rs 15,000. Determine total fixed cost and per unit marginal cost.

- a. Rs 2 per unit, Rs 5,000
- b. Rs 5 per unit, Rs 2000
- c. Rs 10 per unit, Rs 10,000
- d. None of the above

Ans - a

.....

A has a current account with the bank and expires. The claim is settled in favour of his heirs after six months. The legal heirs also claim interest. What would you do?

- a. Pay interest at SB interest rate
- b. Pay FD rate for the relevant period interest rate
- c. Will not pay any interest, as the balance was in current account
- d. a or b whichever lower

Ans - a

.....

In two periods total costs amounts to Rs 50000 and Rs 40000 against production of 20000 and 15000 units respectively. Determine marginal cost per unit and fixed cost.

- a. Rs 2 and Rs 10,000
 - b. Rs 4 and Rs 5000
-

-
- c. Rs 10 and Rs 8000
 - d. None of the above

Ans - a

.....

xyz Company maintains a current account with ABC bank and the account is operated by two of the six partners. In an insolvency case, all the partners have been declared insolvent by a competent court. What precautions should be taken by the bank? (i) with all partners becoming insolvent, the firm has dissolved due to which operations in the account should be stopped, (ii) the balance in the account will be kept at the disposal of the official receiver, (iii) if payment is demanded by the official receiver, it will be made

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

Ans - d

.....

Which of the following are cash flow from investing activities? (i) Interest received, (ii) Dividend received, (iii) Sale of fixed assets

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

Ans - d

.....

From the books of Mr. Raj it was observed that cheques amounting to 2,40,000 were deposited in the bank, out of which cheques worth 20,000 were dishonoured and cheques worth 40,000 are still in the process of collection. The treatment of this while preparing Bank Reconciliation Statement is

- a. Deduct 60,000 from bank balance as per pass book
 - b. Add 20,000 and deduct 40,000 from overdraft balance as per cash book
 - c. Deduct 60,000 from overdraft balance as per pass book
-

.....

d. Add 60,000 from overdraft balance as per pass book

Ans - c

.....

Determine sales in rupees for desired profit if fixed cost is Rs 10,000, Variable cost is Rs 30,000, Sales is Rs 50,000 and desired profit is RS 5,000.

- a. Rs 32,500
- b. Rs 37,500
- c. Rs 42,500
- d. Rs 47,500

Ans - b

.....

A and B are in needs of funds On 1.1.2017. A drew a bill for 2,00,000 for 6 months on B. On 4.1.2017 A got the bill discounted at 10% p.a. and remitted 40% of the proceeds to B. The cheque sent to B is for

- 80,000
- 72,000
- 76,000
- 70,000

Ans - c

.....

A machinery is purchased for Rs. 3,00,000 and Rs. 50,000 is spent on its installation. Rs. 5,000 is spent on fuel. What will be the amount of capital expenditure?

- a. Rs. 3,00,000
- b. Rs. 3,50,000
- c. Rs. 3,55,000
- d. None of these

Ans - b

.....

.....

.....

Which of the following is a capital expenditure?

- a. Repair of plant and machinery
- b. Salary paid to workers
- c. Cost of stand by equipment
- d. Annual whitewash of the office building

Ans - c

.....

Certain principal amount plus its 5 Year's simple interest makes an amount of Rs.500. If the interest is $\frac{1}{4}$ th of its principal, find out the rate of interest and the principal amount.

- a. 4% ; Rs. 400
- b. 5% ; Rs. 400
- c. 5.5% : Rs. 300
- d. 6% : Rs. 250

Ans - b

.....

Rate on debt that increases as soon market rises is classified as

- a. rising bet rate
- b. floating rate debt
- c. market rate debt
- d. stable debt rate

Ans - b

.....

The risk adjusted discount rate approach for NPV determination makes a balance between

(i) Degree of risk, (ii) Degree of profitability, (iii) Rate of return

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

Ans - b

.....

.....

A person buys a watch for Rs. 1,950 in cash and sells it for Rs. 2,200 on credit of 1 year. If the rate of interest is 10% he

- a. loses Rs.50
- b. Loses Rs.30
- c. Gains Rs.30
- d. Gains Rs.50

Ans - d

.....

Inventory turnover ratio is 6 times

Year end debtors are outstanding for 2 months

Year end creditors are outstanding for 73 days.

Ratios of cost of goods sold to:

- a. Proprietors' funds is 2:1
- b. Fixed assets is 4:1

Ratio of gross profit to sales is 20%

Closing stock is greater than the opening stock by Rs.10,000

The gross profit for the year ended 31.03.2017 is Rs.1,20,000.

Reserves and surplus appearing in the Balance Sheet as at 31.03.2017 total to Rs.40,000.

The directors of XYZ Enterprises ask you to ascertain:

1. Proprietors' funds

- Rs.2,00,000
- Rs.2,20,000
- Rs.2,40,000
- Rs.2,60,000

Ans - c

.....

2. Fixed assets

- Rs.1,00,000
 - Rs.1,20,000
 - Rs.1,40,000
 - Rs.1,60,000
-

.....

Ans - b

.....

3. Closing Debtors

Rs.1,00,000
Rs.1,20,000
Rs.1,40,000
Rs.1,60,000

Ans - a

.....

4. Closing Creditors

Rs.90,000
Rs.94,000
Rs.96,000
Rs.98,000

Ans - d

.....

5. Closing Stock

Rs.83,000
Rs.85,000
Rs.87,000
Rs.89,000

Ans - a

.....

6. Share capital

Rs.2,00,000
Rs.2,20,000
Rs.2,40,000
Rs.2,60,000

.....

.....

Ans - a

.....

7. Cash and Bank Balances

Rs.31,000

Rs.33,000

Rs.35,000

Rs.37,000

Ans - b

.....

M/s ABC Limited, current account holder of a bank branch, makes a request to the bank to return to them, the paid cheques. What should the branch do?

a paid cheques cannot be returned as these are property of the bank

b paid cheques cannot be returned since bank may need these instruments at a later

stage c paid cheques can be returned as per provision of Banking Regulation Act d paid

cheques can be returned as per provisions of Indian Evidence Act

Ans - c

.....

Formation of JLF (Joint Lender Forum) is mandatory for all accounts with (i) Aggregate limit of Rs.100 crore & above, (ii) Finance under Multiple/Consortium banking, (iii) Accounts classified as SMA-2

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - d

.....

Corrective Action Plan is to be finalized within days from reporting under SMA-2

a. 15

.....

30
45
60

Ans - b

While opening a current account of a private company, which of the following documents is not insisted the banks?

- a. Certificate of incorporation
- b. Business commencement Certificate
- c. Articles of Association
- d. Memorandum of Association

Ans - b

The balance as per bank statement of a company is 12,000 (Dr). The company deposited two cheques worth 9,500, out of which one cheque for 2,300 was dishonoured which were not entered in the cash book. The credit balance as per cash book is

21,000
15,300
23,800
9,700

Ans - d

On 1.1.2017 X draws a bill on Y for 20,000. At maturity, Y requests X to renew the bill for 2 months @ 12% p.a. interest. Amount of interest will be

400
300
360
380

Ans - a

.....

Find the rate at Simple interest, at which a sum becomes four times of itself in 15 years.

- 10%
- 20%
- 30%
- 40%

Ans - B

Explanation:

Let sum be x and rate be r%

then, $(x * r * 15) / 100 = 3x$ [important to note here is that simple interest will be 3x not 4x, because $3x + x = 4x$]

=> $r = 20\%$

.....

Benefits of preparing Bank Reconciliation Statement include (i) It bring out any errors committed in preparation of Cash book / Bank Pass Book, (ii) Highlights under delay in clearance of cheques deposited but not credited, (iii) Help know actual bank balance

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

Ans - d

.....

The owner of the company includes his personal medical expenses in the companies' – Which of the following accounting principal is violated in this above statement?

- a. Cost concept
- b. Going concept
- c. Business entity concepts
- d. Duality concept

Ans - c

.....

.....
If market interest rate rises above coupon rate then bond will be sold

- a. equal to return rate
- b. seasoned price
- c. below its par value
- d. above its par value

Ans - c

.....

A sum of money amounts to Rs 9800 after 5 years and Rs 12005 after 8 years at the same rate of simple interest. The rate of interest per annum is

- 9%
- 10%
- 11%
- 12%

Ans - d

Explanation:

We can get SI of 3 years = 12005 - 9800 = 2205

SI for 5 years = (2205/3)*5 = 3675 [so that we can get principal amount after deducting SI] Principal = 12005 - 3675 = 6125

So Rate = (100*3675)/(6125*5) = 12%

.....

Banks are to keep a close watch on large size cash debit or credit transactions in deposit or loan accounts and keep a record of such transactions. For this purpose, the large size transaction means where the amount is

- a. Rs.10 lac and above
- b. above Rs.10 lac
- c. less than Rs.10 lac
- d. all the above

Ans - b

.....

.....

.....

A director of a company, who operates bank account expires. A cheque signed by him before his death has been presented in your branch. The bank would

- a. Close the accounts for future transactions
- b. Continue the account and cheque if otherwise in order would be paid
- c. If debit balance, a/c would be closed
- d. any of the above

Ans - b

.....

Balance as per Pass Book on 31.03.2017 - 50,000
 Cheque issued and presented on 4th April - 1,500
 Cheque sent to bank but not credited by bank - 7,000
 Bills Payable paid by bank not entered in cash book - 2,800
 Balance as per cash book will be

58,300
 41,700
 47,300
 50,000

Ans - a

.....

The financial statements of a company contain the following information for the year ending 31.03.2017:

Cash - 1,60,000
 Sundry Debtors - 4,00,000
 Short-term Investment - 3,20,000
 Stock - 21,60,000
 Prepaid Expenses - 10,000
 Total Current Assets - 30,50,000

Current Liabilities - 10,00,000
 10% Debentures - 16,00,000
 Equity Share Capital - 20,00,000
 Retained Earnings - 8,00,000

.....

Statement of Profit for the year ended 31.03.2017

Sales (20% cash sales) - 40,00,000
Less : Cost of goods sold - 28,00,000
Profit before Interest & Tax - 12,00,000
Less : Interest - 1,60,000
Profit Before Tax - 10,40,000
Less : Tax @30% - 3,12,000
Profit After Tax - 7,28,000

Now calculate:

1. Quick Ratio

0.88
0.57
0.47
0.75

Ans - a

2. Debt-equity Ratio

0.88
0.57
0.47
0.75

Ans - b

3. Return on Capital Employed

24.88%
27.57%
27.3%
27.45 %

Ans - c

.....

4. Average collection period (Assuming 360 days in a year)

- a. 30 days
- b. 35 days
- c. 40 days
- d. 45 days

Ans - d

.....

What does the accounts receivable turnover ratio tell us?

- a. How often a/r is received
- b. How many times average a/r is collected
- c. A/r balance is at the end of a period
- d. Bad debt balances at year end

Ans - b

.....

The best ratio to evaluate short-term liquidity is

- a. Current ratio
- b. Working capital
- c. Cash ratio
- d. Debt to assets ratio

Ans - c

.....

The duPont Analysis uses the following ratios except

- a. Debt ratio
- b. Profit margin
- c. Total asset turnover
- d. Financial leverage

Ans - a

.....

.....

Which best describes the gross margin ratio?

- a. Leverage ratio
- b. Liquidity ratio
- c. Coverage ratio
- d. Profitability ratio

Ans - d

.....

Inventory turnover ratio evaluates

- a. A company's ability to move inventory
- b. A company's inventory purchasing efficiency
- c. Both a and b
- d. None of the above

Ans - c

.....

The equity multiplier helps creditors

- a. Evaluate future earnings
- b. Evaluate company cash flows
- c. Evaluate company profitability
- d. Evaluate company lending risk

Ans - d

.....

The quick ratio formula uses which of the following?

- a. Total assets
Cash
Total current assets
Inventory

Ans - b

.....

.....
Capital Rs. 40,000, Liabilities Rs. 15,000, then Assets Rs.....

- a. Rs. 25,000
- b. Rs. 65,000
- c. Rs. 55,000
- d. Rs. 45,000

Ans - c

Let me Explain :

$$\begin{aligned} A &= C+L \\ &40000+15000 \\ &55000 \end{aligned}$$

.....

Capital Rs. 60,000, Liabilities Rs. 25,000, then Assets Rs.....

- a. Rs. 35,000
- b. Rs. 60,000
- c. Rs. 80,000
- d. Rs. 85,000

Ans - d

Let me Explain :

$$\begin{aligned} A &= C+L \\ &60000+25000 \\ &85000 \end{aligned}$$

.....

Capital Rs. 50,000, Assets Rs. 95,000, then Liabilities Rs.....

- a. Rs. 45,000
- b. Rs. 50,000
- c. Rs. 95,000
- d. Rs. 1,45,000

Ans - a

.....

.....

Let me Explain :

$$A = C+L$$

$$95000 - 50000$$

$$45000$$

.....

What will the ratio of simple interest earned by certain amount at the same rate of interest for 9 years and that for 21 years.

- 1:2
- 2:1
- 3:2
- 3:7

Ans - d

Let me Explain :

Let the principal be P and rate be R, then

$$\text{Ratio} = [(P \cdot R \cdot 9 / 100) : (P \cdot R \cdot 21 / 100)]$$

$$9PR : 21PR$$

$$9 : 21$$

$$3 : 7$$

.....

Assets Rs. 80,000, Liabilities Rs. 35,000, then Capital Rs.....

- a. Rs. 35,000
- b. Rs. 45,000
- c. Rs. 55,000
- d. Rs. 1,15,000

Ans - b

Let me Explain :

$$A = C+L$$

$$80000 + 35000$$

$$45000$$

.....

.....

.....

An asset cost Rs. 7,20,000/- has residual value of Rs. 90,000/-, and is expected to last 9 years. Calculate the total depreciation till 6th year using Straight-line Method.

- a. Rs. 70,000
- b. Rs. 80,000
- c. Rs. 4,20,000
- d. Rs. 4,80,000

Ans - c

Let me Explain :

Expected Life = 9 Years

Total Depreciation = Cost of the Asset - Residual Value

So, Value to be taken for Depreciation = 720000 - 90000 = 630000

Depreciation per year = $630000/9 = 70000$

So, Total Depreciation till 6th year also will be

Rs. $70000 * 6 = \text{Rs. } 4,20,000/-$

.....

Simple interest on a sum at 4% p.a. for two years is Rs.800. The compound interest on the same sum, rate of interest and for the same period is.....

- a. Rs. 81.60
- b. Rs. 816
- c. Rs. 1,600
- d. Rs. 1,816

Ans - b

Let me Explain :

Let us first find the principal Amount

Simple Interest for 2 years @ 4% = 800

So, for 1 year @ 4% = $800/2 = 400$

So, the Principal Amount = $400/4 * 100 = 10000$

Now let us calculate, compound interest on Rs. 10000 at 4% p.a for 2 years

.....

$$A = P(1+r/100)^n$$

$$10000 (1+4/100)^2$$

$$10000 (1.04)^2$$

$$10000 (1.0816)$$

$$10816$$

$$CI = \text{Amount} - \text{Principal}$$

$$10816 - 10000$$

$$816$$

So, compound interest on Rs. 10000 at 4% p.a for 2 years is : Rs. 816

.....

A money lender lent some amount in simple interest of @ 8% p.a. After 18 months, he got Rs. 14000 in full payment of interest and principal amount. Find out the sum lent by the money lender.

- a. Rs. 11500
- b. Rs. 12000
- c. Rs. 12500
- d. Rs. 13000

Ans - c

.....

In how many years will a sum of money double itself at 8% per annum compound Interest?

- a. 8 Years
- b. 8 Years 6 months.
- c. 9 Years
- d. 9 Years 6 months

Ans - c

.....

While recording transactions, all possible losses must be taken into consideration but all anticipated profit should be ignored. This is called as

- a. Convention of Conservatism
 - b. Principle of Prudence
-

-
- c. Both a & b
 - d. Neither a nor b

Ans - c

.....

Mr. Akil borrowed a sum of Rs. 50000 from Mr. Anand at the rate of 12% p.a. for 4 years. Total amount repayable is

- a. Rs. 72000
- b. Rs. 74000
- c. Rs. 76000
- d. Rs. 78000

Ans - b

.....

A watch purchased for Rs.3,000 for the son of a partner, was debited to trade expenses account with Rs.300. The partners drawing account should be debited in the rectifying entry with

- a. Rs. 300
- b. Rs. 2700
- c. Rs. 3300
- d. Rs. 3000

Ans - d

.....

A sum of Rs.3,000 written off as bad debts now received, credited to the debtor should result in ...

- a. increase the net profit by Rs. 3000
- b. decrease the net profit by Rs. 3000
- c. no effect on net profit
- d. increase in the balance of debtor's account

Ans - b

.....

.....

.....

If Rs. 7,500 are borrowed at compound interest at the rate of 4% p.a. then after 2 years the amount to be paid is

- a. Rs. 8,082
- b. Rs. 8,100
- c. Rs. 8,112
- d. Rs. 8,200

Ans - c

.....

If compound interest for 2 Years at the rate of 4% of some money is Rs. 102, find the simple interest at the same rate for 2 years.

- a. Rs. 100
- b. Rs. 110
- c. Rs. 120
- d. Rs. 130

Ans – a

.....

An asset cost Rs. 3,30,000/- has residual value of Rs. 30,000/-, and is expected to last 4 years. Calculate the depreciation for 4th year using sum of the digits Method.

- a. Rs. 1,20,000/-
- b. Rs. 60,000/-
Rs. 30,000/-
Rs. 15,000/-

Ans - c

Let me explain :

$$= \frac{n \times \text{nth}}{E(\sigma)n} (\text{cost} - \text{Residual Value})$$

$$E(\sigma)n = 1+2+3+4 = 10$$

$$1\text{st year} = \frac{4}{10}(300000) = 120000$$

$$2\text{nd year} = \frac{3}{10}(300000) = 90000$$

$$3\text{rd year} = \frac{2}{10}(300000) = 60000$$

$$4\text{th year} = \frac{1}{10}(300000) = 30000$$

.....

.....
What is the rate percent per annum if a sum doubles itself in 12 years at Compound rate of interest?

- 5.4%
- 5.5%
- 5.8%
- 5.9%

Ans – d
.....

If a sum of money trebles itself in 2 years at compound interest, then it will be 27 times of itself in

- a. 5 years
- b. 6 years
- c. 12 years
- d. 18 years

Ans - b
.....

The simple interest and compound interest of first year, are

- equal
- unequal
- Can't say
- None of the above

Ans - a
.....

When compound interest is calculated half yearly, then the period becomes

- half
- double
- one fourth
- one tenth

Ans – b
.....

.....

The present worth of Rs. 7,020 due in two equal half-yearly instalments @ 8%p.a. simple interest is

- a. Rs. 6,500
- b. Rs. 6,625
- c. Rs. 6,750
- d. Rs. 7,000

Ans – b

.....

A person buys a watch for Rs. 1,950 in cash and sells it for Rs. 2,200 on credit of 1 year. If the rate of interest is 10% he

- a. loses Rs.50
- b. Loses Rs.30
- c. Gains Rs.30
- d. Gains Rs.50

Ans - d

.....

A sum of Rs 12,500 amounts to Rs. 15,500 in the 4 years at the rate of simple interest. Find the rate percent

- A. 6 %
- B. 7 %
- C. 8 %
- D. 9 %

Ans - A

Explanation:

$$S.I.=P*R*T/100$$

$$\Rightarrow R=S.I.*100/P/T$$

$$\text{So, } S.I = 15500 - 12500 = 3000.$$

$$\Rightarrow R = 3000*100/12500/4$$

$$6\%$$

.....

.....

.....
What balance sheet format is verticle?

- Standard
- Report
- Account
- Inverted

Ans - b

.....

Income statement format that separates cost of goods sold into categories?

- Standard
- Detailed
- Expanded
- Multi-step

Ans - d

.....

Net income equals

- a. Total revenues minus cost of goods sold
- b. Total revenues minus total expenses
- c. Operating revenues minus operating expenses
- d. Revenues minus expenses plus income taxes

Ans - b

.....

In case of renewal of the bill, interest is calculated for the period of

- a. Drawing and discounting the bill
- b. Discounting and due date
- c. Drawing and due date
- d. None of the above.

Ans - b

.....
.....

.....

Credit sale of Rs. 50000 to Anand wrongly debited to Ramesh's account. Trial balance Credit side presently shows a total of Rs. 2458650. Actually it should be

- 2408650
- 2508650
- 2458650
- None of the above

Ans - c

.....

The relationship between the Consignor and Consignee is that of...

- a. Principal and agent
- b. Seller and buyer
- c. Bailor and bailee
- d. Creditor and debtor

Ans. a

.....

Bank Reconciliation Statement is prepared by

- Creditor
- Debtor
- Customer
- Bank

Ans – c

.....

A bank Reconciliation is prepared, so that the difference in the under noted balances is reconciled

- a. The difference in the balance in the cash column and bank column of the Cash book b.
- The difference in the balance in the pass book at the beginning and at the end
- c. The difference in the cash book and pass book balances as on the date
- d. The differences in the bank ledger and pass book

Ans – c

.....

.....

Discount allowed on issue of shares is shown in ...

- a. Assets side of Balance Sheet
- b. Liabilities side of balance sheet
- c. Debit side of P & L a/c
- d. Credit side of P & L a/c

Ans - a

.....

Unless otherwise stated, a preference share is always deemed to be ...

- Cumulative, participating and non-convertible
- Non-cumulative, participating and non-convertible
- cumulative, non-participating and non-convertible
- Non-cumulative, non participating and non-nonconvertible

Ans - c

.....

The is affixed on all important documents and contracts of a company.

- a. Registered seal
- b. Common Seal
- c. Govt. seal
- d. All the above

Ans - b

.....

The rate of interest on a sum of money is 4% p.a .for the first 2 years, 6% p.a. for The next 4 years and 8% p.a. for the period beyond 6 years. If the simple interest accrued by the sum for a total period of 9 years is Rs, 1,120, what is the sum?

- a. Rs. 1,000
- b. Rs. 1,500
- c. Rs. 2,000
- d. Rs. 2,500

Ans - c

.....

.....

Solution :

$$4*2=8,$$

$$6*4=24,$$

$$8*3=24$$

$$8+24+24=56$$

$$1120/56*100=2000$$

.....

Goods costing Rs. 8,000 were damaged by fire. Insurance company admitted a claim of Rs. 6,500. Profit & Loss a/c will be debited with...

- a. Rs. 8,000
- b. Rs. 6,500
- c. Rs. 4,500
- d. Rs. 1,500

Ans - d

.....

Cost of sales is Rs. 40,000 net sales amount to Rs. 60,000 and Closing stock is valued at Rs. 10,000. The gross profit will be

- a. Rs. 10,000
- b. Rs. 20,000
- c. Rs. 30,000
- d. Rs. 40,000

Ans - b

.....

Dividends are usually paid on:

- Called-up-capital
- Subscribed-capital
- Paid-up-capital.
- Issued capital

Ans - c

.....

.....

.....

Banks cannot outsource (i) according sanction for loans, (ii) management of investment portfolio

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

Ans - d

.....

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

- 2
- 5
- 8
- 10

Ans - a

.....

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

- 2
- 5
- 8
- 10

Ans - c

.....

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

- 2
- 5
- 8
- 10

Ans - d

.....

.....

Which of the following are Back office functions with respect to Regulatory compliance? (i) Identifying KYC gaps, (ii) customer grievance redressal system

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

Ans - d

The key objectives are (i) To increase the number of customers, (ii) To provide multiple delivery channels like internet, mobile banking, ATMs, (iii) To enable faster money fund transfers to reach out to more customers

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

Ans - d

In case of Safe custody of articles, Nomination can be made in favour of (i) one individual only, (ii) more than one individual possible.

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

Ans - a

A person invested Rs. 100000 in a bank FDR @ 6% p.a. for 1 year. If interest is compounded on half-yearly basis, the amount payable shall be

- 105080
 - 106090
 - 108050
-

109060

Ans - b

Solution:

P = 100000

R = 6% / 2 = 3% (since compounding is semi-annually, rate is divided by 2)

T = 1 * 2 = 2 (since compounding is semi-annually, time is multiplied by 2)

Since compounding is semi-annually and its only 1-time investment, the formula to be used:

$$FV = P * (1+R)^T$$

So,

$$FV = 100000 * (1+0.03)^2$$

106090 Ans.

Desirable current ratio is.....

- 1:1
- 1.33:1
- 2:1
- None of the above

Ans - b

For a transport operator, a bus is (i) Current asset, (ii) Fixed asset

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

Ans - b

.....
If current ratio is above 2:1, it means that the firm (i) Has very high investment in current assets, (ii) Does not require working capital from the Bank, (iii) Liquidity is very high

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

Ans - d
.....

Working capital gap is not (i) Current Assets less Current Liabilities, (ii) Current Assets less Current Liabilities other than Bank Borrowings, (iii) 75% of Current Assets

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

Ans - b
.....

Quick Ratio is..... (i) Other name of acid test ratio, (ii) Equal to quick assets : quick liabilities

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

Ans - a
.....

Gross Profit Ratio is..... (i) $\frac{\text{Gross Profit}}{100 \times \text{sales}} \%$, (ii) $\frac{\text{Gross profit}}{\text{sales}} \times 100 \%$

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

Ans – b
.....

.....

Freight expenses for carrying Machinery is carried to Travel a/c, then rectification in trial balance is

- a. Debit machinery a/c and credit travel a/c.
- b. Credit machinery a/c and debit travel a/c
- c. Credit profit and loss account and debit travel a/c.
- d. Debit profit and loss a/c(P&L a/c) and credit travel a/c.

Ans - a

.....

Life membership fee received by a non-trading institution is

- a. an expense
- b. an income
- c. an asset
- d. a liability.

Ans - d

.....

What is the present worth of Rs. 15600 due in 3 years at 10% simple interest per annum ?

- 10000
- 12000
- 14000
- 16000

Ans - b

Explanation:

Let the present worth be Rs.x

Then, S.I.= Rs.(15600 - x)

$$\Rightarrow (x \cdot 3 \cdot 10 / 100) = 15600 - x$$

$$\Rightarrow 3x = 156000 - 10x$$

.....

.....

=> $13x = 156000$

$x = 12000$

.....

Tournament expenses of the sports club are

- a. recorded as assets
- b. recorded as deferred revenue expenditure
- c. recorded as liability
- d. deducted from tournament fund at the liabilities side a balance sheet.

Ans - d

.....

Receipts & Payment Accounts is not a (i) Personal account, (ii) Real account, (iii) Nominal account

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

Ans - b

.....

The system of recording business transactions based on dual aspect concept is called

- a. Single entry system
- b. Double entry system
- c. Double account system
- d. All of the above

Ans - b

.....

In construction work revenue is identified on the basis of

sales
cash received

.....

-
- c. balanced due
 - d. work completed

Ans - d

.....

Wages Paid for the erection of machine debited to wages Ac is

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

Ans - a

.....

According to Accounting Standard 2 inventory means tangible property held

- a. For sale in the ordinary course of business (finished goods)
In the process of production for such sale(work-in-process)
For production in the production of goods or services for sale(raw materials)
All the above

Ans - d

.....

In retail business, widely followed method of inventory valuation is

- FIFO
- Weighted average
- Adjusted selling price.
- LIFO

Ans - c

.....

Accounting to the principles of matching cost and revenue income of a business can be ascertained by

- a. Total received
-

-
- b. Total payments
 - c. matching total sales and purchases
 - d. matching revenue with the cost of the business

Ans - d

.....

Non financial information is not recorded in accounts to

- a. accrual concept
- b. entity concept
- c. dual aspect concept
- d. money measurement concept

Ans - d

.....

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

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

Ans - a

.....

In book-keeping, the transactions are recorded undertypes of accounts

- Two
- Three
- Four
- Five

Ans - b

.....

.....

A manager is entitled to receive a commission @ 5 % on net profit after charging such commission. Gross profit of the firm is Rs. 2,00,000 and selling and administrative expense amount to Rs. 1,47,000. His commission will be ...

- a. Rs. 5,250
- b. Rs. 2,625
- c. Rs. 2,500
- d. Rs. 10,000

Ans - c

.....

In how many years will a sum of money double itself at 12% per annum simple Interest?

- a. 7 Years 6 months
- b. 8 Years
- c. 8 Years 4 months
- d. 8 Years 6 months

Ans - c

.....

For a bank, Rebate on bills discounted is an item of ...

- a. an income
- b. an expenditure
- c. an accrued income
- d. an income received in Advance

Ans - d

.....

Partnership is a between two or more persons.

- Friendship
- Relationship
- Both a & b
- None of the above

Ans – b

.....

..... will not be responsible for any shortage in book of notes. (i) Vault Teller, (ii) Cashiers signed the Denomination Slips, (iii) Head Cashier

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

Ans - b

You will be receiving Rs. 100000 at the end of each year for the next 15 years. If the current discount rate for such a stream of cash is 9%, find the present value of cash flow.

- a. 800669
- b. 806069
- c. 860609
- d. 866009

Ans - b

Solution:

Since 100000 is like EMI. So, to find P, we use the formula of EMI
The formula of EMI =

$$P * R * (1 + R)^{AT} \div \{ (1 + R)^{AT} - 1 \}$$

$$100000 = P \times 0.09 \times 1.09^{15} \div (1.09^{15} - 1)$$

$$100000 = P \times 0.09 \times 3.64248 \div 2.64248$$

$$264248 = P \times 0.32782$$

$$P = 806069$$

This can be done with PV (OA) Present Value Ordinary Annuity too.

The profit and Loss Account is not an account..... (i) For one particular date, (ii) For one particular accounting year, (iii) An account for a particular month

- a. Only (i) and (ii)

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

Ans - b

.....

..... is responsible for any shortage either in Hand or Vault Balance. (i) Vault Teller, (ii) Head Cashier, (iii) Cashier

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

Ans – c

.....

Current assets are Rs. 10 lac, current liabilities Rs. 6 lac, balance sheet total Rs. 16 lac and debt equity ratio 2:1. What is the fixed assets/owned funds ratio?

- a. 1:1
- b. 1.5:1
- c. 1.8:1
- d. None of the above

Ans - c

.....

Return on Investment is..... (i) Operating Assets/operating income, (ii) Operating Income/operating assets

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) nor (ii)

Ans - b

.....

.....

.....

How do you rate a unit with debt-equity ratio of 3.5:1 and current ratio of 1.9:1?

- Good
- Very Good
- Poor
- Needs financial re-arrangement through induction of owned funds of the promoters

Ans - d

.....

Which of the following are not current assets ? (i) Furniture and fixtures, (ii) Plant and Machineries, (iii) Receivable of 2 years old, slow moving stock

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

Ans - d

.....

Suppose Current Ratio is 4 : 1. NWC is Rs.30,000/-. What is the amount of Current Assets ?

- 10000
- 30000
- 40000
- 50000

Ans - c

Explanation :

Let Current Liabilities = a

$$4a - 1a = 30,000$$

a = 10,000 i.e. Current Liabilities is Rs.10,000

Hence Current Assets would be

$$4a = 4 \times 10,000 = \text{Rs.}40,000/-$$

.....

.....

.....

In a Balance Sheet the amount of fixed assets is Rs. 1 lac, that of non-current assets Rs. 1 lac and total liabilities Rs. 4 lac. Which of the following statements are not correct? (i) Net worth is Rs. 2 lac, (ii) Net worth is Rs. 1 lac, (iii) Current assets are Rs. 2 lac

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

Ans - a

.....

Acid test ratio is not computed as..... (i) Current Assets divided by Current Liabilities, (ii) Current Assets : Current liabilities, (iii) Current Assets less stocks and then divided by current liabilities

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

Ans - a

.....

If current ratio of an organisation is very high but acid test ratio is low, it indicates that the firm has.....

- a. Very high fixed assets
- b. Very high stock level
- c. Very low investment in stocks
- d. None of the above

Ans - b

.....

Working capital limits are not supposed to be repaid out of..... (i) Capital, (ii) Sales, (iii) Current assets

- a. Only (i) and (ii)
-

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

Ans - a

.....

A person invested Rs. 100000 in a bank FDR @ 6% p.a. for 1 year. If interest is compounded on yearly basis, the amount payable shall be

- 100600
- 100500
- 106000
- 105000

Ans - c

Solution:

P = 100000

R = 6% yearly

T = 1 yr

Since compounding is annually and its only 1-time investment, the formula to be used:

$$FV = P * (1+R)^T$$

So,

$$FV = 100000 * (1+0.06)^1$$

106000 Ans.

.....

'Outsourcing' may be defined as a bank's use of a third party that is (i) an affiliated entity within a corporate group, (iii) an entity that is external to the corporate group

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) nor (ii)

Ans – c

.....

.....

Purchased a printer having price as Rs.10,000 at a discounted price of Rs.9,000. The entry for this will be

- a. Debit Office Equipment a/c Rs.10,000, Credit Cash a/c Rs.9,000, Credit Discount Received Rs.1,000.
- b. Debit Purchases a/c Rs.10,000, Credit Cash a/c Rs.9,000, Credit Discount Received Rs.1,000.
- c. Debit Office Equipment a/c Rs.9,000, Credit Cash a/c Rs.9,000.
- d. Debit Purchases a/c Rs.9,000, Credit Cash a/c Rs.9,000.

Ans – c

.....

Simple interest on a sum at 5% p.a. for two years is Rs.500. Find the total amount for the compound interest on the same principal, rate of interest and for the same period is.....

- a. Rs. 5125.50
- b. Rs. 5152.50
- c. Rs. 5512.50
- d. Rs. 5521.50

Ans - c

Let me Explain :

Let us first find the principal Amount

Simple Interest for 2 years @ 5% = 500

So, for 1 year @ 5% = $500/2 = 250$

So, the Principal Amount = $250/5 * 100 = 5000$

Now let us calculate, compound interest on Rs. 5000 at 5% p.a for 2 years $A = P(1+r/100)^n$

$$5000 (1+5/100)^2$$

$$5000 (1.05)^2$$

$$5000 (1.1025)$$

$$5512.50$$

So, Total Amount on Rs. 5000 at 5% p.a for 2 years is : Rs. 5512.50

.....

.....

.....

Depletion is used in relation to:

- a. Plant and Machinery
 - Good-will
 - Stock in trade
 - Mines

Ans - d

.....

Find the simple interest on Rs 7000 at 50/3 % for 9 months

- a. Rs. 1075
- b. Rs. 975
- c. Rs. 875
- d. Rs. 775

Ans - c

Explanation:

$$S.I. = P \times R \times T / 100$$

So, by putting the values in the above formula, we

$$\begin{aligned} \text{get } S.I. &= 7000 \times 50/3 \times 9/12 / 100 \\ &= 875 \end{aligned}$$

[Please note that we have divided by 12 as we converted 9 months in a year format]

.....

Find the simple interest on the Rs. 2000 at 25/4% per annum for the period from 4th Feb 2013 to 18th April 2013

- a. Rs 25
- b. Rs 30
- c. Rs 35
- d. Rs 40

Ans - a

Explanation:

One thing which is tricky in this question is to calculate the number of days.

.....

.....

Always remember that the day on which money is deposited is not counted while the day on which money is withdrawn is counted.

So let's calculate the number of days now,

Time = (24+31+18) days

73/365 years

1/5 years

P = 2000

R = 25/4%

S.I. = $2000 \times \frac{25}{4} \times \frac{1}{5} \div 100$

25

.....

Accounting standard AS 13 deals with

- a. Cash Flow statements
- b. Valuation of Inventories
- c. Depreciation Accounting
- d. Accounting for investments

Ans - d

.....

Effective annual rate of interest corresponding to nominal rate of 6% per annum compounded half yearly will be

6.09%

6.10%

6.12%

6.14%

Ans - A

Explanation:

Let the amount Rs 100 for 1 year when compounded half yearly, $n = 2$, Rate = $6/2 = 3\%$

Amount = $100(1 + 3/100)^2 = 106.09$

Effective rate = $(106.09 - 100)\% = 6.09\%$

.....

.....

.....

The marine insurance policy should be expressed in

- Rupees.
- Us Dollars.
- Same currency which the LC is drawn.
- Any foreign currency.

Ans - c

.....

A sum of money invested at compound interest to Rs. 800 in 3 years and to Rs 840 in 4 years.
The rate on interest per annum is.

- 4%
- 5%
- 6%
- 7%

Ans - B

Explanation:

S.I. on Rs 800 for 1 year = 40
Rate = $(100 \times 40) / (800 \times 1) = 5\%$

.....

A partner's capital balance at the end of the year is Rs. 1,00,000 after adjusting for drawings Rs. 20,000 and his share in the profits Rs. 10,000. Interest payable to him at 5% p.a. on the opening capital balance, would be

- a. Rs. 3,500
- b. RS. 4,500
- c. RS. 5,000
- d. Rs. 5,500

Ans – d

.....

Which of the following is not an example for debit voucher?

- a. Cheques issued by the customers
-

-
- b. Withdrawal forms
 - c. Letters of authority signed by the customers, containing standing instructions
 - d. Application for issue of DD, TD, RTGS/NEFT

Ans - d

.....

If goodwill is raised at full value in the books of the firm on retirement of a partner, and is to be written off completely, then the capital accounts of the remaining partners will be debited in-

- a. old Profit sharing ratio
- b. new profit sharing ratio
- c. sacrificing ratio
- d. gaining ratio

Ans - b

.....

Which activities should not be outsourced?

- a. Management of investment portfolio
- b. Internal Audit
- c. Compliance Functions
- d. All the above

Ans - d

.....

You will be receiving Rs. 204000 at the end of each year for the next 20 years. If the current discount rate for such a stream of cash is 10%, find the present value of cash flow.

- 1376767
- 1736767
- 1637676
- 1763737

Ans - b

Solution:

Since 204000 is like EMI. So, to find P, we use the formula of EMI

.....

.....

The formula of EMI =

$$P * R * (1 + R)^T \div \{ (1 + R)^T - 1 \}$$

$$204000 = P \times 0.1 \times 1.1^{20} \div (1.1^{20} - 1)$$

$$204000 = P \times 0.1174596$$

$$P = 1736767 \text{ Ans}$$

This can be done with PV (OA) Present Value Ordinary Annuity too.

.....

Sales - Rs. 90000, Gross profit - Rs. 30000, Net Profit - Rs. 18000. Find Operating expenses.

- a. 12000
- b. 18000
- c. 42000
- d. 60000

Ans - a

.....

Long term liabilities of the organisation are..... (i) Capital and reserves, (ii) Term Loans from institutions, (iii) Long term unsecured loans

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

Ans – d

.....

Under Fluctuating Capital Method, for each partner, the following account/s is/are maintained.

- a. Partner's Capital A/c
- b. Partner's Current A/c
- c. Both a & b
- d. Any one of the two

Ans - a

.....

.....

.....

A balance sheet discloses ...

- a. Cash position of the business
- b. Financial position of the business
- c. Profit earning capacity of the business
- d. Risk taking capacity of the business

Ans - b

.....

Operation of borrowing in one centre and lending in another at higher rate, is called as

- Spot
- Forward
- Arbitrage
- None of these

Ans - c

.....

The asset lose an equal amount of value each year in case of

- a. straight line method
- b. Declining Balance Method
- c. Double Declining Balance Method
- d. Accelerated Depreciation

Ans - a

.....

What is Nominal account?

- A. an account of each person or firm with whom the trader deals
- B. an account of each head of expense or source of income
- C. an account of each property or possession dealt in by the trader in his business
- D. none

Ans - b

.....

.....

.....
Wrong balancing of an account is an

- a. Errors of commission
- b. Errors of omission
- c. Errors of principle
- d. None of the above

Ans - a
.....

For payment of noting charges to the notary public...

- a. Noting charges a/c is debited
- b. Bank a/c is debited
- c. Noting charges a/c is credited
- d. Cash a/c is credited.

Ans. d
.....

Salary payable is a:

- Liability
- Expense
- Asset
- Revenue

Ans - a
.....

Albert invested amount of 8000 in a fixed deposit for 2 years at compound interest rate of 5 % per annum. How much Albert will get on the maturity of the fixed deposit.

- a. Rs. 8510
- b. Rs. 8620
- c. Rs. 8730
- d. Rs. 8820

Ans - d
.....

Explanation:

$$\Rightarrow (8000 \times (1 + 0.12)^2)$$

$$\Rightarrow 8000 \times 2120 \times 2120$$

$$\Rightarrow 8820$$

What will be the compound interest on Rs. 25000 after 3 years at the rate of 12 % per annum

- a. Rs 10123.20
- b. Rs 10123.30
- c. Rs 10123.40
- d. Rs 10123.50

Ans - a

Explanation:

$$(25000 \times (1 + 0.12)^3) \Rightarrow 25000 \times 2825 \times 2825 \times 2825 \Rightarrow 35123.20$$

So Compound interest will be 35123.20 - 25000

Rs 10123.20

If partner has debit balance of capital a/c, then:

- a. Debit side of capital a/c
- b. Credit side of capital a/c
- c. Credit side of current a/c
- d. Debit side of current a/c

Ans - a

Sale of Rs. 8000 not recorded into sales book is an

- a. Errors of commission
- b. Errors of omission
- c. Errors of principle
- d. None of the above

Ans - b

.....

Bills receivable and Bills payable are part of

- a. Balance Sheet
- b. P&L account
- Journal
- Ledger

Ans - d

.....

Total of returns inward book was added Rs. 3000 short. Trial balance Debit side presently shows a total of Rs. 6251280. Actually it should be?

- 6254280
- 6248280
- 6251280
- None of the above

Ans - a

.....

A person invested Rs. 500000 in a bank FDR @ 8% p.a. for 1 year. If interest is compounded on yearly basis, the amount payable shall be

- 520000
- 540000
- 560000
- 580000

Ans - b

Solution:

P = 500000

R = 8% yearly

T = 1 yr

Since compounding is annually and its only 1-time investment, the formula to be used:

$$FV = P * (1+R)^T$$

.....

So,

$$FV = 500000 * (1+0.08)^1$$

$$= 540000 \text{ Ans.}$$

Calculating future value of cash flows is not known as (i) Compounding, (ii) Discounting, (iii) Hedging

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

Ans - c

Time value of money is irrelevant in (i) Accounting rate of return method, (ii) Pay back period method, (iii) Internal rate of return method

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

Ans - a

An asset cost Rs. 3,30,000/- has residual value of Rs. 30,000/-, and is expected to last 4 years. Calculate the depreciation for 3rd year using sum of the digits Method.

- a. Rs. 1,20,000/-
- b. Rs. 60,000/-
- Rs. 30,000/-
- Rs. 15,000/-

Ans - b

Let me explain :

$$D = (nth/E(\sigma)n)(\text{cost}-\text{Residual Value})$$

.....

$E(\sigma)n = 1+2+3+4 = 10$

1st year = $4/10(300000) = 120000$

2nd year = $3/10(300000) = 90000$

3rd year = $2/10(300000) = 60000$

4th year = $1/10(300000) = 30000$

.....

FCRA means

- a. Foreign Contribution Regulation Act
- b. Foreign Currency Regulation Act
- c. Foreign Cheques/Commodities Regulation Act
- d. None of the above

Ans - a

.....

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

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

Ans - C

Explanation :

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

.....

One of the important steps to be taken while opening NRI accounts is by the bank branch

- a. Authentication/verification of signature made by the relative of NRI in India

.....

-
- b. Authentication/verification of signature made by friends of the NRI who are staying abroad
 c. Authentication/verification of signature by Indian Embassy d. All of the above

Ans - c

Find the rate at Simple interest, at which a sum becomes four times of itself in 15 years.

- 10%
 20%
 30%
 40%

Ans - B

Explanation:

Let sum be x and rate be r%

then, $(x*r*15)/100 = 3x$ [important to note here is that simple interest will be 3x not 4x,
 because $3x+x = 4x$]

=> $r = 20\%$

Entries for deposits of cheques into the bank are made by the bank on the credit of customer account

- Immediately
 On their clearing/collection
 After 7 days
 After reconciliation.

Ans - b

In the FIFO method supplies are made from the godown for the production at the price of the earliest stock on hand. The closing stock is valued at the

- a. Price paid for the latest lot
 b. Price paid for the earliest lot
 c. Current market value

.....

d. Avg purchase price

Ans - a
.....

Bills receivable endorsed are debited to:

- a. B/R a/c
- b. Debtors a/c
- c. Creditors a/c
- d. Drawer a/c

Ans - c
.....

Sacrificing ratio is calculated at the time of:

- Admission
- Retirement
- Death
- None

Ans - a
.....

On the admission of a partner, decrease in the value of machinery is debited to:

- a. Revaluation a/c
- b. Machinery a/c
- c. Old partner's capital a/c
- d. Depreciation a/c

Ans - a
.....

A firm earning losses and is in dissolution process, have:

- a. Nominal goodwill
 - b. Full value of goodwill
 - c. Goodwill equal to share of partners
-

.....

d. No goodwill

Ans - d

.....

When all partner's are insolvent, the loss is then borne by:

- Government
- Creditors
- Partners
- Firm collectively

Ans - b

.....

Short term loans are due for payment within:

- a. 6 month
- b. 1 year
- c. 2 year
- d. 30 days

Ans - b

.....

In case of societies, the important document to be verified is

- Copy of Bye-Laws
- Certificate given by the Local Authorities
- Certificate given by the ROC
- No document is to be verified in case of societies, as it is exempted

Ans - a

.....

Current account can be opened by

- a. Minors alone
- b. Illiterate Persons
- c. Blind Persons

.....

.....

d. None of the above

Ans - d

.....

In case of Government Departments, the important document to be verified is

Copy of Bye-Laws

Copy of Government Orders

Certificate given by the ROC

No document is to be verified in case of Govt Departments, as it is exempted

Ans - b

.....

What is the principal amount which earns Rs. 1320 as compound interest for the second year @ 10% p.a.?

a. Rs. 10,000

b. Rs. 12,000

c. Rs. 14,000

d. Rs. 16,000

Ans - b

.....

Which one is not among the three pillars of BASEL II ?

a. Minimum Capital Requirement

b. Supervisory Review Process

c. Risk Based Supervision

d. Market Discipline

Ans - c

.....

The banker's gain on a sum due 3 years hence at 5% is Rs. 900. The banker's discount is

a. Rs. 1,500

b. Rs. 6,900

.....

-
- c. Rs. 7,20
 - d. Rs. 8,100

Ans - b

.....

Rent prepaid account is of the nature of

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

Ans - b

.....

Following is known as the book of prime entry

- Journal
- Cash book
- Subsidiary book
- all

Ans - d

.....

Effective annual rate of interest corresponding to nominal rate of 6% per annum compounded half yearly will be

- 6.09%
- 6.10%
- 6.12%
- 6.14%

Ans - A

Explanation:

Let the amount Rs 100 for 1 year when compounded half yearly, $n = 2$, Rate = $6/2 = 3\%$

Amount = $100(1 + 0.03)^2 = 106.09$

Effective rate = $(106.09 - 100)\% = 6.09\%$

.....

.....

.....

There are Accounting standards in India

- 27
- 28
- 29
- 30

Ans - c

.....

Where a withdrawal of cash from business by the proprietor be credited?

- a. Proprietor's A/c
- b. Cash A/c
- c. Capital A/c
- d. Drawings

Ans - b

.....

"Debit all expenses and losses and credit all incomes and gains", in

- a. Personal Account
- b. Real Account
- c. Nominal Account.
- d. None of these

Ans - c

.....

A Bond of face value Rs.5000 carries a coupon interest rate of 12%. It is quoted in the market at Rs.4500. What is the current yield of the bond?

- 12%
- 10%
- 13.3%
- 14.2%

Ans - c

.....

.....

.....

What financial statement lists assets from current to long term?

- a. Balance sheet
- b. Income statement
- c. Cash flow statement
- d. Statement of retained earnings

Ans - a

.....

What will be the B.E.P if P/V ratio is 20% and Fixed cost is Rs 40,000?

- a. Rs 2,00,000
- b. Rs 4,00,000
- c. Rs 6,00,000
- d. Rs 8,00,000

Ans - a

.....

P/V ratio can be calculated on the basis of variable cost ratio as

- a. 1 - Variable Cost Ratio
- b. 1 + Variable Cost Ratio
- c. 1/Variable Cost Ratio
- d. None of the above

Ans - a

.....

Determine B.E.P if Sales is Rs 1,00,000, Variable cost is Rs 50,000 and Profit is Rs 20,000.

- a. Rs 40,000
- b. Rs 60,000
- c. Rs 80,000
- d. Rs 90,000

Ans - b

.....

.....

.....

As per AS-3, Cash Flow Statement is mandatory for (i) All enterprises, (ii) Companies listed on a stock exchange, (iii) Companies with a turnover of more than Rs 50 crores

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

Ans - c

.....

The basis salary of a teacher is Rs. 7,000 p.m. He contributes 10% of his basic salary to his provident fund account. His employer also contributes the similar amount. If the interest credited to the provident fund account is 6% p.a., find the amount of interest after one year.

- 5040
- 420
- 840
- 546

Ans - d

.....

Which of the following is a risk factor in capital budgeting? (i) Industry specific risk factors, (ii) Competition risk factors, (iii) Project specific risk factors

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

Ans - d

.....

Mr. X is to receive Rs. 100000, as interest on bonds by end of each year for 5 years @ 5% ROI. Calculate the present value of the amount he is to receive.

- 423948
 - 432948
 - 439248
-

439428

Ans - b

Solution:

P = 10000

R = 5% p.a.

T = 5 Y

This ques asks the PRESENT VALUE OF INVESTMENT AT THE END OF PERIOD, so, PVOA (Present Value of Ordinary Annuity) is applied.

The formula of PVOA =

$$PVOA = (C \div R) \times \{ (1 + R)^T - 1 \} \div (1 + R)^T$$

So,

$$PVOA = (100000 \div 0.05) \times \{ (1+0.05)^5 - 1 \} \div (1+0.05)^5$$

432948 Ans

A company wants to borrow from your branch and the loan officer wants to ensure that the company borrows within its powers. Which document do you suggest, the loan officer to examine, to verify the borrowing powers of the Board of Directors of the company?

- Certificate of incorporation
- Certificate of commencement of business
- Memorandum of Association
- Articles of association

Ans - d

KYC policy of the banks, as per RBI directives should provide for (i) customer acceptance policy, (ii) customer identification procedure, (iii) monitoring of transactions

- Only (i) and (ii)
- Only (i) and (iii)
- Only (ii) and (iii)

.....

d. (i), (ii) and (iii)

Ans - d

.....

When overdraft as per Cash book is the starting point, bank charges of Rs.300 recorded twice in the pass book will be

- a. Added by 300
- b. Deducted by 300
- c. Added by 600
- d. Deducted by 600

Ans - a

.....

A draws an accommodation bill on B. The proceeds are to be borne between A and B in the ratio of 3:1. The amount of bill 6,000, discounting charges 120. Discount borne by B will be

- 90
- 100
- 110
- 120

Ans - a

.....

Which of the following concept distinguishes the 'business from its owners'?

- a. Going Concern Entity
- b. Money Measuring Entity
- c. Accounting Period concept
- d. Business Entity concept

Ans - d

.....

Retirement of a bill of exchange means

- a. Cancellation of bill
-

-
- b. Premature payment of bill
 - c. Discounting of bill
 - d. Endorsement of bill

Ans - b

.....

Required rate of return in calculating bond's cash flow is also classified as (i) going rate of return, (ii) yield, (iii) earning rate

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

Ans - a

.....

If compound interest for 2 Years at the rate of 4% of some money is Rs. 102, find the simple interest at the same rate for 2 years.

- 108.16
- 100
- 110
- 120

Ans - b

.....

At what rate percent per annum will the simple interest on a sum of money be $\frac{2}{5}$ of the amount in 10 years?

- 1%
- 2%
- 3%
- 4%

Ans - d

Explanation:

.....

Let sum = x

Time = 10 years.

S.I = $2x/5$, [as per question]

Rate = $(100 * 2x) / (x * 5 * 10)\%$

=> Rate = 4%

A financier claims to be lending money at simple interest, But he includes the interest every six months for calculating the principal. If he is charging an interest of 10%, the effective rate of interest becomes.....

10.25%

10%

9.25%

9%

Ans - a

Explanation:

Let the sum is 100.

As financier includes interest every six months, then we will calculate SI for 6 months, then again for six months as below:

SI for first Six Months = $(100 * 10 * 1) / (100 * 2) = \text{Rs. } 5$

Important: now sum will become $100 + 5 = 105$

SI for last Six Months = $(105 * 10 * 1) / (100 * 2) = \text{Rs. } 5.25$

So amount at the end of year will be

$(100 + 5 + 5.25) = 110.25$

Effective rate = $110.25 - 100 = 10.25$

Determine P/V ratio if Sales is Rs 80,000 and Variable cost is Rs 60,000.

40%

25%

50%

None of the above

Ans - b

.....

For year 2013 Equity Share Capital is Rs 3,00,000 Preference Share Capital is 1,00,000 10% debentures is 2,00,000 and Share premium is 30,000. For year 2014 Equity Share Capital is Rs 4,00,000 Preference Share Capital is 60,000 10% debentures is 1,00,000 and Share premium is 40,000. Also given, Dividend paid on shares Rs 15,000 and Interest paid on debentures RS 20,000. Determine net cash flow from financing activities.

- a. Cash inflow of Rs 65,000
- b. Cash outflow of Rs 65,000
- c. Cash inflow of Rs 56,000
- d. Cash outflow of Rs 56,000

Ans - b

.....

What will be the B.E.P if Variable cost ratio is 70% and Fixed cost is Rs 36,000?

- a. Rs 1,20,000
- b. Rs 2,20,000
- c. Rs 3,20,000
- d. Rs 4,20,000

Ans - a

.....

A company produces and sells three types of products namely X, Y and Z. Total sales per month is Rs 60,000 in which the share of these three goods are 40%, 40% and 20% respectively. Variable costs of these three goods are 40%, 50% and 60% respectively. Compute combined P/V ratio.

- 46%
- 52%
- 58%
- 64%

Ans - b

.....

Profit on sales is measured as

- a. Sales * P/V Ratio – Fixed cost
-

-
- b. Sales * P/V Ratio + Fixed cost
 - c. Sales + P/V Ratio + Fixed cost
 - d. None of the above

Ans - a

.....

Given selling price is Rs 20 per unit, variable cost is Rs 16 per unit contribution is

- a. Rs 1.25 per unit
- b. Rs 2.5 per unit
- c. Rs 3.25 per unit
- d. Rs 4 per unit

Ans - d

.....

Which of the following errors are not disclosed by Trial Balance? (i) Compensatory Errors, (ii) Errors of Principle, (iii) Errors of Omission

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

Ans - d

.....

Rs. 800 becomes Rs. 956 in 3 years at a certain rate of simple interest. If the rate of interest is increased by 4%, what amount will Rs. 800 become in 3 years.

- a. Rs 1052
- b. Rs 1152
- c. Rs 1252
- d. Rs 1352

Ans - a

Explanation:

$$\text{S.I.} = 956 - 800 = \text{Rs } 156$$

.....

$$R = 156 / 800 / 3 * 100 = 6.5\%$$

$$\text{New Rate} = 6.5 + 4 = 10.5\%$$

$$\text{New S.I.} = 800 * 10.5 * 3 / 100 = 252$$

Now amount will be $800 + 252 = 1052$

A large amount spent on special advertisement is

- a. Capital Expenditure
- b. Revenue Expenditure
- c. Revenue Loss
- d. Deferred Revenue Expenditure

Ans - d

Shifts in demand away from French products and toward U.S. products (caused by forces other than changes in the exchange rate) would result in extra attempts to euros and dollars.

- a. sell; buy
- b. buy; sell
- c. sell; sell
- d. buy; buy

Ans - a

Which element of the basic NPV equation is adjusted by the RADR? (i) Denominator, (ii) Numerator

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) nor (ii)

Ans - a

.....

ABC Ltd had investment of Rs 68,000 as on 31.3.2017 and investment of Rs 56,000 as on 31.3.2017. During the year ABC Ltd sold 40% of its investments being held in the beginning of period at a profit of Rs 16,800. Determine cash flow from investing activities.

- a. Rs 59,200
- b. Rs 28,800
- c. Rs 72,800
- d. None of the above

Ans - b

.....

A sum of money at simple interest amounts to Rs. 2240 in 2 years and to Rs. 2600 in 5 years. What is the principal amount?

- 1000
- 1500
- 2000
- 2500

Ans - c

Explanation:

SI for 3 year = $2600 - 2240 = 360$

SI for 2 year $360/3 * 2 = 240$

principal = $2240 - 240 = 2000$

.....

ABC Ltd had investment of Rs 68,000 as on 31.3.2013 and investment of Rs 56,000 as on 31.3.2014. During the year ABC Ltd sold 40% of its investments being held in the beginning of period at a profit of Rs 16,800. Determine cash flow from investing activities.

- a. Rs 59,200
- b. Rs 28,800
- c. Rs 72,800
- d. None of the above

Ans - b

.....

.....

.....

Which of the following is a revenue expenses?

- a. Raw material consumed
- b. Plant purchased
- c. Long term loan raised from bank
- d. Share Capital

Ans - a

.....

Debit balance as per bank pass book mean

- a. Surplus cash
- b. Bank Overdraft
- c. Terms deposits with bank
- d. None of these

Ans - b

.....

Determine Margin of safety if Profit is Rs 15,000 and P/V ratio is 40%.

- a. Rs 37,500
- b. Rs 33,000
- c. Rs 38,000
- d. None of the above

Ans - a

.....

Given sales is Rs 2,00,000 and Rs 4,00,000 in year 2016 and 2017 respectively. Cost is Rs 1,40,000 and Rs 2,40,000 in 2016 and 2017 respectively. Compute P/V ratio.

- 20%
- 30%
- 40%
- 50%

Ans - d

.....

.....

.....

The U.S. dollar price per British pound is the the British pound price per U.S. dollar.

- a. reciprocal of
- b. complement of
- c. same as
- d. sum of

Ans - a

.....

What will the ratio of simple interest earned by certain amount at the same rate of interest for 6 years and that for 9 years.

- 1:2
- 2:1
- 2:2
- 2:3

Ans- d

Explanation:

Let the principal be P and rate be R, then

$$\text{Ratio} = \frac{P \times R \times 6}{P \times R \times 9} = 6PR:9PR$$

$$= 2:3$$

.....

Working Capital of a company is 1,35,000 and current ratio is 2.5. Liquid Ratio is 1.5 and the proprietary ratio is 0.75. Bank overdraft is Rs.30,000. There are no long term loans and fictitious assets. Reserves and surplus amount to Rs.90,000 and the gearing ratio (Equity Capital / Preference Capital) is 1.2. From the above, calculate

1. Current assets

- Rs.2,25,000
- Rs.1,35,000
- Rs.2,70,000
- Rs.60,000

Ans - a

.....

2. Proprietary Fund

Rs.2,25,000

Rs.1,35,000

Rs.2,70,000

Rs.60,000

Ans - c

3. Quick Liabilities

Rs.2,25,000

Rs.1,35,000

Rs.2,70,000

Rs.60,000

Ans - d

4. Quick Assets

Rs.90,000

Rs.1,35,000

Rs.1,20,000

Rs.60,000

Ans - a

5. Stock

Rs.90,000

Rs.1,35,000

Rs.1,20,000

Rs.60,000

Ans - b

.....

6. Preference and Equity Capital

- a. Rs.90,000, Rs.1,35,000
 Rs.1,35,000, Rs.1,20,000
 Rs.1,20,000, Rs.60,000
 Rs.60,000, Rs.1,20,000

Ans - d

.....

Debit balance in the cash books means

- overdraft
- favourable balance
- balancing error
- none

Ans - b

.....

The benefit of an expenditure incurred is of long duration and its purpose is to increase the earning capacity of the business, it is

- a. Revenue expenditure
- b. Capital expenditure
- c. Deferred capital expenditure
- d. None

Ans - b

.....

Accounts in personal names indicative of trusteeship capacity of a/c holders

- a. Can be opened after obtaining trust deed.
- b. Can be opened after permission of zo.
- c. Can be opened after permission of ho.
- d. Should not be opened.

Ans - d

.....

.....

.....

Sales during the year is Rs 1,00,000 gross profits is 25% on cost find out the amount of gross profit

- a. Rs 20,000
- b. Rs 25,000
- c. Rs 30,000
- d. Rs 33,000

Ans - a

.....

If the preference share capital of Rs1,00,000 is to be redeemed, and for this 5,000 equity share of Rs . 10 each have been issued at discount of 10%, the amount to be transferred to capital redemption /Reserve will be If the preference share capital of Rs1,00,000 is to be redeemed, and for this 5,000 equity shares of rs. 10 each have been issued at a discount of 10% , the amount to be transferred to Capital Redemption Reserve will be ...

- a. Rs. 45,000
- b. Rs. 50,000
- c. Rs. 55,000
- d. Rs. 60,000

Ans - c

.....

A company issues 3,00,000 share of Rs. 10 each at a premium of Rs. 2 per share. What will be the amount of paid up capital?

- a. Rs. 30,00,000
- b. Rs. 6,00,000
- c. Rs. 36,00,000
- d. Rs. 24,00,000

Ans - a

.....

If a share of Rs 100, on which Rs. 60 have been paid, is forfeited, it can be re-issued at the minimum price of ...

- a. Rs. 40
-

-
- b. Rs. 60
 - c. Rs. 100
 - d. Rs. 140

Ans - a

.....

Expenditure incurred on issue of equity shares is

- a. Revenue expenditure
- b. Capital expenditure
- c. Deferred capital expenditure
- d. None

Ans - C

.....

Mr. A purchased a machinery from Mr. B on hire-purchase system, the cash price of which is Rs. 1,00,000. Payment is to be made in 3 equal annual installments including interest on the unpaid balance @10% per annum. Each installment is to be paid at the end of each year. Calculate the amount of annual installment.

- a. Rs. 33,333.33
- b. Rs. 45,000
- c. Rs. 66,666.67
- d. Rs. 40,211.50

Ans - d

.....

Prior Period income should be (i) inclusive determination of current profits, (ii) excluded for determination of current profits, (iii) shown in P&L a/c of the current year

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

Ans - b

.....

.....

.....

The Income & Expenditure a/c of a club shows subscriptions of Rs. 50,000. Subscriptions Accrued at the beginning of the year are Rs. 5,000 and subscriptions accrued at the end of the year are Rs. 7,500. The amount that figures in Receipts & Payment a/c under the head 'Subscriptions' will be-

- a. Rs. 42,500
- b. Rs. 47,500
- c. Rs. 50,000
- d. Rs. 55,000

Ans - b

.....

Cost of asset = 1,00,000
 Estimated residual value = 10,000
 Estimated useful life of asset = 5 years

Find the book value at the end of 2nd year using double declining balance method.

- 24000
- 36000
- 40000
- 64000

Ans - b

Explanation :

Depreciation rate = $(1/\text{useful life}) \times 200\%$
 $= 1/5 \times 200\% = 20\% \times 2 = 40\%$

(*) depreciation stops when book value = residual value

[Year 1]

Depreciation amount for year 1
 beginning book value x depreciation rate
 $1,00,000 \times 40\% = 40,000$

Accumulated depreciation at the end of year 1 = 40,000
 Book value at the end of year 1 = $1,00,000 - 40,000 = 60,000$

.....

[Year 2]

Depreciation amount for year 2

$$\begin{aligned} & \text{beginning book value} \times \text{depreciation rate} \\ & 60,000 \times 40\% = 24,000 \end{aligned}$$

Accumulated depreciation at the end of year 2

$$= 40,000 + 24,000 = 64,000$$

Book value at the end of year 2

$$1,00,000 - 64,000 = 36,000$$

[Year 3]

Depreciation amount for year 3

$$\begin{aligned} & \text{beginning book value} \times \text{depreciation rate} \\ & 36,000 \times 40\% = 14,400 \end{aligned}$$

Accumulated depreciation at the end of year 3

$$= 40,000 + 24,000 + 14,400 = 78,400$$

Book value at the end of year 3

$$= 1,00,000 - 78,400 = 21,600$$

[Year 4]

Depreciation amount for year 4

$$\begin{aligned} & \text{beginning book value} \times \text{depreciation rate} \\ & 21,600 \times 40\% = 8,640 \end{aligned}$$

Accumulated depreciation at the end of year 4

$$= 40,000 + 24,000 + 14,400 + 8,640 = 87,040$$

Book value at the end of year 4

$$= 1,00,000 - 87,040 = 12,960$$

[Year 5]

Depreciation amount for year 5

$$\begin{aligned} & \text{beginning book value} \times \text{depreciation rate} \\ & 12,960 \times 40\% = 5,184 \end{aligned}$$

[NOTE]

For year 5, depreciation amount will not be 5,184.

If 5,184 is depreciated,

$$\rightarrow \text{book value} = 12,960 - 5,184 = 7,776$$

.....

--> book value < residual value

Depreciation stops when book value = residual value --> depreciation amount for year 5 = 2,960 --> book value = 12,960 - 2,960 = 10,000

.....

Zero coupons bonds (i) Do not carry any interest, (ii) It is issued at a lower price than its redemption value, (iii) Carry a fixed rate of interest payable at the time of redemption of the bonds

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

Ans - a

.....

The risk adjusted discount rate approach for NPV determination makes a balance between (i) Degree of risk, (ii) Degree of profitability, (iii) Rate of return

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

Ans - b

.....

A project should not be undertaken if its IRR is (i) Less than the cost of capital, (ii) More than the cost of capital, (iii) Equal to the cost of capital

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

Ans - b

.....

.....

.....

The selling price of a product is Rs. 90 and contribution Rs. 20 with fixed cost of Rs. 40000.
What is the total variable cost of BEP?

- a. Rs. 80000
- b. Rs. 120000
- c. Rs. 130000
- d. Rs. 140000

Ans - d

.....

The intrinsic value of bond is not the (i) Face value, (ii) Present value of cash flows in future,
(iii) Market value

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

Ans - b

.....

Coupon rate is not the (i) Specific rate of interest at which a bond is issued, (ii) Market rate
of return of debenture, (iii) The rate at which a bond is purchased

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

Ans - c

.....

The shortcomings of payback method are (i) It does not take into account the time value of
money, (ii) The choice of payback period is arbitrary, (iii) Only those cash flows are considered
which fall in the payback period

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

.....

d. (i), (ii) and (iii)

Ans - d

.....

Mix of debit and equity is known as

- a. Organisational structure of the firm
- b. Financial structure of the firm
- c. Capital structure of the firm
- d. Bond equity structure of the firm

Ans - c

.....

Bonds may be secured by (i) Floating charge on assets, (ii) Fixed charge on assets, (iii) Unsecured bonds are also issued

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

Ans - d

.....

A project should be undertaken if its IRR is

- a. Less than the cost of capital
- b. More than the cost of capital
- c. Half of the cost of capital
- d. No relevance

Ans - b

.....

The risk adjusted discount rate approach for NPV determination makes a balance between

- a. Degree of risk and rate of return
- b. Degree of profitability and investment

.....

-
- c. Degree of risk and degree of uncertainty
 - d. Avg risk avg avg return.

Ans - a

.....

The decision tree analysis for NPV estimation recognizes that (i) Environment always certain, (ii) Environment is uncertain, (iii) Environment is dynamic

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

Ans – c

.....

Maximum timeframe for collection of cheques drawn on other locations than state capitals and major cities is

- a. 7 days
- b. 10 days
- c. 14 days
- d. 21 days

Ans - c

.....

Which of the following are the advantages of NPV and IRR method? (i) They gives exact results, They take into account time value of money, (iii) They focus on cash flows rather than on accounting profits

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

Ans - c

.....

.....

.....
 Nomination cannot be made in accounts. (i) current, (ii) trust accounts, (iii) partnership firms

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

Ans - c

Even when two projects are mutually exclusive, capital rationing (i) Results in accurate ranking by NPV method, (ii) Results in accurate ranking by IRR method

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

Ans - d

IRR is the value of the discount rate at which the NPV of a project is (i) More than zero, (ii) Less than zero

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) nor (ii)

Ans - d

For a project, the difference between the sum of the present value of cash flows of the project and cash outlays for financing the project is not its (i) Future value, (ii) Internal rate of return, (iii) Net present value

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

.....

d. (i), (ii) and (iii)

Ans - a

.....

Cost of the goods - Rs. 99000, Opening Stock - Rs. 13500, Purchases - Rs. 75000, Sales - Rs. 112500. Find other expenses.

10000

10500

13500

24000

Ans – b

.....

The form of Balance Sheet and Profit and Loss account of a banking company is prescribed in Forms A and B of schedule of the Banking Regulation Act, 1949.

First

Second

Third

Fourth

Ans - c

.....

Calculate :

a. cost of goods sold

b. gross profit

c. Net profit from the following figures

opening Rs 40,000

purchases Rs 2,00,000

purchases returns Rs 20,000

direct expenses Rs 30,000

closing stock Rs 20,000

indirect expenses RS 20,000

sales Rs 2,50,000

.....

.....

sales returns 10,000

- a. Rs 2,30,000 Rs 10,000 Rs 5,000
- b. Rs 2,30,000 Rs 5,000: Rs 10,000
- c. Rs 2,30,000 Rs 10,000 (-) Rs 10,000
- d. Rs 2,10,000 Rs 10,000 Rs 5,000

Ans - c

.....

A sales of Rs. 3,000 to Mr. X has been omitted from recording in the Sales Book. The existing total of debit side of the trial balance is Rs. 2,00,000. What will be the total of credit side, presently?

- a. Rs. 2,03,000
- b. Rs. 1,97,000
- c. Rs. 2,06,000
- d. Rs. 1,94,000

Ans - b

.....

Cash book records

- a. All cash receipts
- b. All cash payments
- c. All cash receipts and payments
- d. All types of transaction

Ans - c

.....

Trial Balance is prepared to detect

- a. Errors of commission
- b. Errors of omission
- c. Errors of principle
- d. None of the above

Ans – d

.....

.....

An asset cost Rs. 3,30,000/- has residual value of Rs. 30,000/-, and is expected to last 4 years. Calculate the depreciation for 1st year using sum of the digits Method.

- a. Rs. 1,20,000/-
- b. Rs. 60,000/-
- Rs. 30,000/-
- Rs. 15,000/-

Ans - a

Let me explain :

$$= \frac{\text{nth}}{E(\sigma)n}(\text{cost}-\text{Residual Value})$$

$$E(\sigma)n = 1+2+3+4 = 10$$

$$\text{Cost}-\text{Residual Value} = 330000 - 30000 = 300000$$

$$\text{1st year} = \frac{4}{10}(300000) = 120000$$

$$\text{2nd year} = \frac{3}{10}(300000) = 90000$$

$$\text{3rd year} = \frac{2}{10}(300000) = 60000$$

$$\text{4th year} = \frac{1}{10}(300000) = 30000$$

.....

Cash book is book of

- a. Prime entry
- b. Final entry
- c. Both of the above
- d. None of the above

Ans - c

.....

The sale of business asset on credit is recorded in

- a. Sales journal
- b. General journal
- c. Cash receipt in cash book
- d. Nominal accounts

Ans - b

.....

.....

.....

Overdraft as per Cash book means

- a. Credit balance in the cash book
- b. Credit balance in the bank column of the cash book
- c. Neither of the two
- d. Both of the two

Ans – a

.....

If Rs. 50000 is lent at 10% interest, on which one the interest will be highest?

- a. Yearly compounding
- Half-Yearly compounding
- Quarterly compounding
- Monthly compounding

Ans - d

.....

Entries for deposits of cheques into the bank are made by the customer in the debit side of cash book

- Immediately
- On their clearing
- At the time of reconciliation
- After 7 days

Ans - a

.....

Cash cannot be accepted for issue of DDs/TTs/Rupee TCs from the customers for Rs.

- Rs.20,000/- & above
- Rs.50,000/- & above
- Rs.75,000/- & above
- Rs.1,00,000/- & above

Ans - b

.....

.....

.....

Which of the following are not true? (i) banks can accept interest free deposits, (ii) banks can accept interest free deposits in current account (iii) banks can't accept interest free deposits

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

Ans - b

.....

Profit to sales is 2% and amount of profit is say Rs.5 Lac. Find the amount of Sales.

- a. 50 lac
- b. 150 Lac
- c. 250 Lac
- d. 350 lac

Ans - c

Explanation :

Net Profit Ratio = (Net Profit / Sales) x 100

$2 = (5 \times 100) / \text{Sales}$

Sales = $500/2$

Rs.250 Lac

.....

The amount beyond which cash transactions (Receipts & Payments) are to be monitored by the Commercial Banks as stipulated by the RBI in its guidelines is -

- a. Rs.5 lacs & above
- b. Rs.8 lacs & above
- c. Rs.10 lacs & above
- d. No such limit

Ans - c

.....

.....

.....

The economic life of a plant is 8 years and its cost is Rs. 10,00,000. Annual savings (cash inflow) is Rs.2,00,000. Post payback profit would be ...

- a. Rs. 2,00,000
- b. Rs. 3,00,000
- c. Rs. 4,00,000
- d. Rs. 6,00,000

Ans – d

.....

The total flows of a plant after tax but before depreciation for 5 years are Rs. 45,800 and total depreciation amounts to Rs.32,000. Initial investment in the plant is Rs. 30,000. The average rate of return would be ...

- a. 6.3 %
- b. 9.2 %
- c. 18.4 %
- d. 20.2 %

Ans - c

.....

Rs. 700 is divided among A, B, C so that A receives half as much as B and B half as much as C. Then C's share is ...

- a. Rs 200
- b. Rs 300
- c. Rs 400
- d. Rs 500

Ans - c

Explanation:

Let C = x.

Then B = $x/2$

and A = $x/4$

A:B:C = 1:2:4.

C's share Rs. $[(4/7)*700] = 400$

.....

.....

The journal entries passed for transferring the balances of income & expenditure accounts are called

- a. Transfer entries
- b. Adjusting entries
- c. Rectifying entries
- d. Closing entries

Ans - d

.....

A partner can:

- a. Borrow money
- b. Endorse bills of exchange
- c. Sell goods on credit
- d. Either (a. or (b. or (c)

Ans - d

.....

Partnership deed does not contain term:

- a. Name of partner
- b. Rights, duties of partner
- c. Appointment of arbitrator
- d. Audit of A/c

Ans - d

.....

..... a/c can show negative balance:

- a. Fixed capital a/c
- b. Fluctuating capital a/c
- c. Cash a/c
- d. Balance sheet

Ans - b

.....

.....

According to IRR, undertake those investments that has highest IRR, provided the IRR is the cost of capital

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

Ans - a

.....

Salaries outstanding account belongs to the category of

- A. Real account
- B. Personal account
- C. Nominal account
- D. Intangible account

Ans - b

.....

If Dissolution expenses are paid by any partner, then they are transferred to:

- a. His capital a/c
- b. Cash a/c
- c. Bank a/c
- d. None of these

Ans - a

.....

A person purchased 40 shares of Rs. 50 each at a discount of 5%, the rate of dividend being 4.75%. The rate of income on invested amount is

- 4.25%
- 4.50%
- 4.75%
- None of the above.

Ans – d

.....

.....

A man wants to buy Rs. 20 shares, the dividend being 9%. He wants to have an income of 12% on his investment. At what market price should he purchase each share.

- a. Rs. 12
- b. Rs. 15
- c. Rs. 18
- d. Rs. 20

Ans - b

.....

Trading account is a:

- a. Personal a/c
- b. Real a/c
- c. Nominal a/c
- d. None

Ans - c

.....

At the time of death of a partner, his total share is given to:

- a. His loan a/c
- b. His executor a/c
- c. His capital a/c
- d. His current a/c

Ans - b

.....

Mr. Raj wants to purchase a 6% stock which must yield 5% on his capital. At What price must he buy the stock?

- a. Rs. 100
- b. Rs. 105
- c. Rs. 110
- d. Rs. 120

Ans – d

.....

.....

Which is better investment - 3% stock at 81 or 4% stock at 135?

- a. 3% stock at 81
- b. 4% stock at 135
- c. Both are equally good
- d. None of the above

Ans - b

.....

Which is better stock - 5% at 286 or 3.5% at 186?

- a. 5% at 286
- b. 3.5% at 186
- c. Both are equally good
- d. None of the above

Ans - b

.....

Opening Stock includes:

- a. Stock of raw material
- b. Work in progress stock
- c. Finished goods
- d. All above

Ans – d

.....

Direct expenses form a part of

- a. Selling & distribution expenses
- b. Goods manufactured
- c. Administrative expenses on sales
- d. Goods purchased and manufactured

Ans - d

.....

.....

.....
By investing in 6% stock at 96, an income of Rs. 100 will be derived by making An investment of

- a. Rs. 1,504
- b. Rs. 1,600
- c. Rs. 1,667
- d. Rs. 3,200

Ans - b
.....

An investment of Rs. 12,000 in a stock quoted at 120 produces an income of Rs. 780. Find the rate of interest.

- 6.5%
- 7.8%
- 8.0%
- 8.3%

Ans - b
.....

A invested some money in 4% stock at 96. B wants to invest in equally good 5% stock. B must buy a stock worth ...

- a. Rs. 77
- b. Rs. 80
- c. Rs. 100
- d. Rs. 120

Ans - d
.....

Partner capital a/c do not contain:

- a. Interest on capital
- b. Balance of capital
- c. Salary paid
- d. Increase in asset

Ans – d
.....

.....
Q, R wants to admit C in firm but M does not agree:

- a. C will not be admitted
- b. C will be admitted
- c. M will be retired
- d. M will be agreed & C will be admitted

Ans - a
.....

At least persons are needed to form a partnership:

- 4
- 3
- 2
- 1

Ans - c
.....

By investing in 3.75% stock at 96, Shubhra earns Rs. 1,000. The investment made is.

- a. Rs. 9,600
- b. Rs. 10,000
- c. Rs. 25,600
- d. Rs. 30,000

Ans - c
.....

In LIFO method of inventory valuation

- a. Issue of stocks to production is at latest price
- b. Closing stock is at latest price
- c. Both a & b
- d. Neither a nor b

Ans - a
.....
.....

.....

Which of the following is not true

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

Ans - b

.....

..... is the interest that is paid each year as a fixed % of the amount deposited or borrowed.

- Annuities
- Interest
- Simple Interest
- Compound Interest

Ans - c

.....

If Rs. 50000 is lent at 10% interest, on which one the interest will be lowest?

- a. Yearly compounding
- Half-Yearly compounding
- Quarterly compounding
- Monthly compounding

Ans - a

.....

Current Ratio of a firm is 1 : 1. What will be the Net Working Capital ?

- 0
- 1
- 100
- 200

Ans - a

Explanation :

.....

.....

It suggest that the Current Assets is equal to Current Liabilities hence the NWC would be 0 (since $NWC = C.A - C.L$)

.....

Which of the following are current liabilities for the purpose of current ratio? (i) Sundry Creditors and expenses payable, (ii) Working Capital raised from the bank and term loan instalment payable within one year, (iii) Provisions

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

Ans - d

.....

Under written down value method of Depn., the W D V of the asset is always

- a. equal to zero
- b. < zero
- c. > zero
- d. None of these

Ans - c

.....

Accounting Standards are mandatory for the enterprises, whose turnover for the accounting period exceeds

- a. 50 Lakhs
- b. 5 Crores
- c. 50 Crores
- d. 500 Crores

Ans - c

.....

.....

Accounting cycle includes

- Recording
- Classifying
- Summarising
- All the above

Ans - d

.....

GAAP stands for

- a. Governmental Accepted Accounting Principles
- b. Generally Accepted Accounting Principles
- c. Governmental Adopted Accounting Principles
- d. Generally Adopted Accounting Principles

Ans - b

.....

Purchase of machinery is ...

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

Ans - a

.....

Labour welfare expenses is ...

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

Ans - b

.....

.....
The amount brought by the proprietor of the business is credited to

- a. Proprietor's a/c
- b. Cash a/c
- c. Capital a/c
- d. Drawings a/c

Ans - c
.....

A man invested Rs. 3,880 in a stock at 97 to obtain an income of Rs. 220. The rate of dividend on stock is ...

- 22.5%
- 15%
- 12%
- 5.5%

Ans - d
.....

Maya invested Rs. 8,910 in Rs. 10 shares quoted at Rs. 8.25. If the rate of Dividend is 6%, her annual income is

- a. Rs. 208
- b. Rs. 534
- c. Rs. 648
- d. Rs. 656

Ans - c
.....

In Govt. Company, has paid-up capital of:

- a. 51 %
- b. 49 %
- c. 50 %
- d. 25 %

Ans – a
.....

.....
Rs. 140 discount allowed to a customer wrongly credited to Discount a/c, Total of debit side of the trial balance is Rs. 39,280. What should it be after rectification?

- a. Rs. 39,340
- b. Rs. 39,420
- c. Rs. 39,560
- d. Rs. 39,400

Ans - c
.....

A bill for Rs. 10,000 was dishonoured with Rs. 150 as noting charges. It was renewed with interest of Rs. 250. The amount of the new bill will be ...

- a. Rs. 10,000
- b. Rs. 10,150
- c. Rs. 10,250
- d. Rs. 10,400

Ans - d
.....

A company issued shares of Rs 100 each on which Rs 80 per share is called up. A shareholder has not paid the call Rs. 20 per share on 100 shares. The amount credited to share capital in respect of him will be ...

- a. Rs. 2,000
- b. Rs. 6,000
- c. Rs. 8,000
- d. Rs. 10,000

Ans - c
.....

An equity share of Rs 100 on Which Rs. 100 on which Rs. 80 is called up, is forfeited for non-payment of the first call of Rs. 20 per share. If the share is to be re-issued as fully paid up, the minimum amount to be collected will be ...

- a. Rs. 20
 - b. Rs. 40
-

-
- c. Rs. 60
 - d. Rs. 80

Ans - b

.....

Registered companies do not include:

- a. Unlimited public companies
- b. Unlimited private companies
- c. Limited private companies
- d. Company Limited by guarantee

Ans – d

.....

On the incoming of new partner, assets and liabilities of the firm are revalued for the ...

- a. benefit of the new partner
- b. benefit of the old partners
- c. benefit of the old partners who are sacrificing
- d. benefit of the of new and the old partners

Ans - d

.....

The minimum subscription is required to be received in period:

- a. 5 days
- b. 10 days
- c. 1 month
- d. 120 days

Ans - d

.....

A applied for 200 shares but was allotted only 60 shares. If application money is Rs 2, then share application will be debited with:

- a. 120
-

.....
400
280
450

Ans - b
.....

If Article of Association is not given then will apply:

- a. Table B of companies Act
- b. Table C of companies Act
- c. Table A of companies Act
- d. Table D of companies act

Ans - c
.....

Sale of goods to Mohan for Rs 500 is passed in books only with Rs 50. It is:

- a. Compensating error
- b. Omission error
- c. Principal error
- d. None

Ans - a
.....

..... has credit balance:

- a. Drawing a/c
- b. Sales A/c
- c. Debtor A/c
- d. Purchase A/c

Ans - b
.....

In Double entry system of Book Keeping every business transaction affects

- A. Two accounts
 - B. Two sides of the same account
-

-
- C. The same account on two different dates
D. One personal and one real account

Ans - a

.....

A man invested Rs. 1552 in a stock at 97 to obtain an income of Rs. 128. The dividend from the stock is:

- a. 7.5%
b. 8%
c. 8.5%
d. 9.7%

Ans - b

Explanation:

By investing Rs. 1552, income = Rs. 128.

By investing Rs. 97, income = $\text{Rs. } 128/1552 \times 97 = \text{Rs. } 8.$

Dividend = 8%

.....

Preparation of Trial balance is :

- a. Compulsory
b. Important
c. Optional
d. Situational

Ans - c

.....

Rent paid Rs.900 was credited to rent a/c will be rectified by:

- a. Debiting Rent A/c with 1800
b. Crediting suspense a/c with 900
c. Debiting Rent a/c with 900
d. Debiting rent a/c with 1000

Ans – a

.....

.....
Excess debit in Suspense a/c is written as:

- a. To balance b/d
- b. To balance c/d
- c. By balance b/d
- d. By balance c/d

Ans – c
.....

Revaluation of goodwill must be effected through

- a. Revaluation a/c
- b. Realisation a/c
- c. Partners' Capital a/cs
- d. P & L a/c

Ans – c
.....

In which method amount of depreciation decreases every year:

- a. Straight line method
- b. Written down value method ,
- c. Annuity method
- d. Sinking fund method

Ans - b
.....

Shares can be issued at discount within.....month of sanction of Company Law Board:

- 1
- 2
- 4
- 5

Ans - b
.....
.....

.....

Maximum timeframe for collection of cheques drawn on state capitals is

- a. 7 days
- b. 10 days
- c. 14 days
- d. 21 days

Ans - a

.....

To assess the financial position of the borrower the financial statements of the borrower should preferably be analysed atleast for.....

- a. One year
- b. Two years
- c. Three years
- d. Three years or for whatever period they are available whichever is minimum

Ans - d

.....

Mr. X is to receive Rs. 100000, as interest on bonds at the beginning of each year for 5 years @ 5% ROI. Calculate the present value of the amount he is to receive.

- 454596
- 455496
- 456496
- 465496

Ans - a

Solution:

P = 10000
R = 5% p.a.
T = 5 Y

.....

$$PVAD = (C \div R) \times \{ (1 + R)^T - 1 \} \times (1 + R) \div (1 + R)^T$$

.....

So,

$$PVAD = (100000 \div 0.05) \times \{ (1 + 0.05)^5 - 1 \} \times (1 + 0.05) \div (1 + 0.05)^5$$

.....

.....

454596 Ans

.....

A company reported sales of Rs.100 lac and net profit after tax, of Rs. 4 lac. If stock turnover ratio is 10 and other current assets of Rs. 5 lac, what is the amount of total current assets?

- a. Rs. 20 lac
- b. Rs. 18 lac
- c. Rs. 15 lac
- d. Rs. 13 lac

Ans - c

.....

A company invested Rs. 5 lac from its liquid assets of the business in an associate firm, due to which its current ratio came down from 2:1 to 1.5:1. What is the amount of current assets after this investment?

- a. Rs. 15 lac
- b. Rs. 12 lac
- c. Rs. 10 lac
- d. Rs. 5 lac

Ans - a

.....

An asset cost Rs. 7,20,000/- has residual value of Rs. 90,000/-, and is expected to last 9 years. Calculate the depreciation for 5th year using Straight-line Method.

- a. Rs. 70,000
- b. Rs. 80,000
- c. Rs. 3,50,000
- d. Rs. 4,00,000

Ans - b

Let me Explain :

Expected Life = 9 Years

Total Depreciation = Cost of the Asset - Residual Value

So, Value to be taken for Depreciation = 720000 - 90000 = 630000

.....

.....
 Depreciation per year = $630000/9 = 70000$
 So, Depreciation for 5th year also will be Rs. 70000/-

Balance with the bank as per cash book of the customer is Rs. 14700 and the bank has paid Rs. 2000 as per standing instruction. The said amount should be, to reconcile the cashbook with bank passbook.

- Added
- Deducted
- No entry required
- None of the above

Ans - b

Revenue is recognised only when is made

- Profit
- Sale
- Loss
- None of these

Ans - b

In double entry, the entry is balanced with a corresponding entry, which is called

- A. reverse entry
- B. adjusting entry
- C. contra entry
- D. double entry

Ans - c

..... is called the Charter of the company.

- a. Memorandum of Association
 - b. Articles of Association
-

.....

Prospectus
All of the above

Ans - a

.....

A company comes into existence when it gets the certificate of.....

Incorporation
Commencing the business
Income-tax department
None of the above

Ans - a

.....

Regular of data is required to guard against loss of data.

a. back up
Function
Up dating
Control

Ans - a

.....

A person invested Rs. 800000 in a bank FDR @ 10% p.a. for 1 year. If interest is compounded on half-yearly basis, the amount payable shall be

872000
880000
882000
884000

Ans - c

Solution:

$P = 800000$

$R = 10\% / 2 = 5\%$ (since compounding is semi-annually, rate is divided by 2

.....

.....

$T = 1 * 2 = 2$ (since compounding is semi-annually, time is multiplied by 2)

Since compounding is semi-annually and its only 1-time investment, the formula to be used:

$$FV = P * (1+R)^T$$

So,

$$FV = 800000 * (1+0.05)^2$$

882000

.....

..... means accounting performed by a computer.

- Accounting
- Computerised accounting
- Manual accounting
- None of the above

Ans - b

.....

Capital account is aa/c.

- Real.
- Nominal.
- personal.
- Both B and D.

Ans - c

.....

A person who owes money to the firm is called

- Creditor
- Debtor
- Shareholders
- Owner

Ans - b

.....

.....

.....

When a currency is at premium in future or for a future value date, it is

- Costlier
- Cheaper
- Equal
- None of these

Ans - a

.....

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

- a. Transfer Pricing
- b. Arm's Length Price
- c. Deal Price
- d. None of these

Ans - b

.....

Trial Balance is a

- a. Nominal Account
- b. Personal Account
- c. Real Account
- d. None of these

Ans - d

.....

Bank Reconciliation Statement is

- a. Part of the cash book
- b. A statement prepared to know the cause for the difference between balance as per bank column of cash book and passbook
- c. A ledger account
- d. All the above

Ans – b

.....

Acid test ratio is also called as

- a. Quick Ratio
- b. Liquidity Ratio
- c. Both a and b
- d. Neither a not b

Ans - c

.....

Construction of building is a

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

Ans - a

.....

Trial balance validates

- a. Accuracy of the book keeper
- b. Arithmetical accuracy of books
- c. Honesty of the book keeper
- d. None of these

Ans - b

.....

Retiring a bill under rebate means...

- a. Dishonouring the bill
- b. Making payment of the bill after the due date
- c. Making payment of the bill before the due date
- d. Making payment of the bill on the due date

Ans. c

.....

.....
Difference between income and expenses, if income is more is called

- a. Net Revenue
- Profit
- Surplus
- All of the above

Ans - d
.....

The rate of discount on share cannot exceed...

- 5%
- 8%
- 10%
- 12%

Ans - c
.....

..... of a partner means that a partner breaks off his relations with all other partners and withdraws himself from the firm.

- Admission
- Submission
- Permission
- Retirement

Ans - d
.....

Present Value is defined as

- a. Future cash flows discounted to the present at an appropriate discount rate
- b. Inverse of future cash flows
- c. Present cash flows compounded into the future
- d. Discounting of compounded future cash flows

Ans - a
.....
.....

.....

Annuity is defined as

- a. Equal cash flows at equal intervals forever
- b. Equal cash flows at equal intervals for a specified period
- c. Unequal cash flows at equal intervals for specified period
- d. Unequal cash flows at equal intervals forever

Ans - b

.....

A bond holder of a company has one of the following relationship with It. Identify

- shareholder
- depositor
- creditor
- employee

Ans - c

.....

If 1 year discount is 0.8333, what is the discount rate?

- 10%
- 20%
- 30%
- 15%

Ans - b

.....

The yield to maturity is a rate of return which

- a. gives the current yield
- b. Is the discount rate at which the present value, of the coupons and the final payment at face value, equals the current price
- c. gives the return at maturity on the bond for the original holder
- d. b or c

Ans - d

.....

.....

.....

Discount on issue of share is a a/c:

- Real
- Nominal
- Personal
- Loss

Ans - b

.....

If depreciation is not charged, Profit & loss a/c will show:

- a. More profits
- b. Less profits
- c. Nominal profits
- d. Original profits

Ans - a

.....

A public company having a share capital:

- a. Must issue a prospectus
- b. Cannot file a statement in lieu of prospectus
- c. May file a statement in lieu of prospectus
- d. Doesn't need prospectus

Ans - c

.....

Share premium is used for:

- a. To issue fully paid bonus shares
- b. To write off preliminary expenses
- c. To issue shares at discount
- d. Both a & b

Ans - d

.....

.....

.....
On the death of a Partner, the amount received from join life policy should be credited to the capital accounts of ...

- a. all Partners including the deceased Partner`
- b. only continuing Partners
- c. only the deceased Partner
- d. All of the above

Ans - a
.....

Old profit sharing ratio minus new profit sharing ratio is equal to ...

- a. sacrificing ratio
- b. gaining ratio
- c. capital ratio
- d. old ratio

Ans - a
.....

A retiring Partner continues to be liable for obligation incurred after his retirement, if ...

- a. he does not give Public notice
- b. he starts a similar business
- c. unpaid amount is transferred to his loan a/c
- d. he gives a public notice

Ans - a
.....

What income will be derived from Rs. 75,000 of 4 --- stock? 2

- a. Rs. 3,357
- b. Rs. 3,537
- c. Rs. 3,573
- d. Rs. 3,375

Ans - d
.....
.....

.....
What income can be derived from an investment of Rs. 11,628 in the 6% stock at Rs. 153?

- a. Rs. 722
- b. Rs. 756
- c. Rs. 345
- d. Rs. 543

Ans - a

.....

Premium paid on Joint Life Policy of Partners is ...

- a. credited to Partners' Capital a/cs
- b. debited to P & L a/c
- c. credited to P & L a/c
- d. debited to Partners' Capital a/cs

Ans – b

.....

On the retirement or death of a partner, Profit or loss on revaluation is transferred to Partners' Capital a/cs/ Current a/cs in ...

- a. old Profit sharing ratio
- b. sacrificing ratio
- c. gaining ratio
- d. capital ratio

Ans - a

.....

A company has a perpetual

- Profits
- Losses
- Succession
- All the above

Ans - c

.....

.....

.....

Capital Rs. 40,000, Liabilities Rs. 15,000, then Assets Rs.....

- a. Rs. 25,000
- b. Rs. 65,000
- c. Rs. 55,000
- d. Rs. 45,000

Ans - c

Solution :

Assets = Capital + Liabilities
 40000+15000
 55000

.....

When an entry is passed on credit Side of Passbook or on debit side of Cash book, the bank balance

- Increases
- Decreases
- Has no effect
- Can increase or decrease

Ans - a

.....

As per companies Amendment Bill 2003, maximum number of partners consisting of professionals can be

- 10
- 20
- 40
- 50

Ans - d

.....

Cost of asset = 8,00,000
 Estimated residual value = 10% of the cost

.....

.....

Estimated useful life of asset = 5 years

Find the book value at the end of 1st year using double declining balance method.

240000

320000

480000

660000

Ans - c

Explanation

Depreciation rate = $(1/\text{useful life}) \times 200\%$

$= 1/5 \times 200\% = 20\% \times 2 = 40\%$

[Year 1]

Depreciation amount for year 1

beginning book value x depreciation rate

$8,00,000 \times 40\% = 3,20,000$

Accumulated depreciation at the end of year 1 = 3,20,000

Book value at the end of year 1

$8,00,000 - 3,20,000 = 4,80,000$

.....

A and B invest in a business in the ratio 3 : 2. If 5% of the total profit goes to charity and A's share is Rs. 855, the total profit is...

a. Rs. 1425

b. Rs. 1500

c. Rs. 1537.50

d. Rs. 1576

Ans - b

Explanation:

Let the total profit be Rs. 100.

After paying to charity, A's share = $Rs. 95 \times \frac{3}{5} = Rs. 57$.

If A's share is Rs. 57, total profit = Rs. 100.

If A's share Rs. 855, total profit = $100/57 \times 855 = 1500$.

.....

.....

.....

A sum of money at simple interest amounts to Rs. 2240 in 2 years and to Rs. 2600 in 5 years.
What is the principal amount?

- 1000
- 1500
- 2000
- 2500

Ans - c

Explanation:

SI for 3 year = 2600-2240 = 360

SI for 2 year $360/3 * 2 = 240$

principal = 2240 - 240 = 2000

.....

On a machinery, depreciation @ 10% is Rs. 30,000 for the first year, Rs. 27,000 for the second year. What will be amount of depreciation for the third year?

- a. Rs. 30,000
- b. Rs. 24,300
- c. Rs. 20,400
- d. Rs. 22,600

Ans - b

.....

Mr. A purchased a second hand machinery for Rs. 80,000 on 1st April 2001 and spent Rs. 35,000 on its over-hauling and installation. Depreciation is charged @ 10% on original cost. On 30th June 2004, the machinery was sold off for Rs. 65,000. What is the amount of loss to the written of, presuming the accounting ear ends on 31st March every year?

- a. Rs. 15,500
- b. Rs. 12,625
- c. Rs. 13,095
- d. Rs. 13,505

Ans - b

.....

.....

.....

A limited company is a/an person.

- Original
- Duplicate
- Artificial
- None of the above

Ans - c

.....

Sales Journal is also called as book.

- Stock
- Invoice
- Inventory
- None of these

Ans - b

.....

Which is better investment - 4% stock at par with an income-tax at 5% or 4.5% stock at 110 free from income-tax?

- a. 4% stock at par
- b. 4.5% stock at 110
- c. Both are equally good
- d. None of the above

Ans - b

.....

The payment of Promissory Note is made by its...

- Maker
- Payee
- Bank
- None of above

Ans. a

.....

.....

.....

Simple interest on a sum at 6% p.a. for 6 years is Rs.2160. The compound interest on the same sum, rate of interest and for the same period is.....

- a. Rs. 2115
- b. Rs. 2151
- c. Rs. 2511
- d. Rs. 2521

Ans – c

Let me Explain :

Let us first find the principal Amount

Simple Interest for 6 years @ 6% = 2160

So, for 1 year @ 6% = $2160/6 = 360$

So, the Principal Amount = $360/6*100 = 6000$

Now let us calculate, compound interest on Rs. 6000 at 6% p.a for 6 years $A = P(1+r/100)^n$

$$6000 (1+6/100)^6$$

$$6000 (1.06)^6$$

$$6000 (1.4185)$$

$$8511$$

CI = Amount - Principal

$$8511 - 6000$$

$$2511$$

So, compound interest on Rs. 6000 at 6% p.a for 6 years is : Rs. 2511

.....

When an entry is passed on credit side of passbook or on debit side of Cash book, the bank balance

increase

decrease

has no effect

can decrease or increase

Ans. A

.....

.....
The accrual system of income recognition makes distinction between

- a. Cash received and cash not received
- b. Cash paid and cash not paid
- c. Cash received and right to receive the cash
- d. Cash actually received and cash yet to be received

Ans - c
.....

One sided error has been located before preparing the trial balance, it can be rectified by

- A. Changing the balance of trial balance
- B. Increasing the balance in the individual account
- C. Decreasing the balance in the individual account
- D. Correcting the posting in the concerned account

Ans - d
.....

The provisions regarding issues of shares at a discount are contained as per

- a. Section 56 of Companies Act 1956
- b. Section 79 of Companies Act 1956
- c. Section 90 of Companies Act 1956
- d. Section 125 of Companies Act 1956

Ans - b
.....

Which of the following matches?

- a. Purchase book- both credit and cash purchases are recorded
- b. Sales book- both credit and cash purchases are recorded
- c. Purchase book- only cash purchases are recorded
- d. Sales book- only credit purchases are recorded

Ans - d
.....
.....

.....

After allotment of shares by a company when the allotment money is made due, it is debited to which of the following accounts

- a. Share capital account
- b. Share application account
- c. Share allotment account
- d. Bank account

Ans - c

.....

When there is one debit and several credits equal the debit amount OR there is one credit and several debits to match the amount of credit, this is called

- a. Simple journal entry
- b. Multiple journal entry
- c. Compound journal entry
- d. Aggregated journal entry

Ans - c

.....

when goods are purchased, the 'purchases account' is used (b) when goods are sold, the 'sales account' is used (c) when goods are returned by the customers of the firm, the 'returns outward' is used (d) when the goods are returned by the firm to its suppliers, the 'purchases returns' is used. Which is correct ?

- a. A to d all
- b. B, c and d
- c. A, b and d
- d. A, b and c

Ans - c

.....

A sum of money at simple interest amounts to Rs. 2,800 in 2 years and to Rs. 3,250 in 5 years. Find the sum and the rate of interest.

- a. Rs. 2,500 ; 5%
 - b. Rs. 2,500 ; 6%
-

-
- c. Rs. 3,000 ; 5%
 - d. Rs. 3,000 ; 6%

Ans - b

Solution :

Int for 3 years = $3250 - 2800 = 450$. So, int for 1 year = $450/3 = 150$.

Amount including interest for 2 years = 2800. So, the Principle amount = $2800 - 150 - 150 = 2500$.

Int Rate = $150/2500 * 100 = 6\%$

.....

Shareholders get ...

- Fees
- Commission
- Interest
- Dividend

Ans - d

.....

In a business firm, the chief cashier hands over some cash to the petty cashier who submits the account of petty cash after a fixed time interval. This system is called (most appropriate)

- a. Petty cash system
- b. Petty cash book system
- c. Imprest system of petty cash book
- d. Advance system of petty cash book

Ans - c

.....

Premium received on issue of shares is shown in ...

- a. Assets side of Balance Sheet
- b. Liabilities side of balance sheet
- c. Debit side of P & L a/c
- d. Credit side of P & L a/c

Ans - b

.....

.....

In the balance sheet, various items of assets are arranged according to order.

- Sales
- Purchase
- Stock
- Liquidity

Ans - d

.....

A bond carries a specific rate of interest is called as...

- Yield-to-Maturity
- Face Value
- Coupon Rate
- Redemption Value

Ans - c

.....

The income from a 6% stock of Rs 18,360 is Rs. 720. Find the price stock of Rs. 100

- a. Rs. 125
- b. Rs. 130
- c. Rs. 135
- d. Rs. 153

Ans - d

.....

Discount amounting to Rs. 100 allowed by the creditors has been posted to the debit to Discount a/c. By how much amount will the total of credit side of trial balance increase after rectification?

- a. Rs. 100
- b. Rs. 200
- (-) Rs. 100
- (-) Rs. 200

Ans – b

.....

.....

The method in which depreciation rate is constant is

- a. straight line method
- b. Declining Balance Method
- c. Double Declining Balance Method
- d. Accelerated Depreciation

Ans - b

Depreciation rate is constant in "Declining Balance Method". In "straight line method" depreciation amount is constant.

.....

Assets

Net Fixed Assets	- 265
Cash	- 1
Receivables	- 125
Stocks	- 128
Prepaid Expenses	- 1
Intangible Assets	- 30
Total	- 550

Liabilities

Capital + Reserves	- 355
P & L Credit Balance	- 7
Loan From S F C	- 100
Bank Overdraft	- 38
Creditors	- 26
Provision of Tax	- 9
Proposed Dividend	- 15
Total	- 550

1. Current Ratio = ?

$$= (1+125 +128+1) / (38+26+9+15)$$

.....

$$255/88$$

$$2.89 : 1$$

2. Quick Ratio = ?

$$(125+1)/88$$

$$= 1.43 : 11$$

3. Debt Equity Ratio = ?

$$\text{LTL / Tangible NW}$$

$$100 / (362 - 30)$$

$$100 / 332$$

$$0.30 : 1$$

4. Proprietary Ratio = ?

$$(\text{T NW / Tangible Assets}) \times 100$$

$$[(362 - 30) / (550 - 30)] \times 100$$

$$(332 / 520) \times 100$$

$$64\%$$

5. Net Working Capital = ?

$$\text{CA} - \text{CL}$$

$$255 - 88$$

$$167$$

6. If Net Sales is Rs.15 Lac, then What would be the Stock Turnover Ratio in Times ?

$$\text{Net Sales / Average Inventories/Stock}$$

$$1500 / 128$$

12 times approximately

7. What is the Debtors Velocity Ratio if the sales are Rs. 15 Lac?

$$(\text{Average Debtors / Net Sales}) \times 12$$

$$(125 / 1500) \times 12$$

$$1 \text{ month}$$

.....

8. What is the Creditors Velocity Ratio if Purchases are Rs.10.5 Lac?

$$\begin{aligned} & (\text{Average Creditors} / \text{Purchases}) \times 12 \\ & (26 / 1050) \times 12 \\ & 0.3 \text{ months} \end{aligned}$$

.....

The Current Assets are not those assets..... (i) which can be converted into cash during accounting period of one year, (ii) which can be sold in the market as current goods, (iii) which can be kept moving

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

Ans - c

.....

In SPOT, the exchange of currencies takes place on

- a. Same Day
- b. Next Day
- c. Second Working Day
- d. Third Working Day

Ans - c

.....

No adjustment entry was passed for an amount of Rs. 500 relating to outstanding salary. The gross profit which is presently Rs. 18,500 will now be ...

- a. Rs. 17,500
- b. Rs. 19,500
- c. Rs. 18,000
- d. No change

Ans - d

.....

.....

..... is the value attached to the super profit earning capacity of business arising from its wide connections, reputation and long standing in the business.

- Goodwill
- Liabilities
- Losses
- All of the above

Ans - a

.....

Regular of data is required to guard against loss of data.

- a. back up
- Function
- Up dating
- Control

Ans - a

.....

..... destroys computer data.

- a. Software virus
- b. Hardware virus
- c. Computer virus
- d. None of the above

Ans - c

.....

In the balance sheet, various items of assets are arranged according to order.

- Sales
- Purchase
- Stock
- Liquidity

Ans - d

.....

.....

.....

The form of Balance Sheet and Profit and Loss account of a banking company is prescribed in Forms A and B of schedule of the Banking Regulation Act, 1949.

- First
- Second
- Third
- Fourth

Ans - c

.....

Partnership is a between two or more persons.

- Friendship
- Relationship
- Both a & b
- None of the above

Ans - b

.....

In the Partnership firms, liability of each partner is

- Limited
- Unlimited
- Overhead
- Maximum

Ans - a

.....

A limited company is a/an person.

- Original
- Duplicate
- Artificial
- None of the above

Ans - c

.....

.....

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

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

Ans - b
.....

Liabilities in a company are of Rs. 80,000 and owner's equity is Rs. 70,000. What is the amount of total equity?

- a. Rs. 80,000
- c. Rs. 10,000
- b. Rs. 70,000
- d. Rs. 1,50,000

Ans - d
.....

The minimum subscription is to be received in:

- a. 45 days
- b. 120 days
- c. 130 days
- d. 50 days

Ans - b
.....

R, N, S share profits in 5:3:2. If N retire then new ratio of R and S is 2:3. Gaining ratio is :

- 1:1
- 1:4
- 0:4
- 4:0

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

.....

Goodwill on two years purchase of the average profit of last three years profits of 20,000, 10,000, 15,000 is:

- a. Rs 50,000
- b. Rs. 30,000
- c. Rs. 45,000
- d. Rs. 40,000

Ans - b

.....

Partnership is a form of business organisation in which business debts can be recovered from:

- a. The partners
- b. All the managers
- c. The firm
- d. The firm and all the partners

Ans - d

.....

A sum of money at simple interest amounts to Rs. 815 in 3 years and to Rs. 854 in 4 years. The sum is:

- A. Rs. 650
- B. Rs. 690
- C. Rs. 698
- D. Rs. 700

Ans - C

Explanation:

S.I. for 1 year = Rs. (854 - 815) = Rs. 39.

S.I. for 3 years = Rs.(39 x 3) = Rs. 117.

Principal = Rs. (815 - 117) = Rs. 698.

.....

.....

.....

A certain amount earns simple interest of Rs. 1750 after 7 years. Had the interest been 2% more, how much more interest would it have earned?

- A. Rs. 35
- B. Rs. 245
- C. Rs. 350
- D. Cannot be determined

Ans - D

Explanation:

We need to know the S.I., principal and time to find the rate.
Since the principal is not given, so data is inadequate.

.....

Which of following is contingent liability?

- a. Claim against company not acknowledged as debt
- b. Unpaid liability of shares
- c. Arrear of fixed cumulative dividend
- d. All above

Ans - d

.....

Purchase a/c always have a:

- a. Debit balance
- b. Credit balance
- c. Either debit or credit balance
- d. None

Ans - a

.....

Error of principle are committed due to:

- a. Incomplete knowledge of capital & revenue expenditure
 - b. Incomplete recording of amount
-

-
- c. Incorrect balancing of ledger a/c's
 - d. Wrong posting in ledger

Ans - a

.....

A person deposits Rs. 100 per month in a Recurring Deposit account carrying Simple interest @ 6.5% Find the amount at the end of one year.

- a. Rs. 1,200
- b. Rs. 1,278
- c. Rs. 1,242.25
- d. Rs. 1,300

Ans - c

.....

Insurance unexpired is a:

- a. Personal a/c
- b. Real a/c
- c. Nominal a/c
- d. Both a & b

Ans - a

.....

A certain amount earns simple interest of Rs. 1750 after 7 years. Had the interest been 2% more, how much more interest would it have earned?

- A. Rs. 35
- B. Rs. 245
- C. Rs. 350
- D. Cannot be determined

Ans - d

Explanation:

We need to know the S.I., principal and time to find the rate.
Since the principal is not given, so data is inadequate.

.....

.....

.....

According to NPV, undertake those investments for which the NPV is

- Positive
- Negative
- Either positive or Negative
- None of these

Ans - a

.....

Valuation of stocks is done by a business firm at cost price or market price, whichever is lower basis, under

- a. Convention Of Full Disclosure
- b. Convention Of Materiality
- c. Convention Of Conservatism
- d. Convection Of Consistency

Ans - c

.....

Which of these is not a special purpose journal?

- a. Cash journal
- b. Purchase journal
- c. Debtors journal
- d. Sales journal

Ans - c

.....

Insurable interest must be present at the time of insurance proposal and payment of claims in ..

- a. Fire Insurance
- b. Marine Insurance
- c. Life Insurance
- d. Motor Insurance

Ans - a

.....

.....

.....

Which of the following concept assumes that the business enterprise will not be sold or liquidated in the near future?

- a. Conservatism concept
- b. Money measurement concept
- c. Going concern concept
- d. Accounting period concept

Ans - c

.....

What will be the compound interest on Rs. 25000 after 3 years at the rate of 12 % per annum?

- a. Rs 10123.20
- b. Rs 10123.30
- c. Rs 10123.40
- d. Rs 10123.50

Ans - a

Explanation:

$$(25000 \times (1 + 12/100)^3)$$

$$25000 \times (28/25)^3$$

$$35123.20$$

So Compound interest will be 35123.20 - 25000

Rs 10123.20

.....

What is Margin of Safety if Sales is 20,000 units and B.E.P is 15,000 units.

- a. 35,000 units
- b. 5,000 units
- c. Rs 5,000
- d. Rs 35,000

Ans - b

.....

.....

.....

Determine P/V ratio if Sales is Rs 1,00,000, Fixed cost is Rs 30,000 and Profit is Rs 20,000.

- 25%
- 40%
- 50%
- 60%

Ans - c

.....

Given selling price is Rs 10 per unit, variable cost is Rs 6 per unit and fixed cost is Rs 5,000. What is break-even point?

- a. 500 units
- b. 1,000 units
- c. 1,250 units
- d. None of the above

Ans - c

.....

Contribution is also known as

- a. Contribution margin
- b. Net Margin
- c. Both a and b
- d. None of the above

Ans - a

.....

In Risk-Adjusted Discount Rate method, which one is adjusted (choose the wrong one)? (i) Cash flows, (ii) Rate of discount, (iii) Salvage value

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

Ans - c

.....

.....

Rate of interest which is usually discussed by investors whenever rate of return is discussed is classified as

- a. yield to maturity
- b. yield to return
- c. yield to earning
- d. yield to investors

Ans - a

.....

Capital Budgeting deals with (i) Short-term Decisions, (ii) Long-term Decisions

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) not (ii)

Ans - b

.....

Mr. X is to invest Rs. 100000 every year for the next 5 years (at the beginning of the period) @ 5%. How much he would have at the end of the 5-year period?

- 525563
- 552563
- 580191
- 581091

Ans - c

Solution:

$P = 1000000$

$R = 5\%$ p.a.

$T = 5$ Y

This ques asks the FUTURE VALUE OF INVESTMENT AT THE BEGINNING OF PERIOD, so, FVAD (Future Value of Annuity Due) is applied.

The formula of FVAD =

.....

$$FVAD = (C \div R) \times \{ (1 + R)^T - 1 \} \times (1 + R)$$

So,

$$FVAD = (100000 \div 0.05) \times \{ \{1 + 0.05\}^5 - 1 \} \times (1 + 0.05)$$

$$552563 \times 1.05 = 580191 \text{ Ans}$$

The two basic types of exchange rates are the

- spot exchange rate and the forward exchange rate
- spot exchange rate and the future exchange rate
- present exchange rate and the forward exchange rate
- present exchange rate and the future exchange rate

Ans - a

A has to pay Rs. 22,000 to B after 1 year. B asks A to pay Rs. 11,000 in cash immediately and defer the payment of Rs. 11,000 for 2 years. A agrees to it. Counting the rate of interest at 10% p.a. in this new mode of payment

- there is no gain or loss to any one
- A gains Rs. 734
- A loses Rs. 734
- A gain Rs. 1,100

Ans - b

Tax free bonds issue for welfare by industrial agencies or pollution control agencies are classified as (i) agent bonds, (ii) development bonds, (iii) pollution control bonds

- Only (i) and (ii)
- Only (i) and (iii)
- Only (ii) and (iii)
- (i), (ii) and (iii)

Ans - c

.....

The present worth of Rs.169 due in 2 years at 4% per annum compound interest is

- Rs 155.25
- Rs 156.25
- Rs 157.25
- Rs 158.25

Ans - b

Explanation:

In this type of question we apply formula

$$169 = P(1 + R/100)^n$$

$$169 = P(1 + 4/100)^2$$

$$169 = P(1.04)^2$$

$$169 = P \times 1.0816$$

$$P = 169/1.0816$$

$$P = 156.25$$

.....

What does management audit imply?

- a. Complete audit
- b. Detailed audit
- c. Efficiency audit
- d. Interim audit

Ans - c

.....

Which one of the following statements is correct?

- a. Internal audit and Management audit are the same
- b. Internal audit and statutory audit are the same
- c. Internal audit is compulsory in all cases
- d. Statutory audit of company accounts is compulsory

Ans - d

.....

.....

.....

In a three column cash does not exist

- a. Cash column
- b. Bank column
- c. Petty cash column
- d. Discount column

Ans - c

.....

Expenses of the following nature are treated as a Revenue expenses except

- a. Expenses for day to day running of the business
- b. Putting the new asset in working condition
 - Depreciation
 - Purchase of raw material

Ans - b

.....

What is the present worth of Rs. 132 due in 2 years at 5% simple interest per annum ?

- 110
- 120
- 130
- 140

Ans - B

Explanation:

Let the present worth be Rs.x

Then, S.I. = Rs.(132 - x)

$$\Rightarrow (x \cdot 5 \cdot 2 / 100) = 132 - x$$

$$\Rightarrow 10x = 13200 - 100x$$

$$\Rightarrow 110x = 13200$$

$$x = 120$$

.....

.....

.....

Calculate B.E.P if Fixed cost is Rs 1,50,000, Variable cost is Rs 2,00,000 and Profit is Rs 1,50,000.

- a. Rs 2,00,000
- b. Rs 2,50,000
- c. Rs 3,00,000
- d. Rs 3,50,000

Ans - b

.....

Calculate sales in rupees for desired profit if fixed cost is Rs 10,000, selling price is Rs 20 per unit, Variable cost is Rs 15 per unit and desired profit is Rs 1 per unit.

- a. Rs 20,000
- b. Rs 50,000
- c. Rs 70,000
- d. Rs 10,000

Ans - b

.....

Using equation method, Break-even point is calculated as

- a. Sales = Variable expenses + Fixed expenses + Profit
- b. Sales = Variable expenses + Fixed expenses - Profit
- c. Sales = Variable expenses - Fixed expenses + Profit
- d. None of the above

Ans - a

.....

Compute P/V ratio if variable cost ratio is 60%.

- 20%
- 30%
- 40%
- 50%

Ans - c

.....

.....

.....

A owes B Rs. 1,802 due 1 year hence. However, a wants to settle the account after 3 months. How much cash should he pay, if rate is 8% p.a.?

- 1700
- 1740
- 1750
- 1760

Ans - a

.....

A project should not be undertaken if its IRR is (i) Less than the cost of capital, (ii) More than the cost of capital, (iii) Equal to the cost of capital

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

Ans - b

.....

A certain amount earns simple interest of Rs. 1750 after 7 years. Had the interest been 2% more, how much more interest would it have earned?

- a. Rs. 35
- b. Rs. 245
- c. Rs. 350
- d. Cannot be determined

Ans - d

Explanation:

We need to know the S.I., principal and time to find the rate.
Since the principal is not given, so data is inadequate.

.....

Bonds issued by government and backed by U.S government are classified as

- a. issued security
-

-
- b. treasury bonds
 - c. U.S bonds
 - d. return security

Ans - b

.....

What is the principal amount which earns Rs. 264 as compound interest for the second year @ 10% p.a.?

- 2000
- 2200
- 2400
- 2600

Ans - c

.....

Ram borrows Rs. 5000 for 2 years at 4% p.a. simple interest. He immediately lends money to Rahul at 25/4% p.a. for 2 years. Find the gain of one year by Ram.

- 110.50
- 111.50
- 112.50
- 113.50

Ans - C

Explanation:

Two things need to give attention in this question, First we need to calculate gain for 1 year only.

Second, where we take money at some interest and lends at other, then we use to subtract each other to get result in this type of question.

Lets solve this Simple Interest question now.

$$\begin{aligned} \text{Gain in 2 year} &= [(5000 \times 25/4 \times 2/100) - (5000 \times 4 \times 2/100)] \\ &= (625 - 400) \\ &= 225 \end{aligned}$$

So gain for 1 year = $225/2 = 112.50$

.....

.....

Under what circumstances, the operations in a current account of a partnership firm can be permitted, if one of the partners has expired and the account has been showing credit balances (i) if the purpose is only to withdraw the money and close it, (ii) if the purpose is only to wind up the affairs of the firm, (iii) if it is decided to continue the partnership and a fresh mandate is given for that purpose

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

Ans - c

.....

How the interest of the minor is watched, while allowing demand loan against FDR in minor's name?

- a By entering into contract with major i.e guardian of the minor
- b By obtaining an undertaking from the guardian of the minor that the amount of loan will be utilised for the benefit of the minor only
- c By obtaining an undertaking from minor
- d by not allowing any loan against deposit standing in minor's name

Ans - b

.....

The document that conveys the terms & conditions of sanction to the borrower is

- a. Loan application
- b. Loan agreement
- c. Sanction letter
- d. All of the above

Ans - c

.....

A borrower after fully liquidating his loan account came to know that his account was time barred & claimed refund for the money from the bank. The bank will

- a. Refund the money
-

-
- b. Retain the money
 - c. Refund the money & file a suit for recovery
 - c. None of the above

Ans - b

.....

Determine sales in units for desired profit if Fixed cost is Rs 15,000, desired profit is Rs 5,000
Selling price per unit is Rs 20 and Variable cost per unit is Rs 16.

- a. 5,000 units
- b. Rs 5,000
- c. Rs 10,000
- d. 10,000 units

Ans - a

.....

Which of the following are cash flow from financing activities? (i) Interest/Dividend received, (ii) Interest paid, (iii) Dividend paid

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

Ans - c

.....

Which of the following is not a cause of difference in balance as per cash book and balance as per bank pass book

- a. Errors in cash book
- b. Errors in pass book
- c. Cheques deposited and cleared
- d. Cheques issued but not presented for payment

Ans - c

.....

.....
Determine Contribution if Fixed cost is Rs 40,000 and profit is Rs 30,000.

- a. Rs 60,000
- b. Rs 70,000
- c. Rs 80,000
- d. Rs 90,000

Ans - b
.....

Determine Contribution if Fixed cost is Rs 50,000 and loss is Rs 20,000.

- a. Rs 30,000
- b. Rs 50,000
- c. Rs 60,000
- d. Rs 70,000

Ans - a
.....

Where does an auditor of a cooperative society submit the audit report?

- a. To the managing committee of the society only
- b. To the Registrar of Cooperative Societies of the State concerned only
- c. To the State Assembly concerned
- d. To the Registrar of Cooperative Societies of the State concerned and a copy to the society

Ans - b
.....

Purchase day book records

- a. All cash purchases
- b. All credit purchases
- c. Only credit purchase of raw material or goods purchased for resale.
- d. All purchases

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

.....

Which of the following companies do not have the obligation to get its Articles of Association registered along with the Memorandum of Association?

- a. Public Company limited by shares
- b. Unlimited companies
- c. Private companies limited by shares
- d. Companies limited by guarantee

Ans - c

.....

If Rs. 7,500 are borrowed at compound interest at the rate of 4% p.a. then after 2 years the amount to be paid is

- 7800
- 8082
- 8100
- 8112

Ans - d

.....

Mr. X is to invest Rs. 100000 by end of each year for 5 years @ 5% ROI. How much amount he will receive at the end of 5 years?

- 525563
- 552563
- 553562
- 565362

Ans - b

Solution:

$P = 1000000$

$R = 5\%$ p.a.

$T = 5$ Y

This ques asks the FUTURE VALUE OF INVESTMENT AT THE END OF PERIOD, so, FVOA (Future Value of Ordinary Annuity) is applied.

The formula of FVOA =

.....

$$FVOA = (C \div R) \times \{ (1 + R)^T - 1 \}$$

So,

$$FVOA = (100000 \div 0.05) * \{ (1 + 0.05)^5 - 1 \}$$

$$= 552563 \text{ Ans}$$

Calculate the Future Value of Present Value of Rs. 10000/- after 4 years if the rate of interest is 10%.

- 13310
- 14641
- 14461
- 13130

Ans - b

Solution :

$$FV = P(1+r)^n$$

$$FV = 10000(1+10/100)^4$$

$$10000(1.1)^4$$

$$10000 * 1.4641$$

$$14641$$

Present value is Rs.20000. Interest rate is 12 % per annum. Interest is compounded on quarterly basis. What will be the cash flow at the end of first year?

- 25210
- 22150
- 22510
- 21520

Ans - c

Solution :

Now there are 4 quarters (as compounding is quarterly) Interest rate per quarter is 3 per cent.

$$\begin{aligned}
 C4 &= PV(1+i/100)^4 \\
 &= 10000(1.0c.^4 \\
 &= 10000*1.125509 \\
 &= 22510
 \end{aligned}$$

Capital Budgeting Decisions are (choose the wrong one) (i) Reversible, (ii) Irreversible, (iii) Unimportant

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

Ans - b

Suppose you deposit 2000/- each year for the next three years into an account that pays 8% . How much will you have in 3 years?

- 6492.80
- 6758.62
- 6521
- 6120.52

Ans – a

Solution :

This sum is based on the Future value of annuity at the end of period.

Since we have the equation

$$FV \text{ of annuity} = A/r \times \{ (1+r)^n - 1 \}$$

$$\text{Now } FV = 2000/0.08 \times \{ (1+0.08)^3 - 1 \}$$

i.e Rs 6492.80

What is the two year discounting factor at a discount rate of 10% per year ?

- a. 0.826

.....

1.21
1
0.45

Ans – a

Solution :

The formula to solve the said sum is $1/(1+r)^t$ where r = discount factor and t = period

Here $r = 10$ and $t = 2$

Now do it as this way

$1/(1+0.10)^2$
1/ 1.21
0.826

.....

Bonds that can be converted into shares of common stock are classified as

- a. convertible bonds
- b. stock bonds
- c. shared bonds
- d. common bonds

Ans - a

.....

Your branch had a current account of xyz traders with three partners and all having powers to operate the account singly. One of them retires from the partnership firm and as per the revised mandate, the remaining two partners can operate the account singly. The bank receives a cheque, signed by the retired partner with date prior to the date of his retirement

- a. the cheque is signed prior to date of retirement, due to which it Will be paid
- b. the cheque is signed by an authorised signatory at the time of its being made due to which it would be paid
- c. the cheque would be paid provided the remaining partners confirm the same in writing
- d. the payment would not be made as the capacity of the signatory on the date of presentation is not there

Ans - d

.....

.....

We expect to receive 1000/- at the end of each of the next 5 years. Our opportunity rate is 6 % .
What is the value today of this set of cash flow ?

- 5000
- 4212.36
- 3125.65
- 4176.45

Ans - b

.....

Suppose you start a rent -a-car business and want to buy an automobile. You have choice of buying the car cash down for Rs 400,000 or paying Rs 90,000 a year for five years for the same car. What is your choice , if opportunity cost is 10% ?

- a. Pay cash
- b. Take the auto loan
- c. Data insufficient to answer
- d. None of these

Ans – b

Solution :

Here PV of Rs 90,000 each year for the next 5 years will be..

$$PV(90000,10\%,5) = \{ 90000 \times (1.10^5 - 1) / 0.10 \times 1.1^5$$

i.e 341171

Now if you see Cash down payment is 400,000 which is greater than the PV of Rs 90,000 for next 5 years (Rs 341171). Hence you prefer taking loan.

.....

Suppose you start a rent-a-car business and want to buy an automobile. You have choice of buying the car cash down for Rs 400,000 or paying Rs. 90,000 a year for five years for the same car. What will be your choice, if the opportunity cost is 10% ?

- a. Pay cash
 - b. Take the auto loan
-

-
- c. Data insufficient to answer
d. None of these

Ans – b

Here PV of Rs 90,000 each year for the next 5 years will be..

$$PV(90000, 10\%, 5) = \{ 90000 \times (1.10^5 - 1) / 0.10 \} / 1.1^5$$

$$= 341171$$

Now as the Cash down payment is 400,000 greater than the PV of Rs. 90,000 for next 5 years (Rs.341171), you will prefer taking loan.

.....

Suppose you deposit 2000/- each year for the next three years into an account that pays 8%. How much will you have in 3 years?

- 6492.80
- 6758.62
- 6521
- 6120.52

Ans – a

Solution :

This sum is based on the Future value of annuity at the end of period.

Since we have the equation

$$FV \text{ of annuity} = A/r \times \{(1+r)^n - 1\}$$

$$\text{Now } FV = 2000/0.08 \times \{(1+0.08)^3 - 1\}$$

i.e Rs 6492.80

.....

If rate of interest changes from 8% this year to 10% next year what is Future value of Rs 100 in 2 year

- 116.64
 - 121.00
 - 118.80
-

.....

d. none of these

Ans - c

Solution

$$\begin{aligned} FV &= PV \cdot (1+r)^n \\ &= 100 \cdot (1.08)^2 \cdot (1.10) \\ &= 100 \cdot 1.188 \\ &= 118.80 \end{aligned}$$

.....

I require Rs.500000 after 5 years. How much should I invest at the end of each year, If the rate of interest of compounding is 10% p.a.

- 81679
- 81769
- 81967
- 81976

Ans - c

Solution

$$\begin{aligned} FV &= PV \cdot (1+r)^n - 1/r \\ 500000 &= PV \cdot (1+0.10)^5 - 1/0.10 \\ 500000 &= PV \cdot (1.61051 - 1)/0.10 \\ 500000 &= PV \cdot (0.61051/0.10) \\ PV &= 500000/0.061051 \\ &= 81967 \end{aligned}$$

.....

A person raised a house loan of Rs. 10 lac @ 12% roi repayable in 10 years. Calculate EMI.

- 14734
- 14347
- 13437
- 13734

Ans - b

.....

Explanation :

Here,

$$P = 1000000$$

$$R = 12\% \text{ monthly} = 0.01\% \text{ p.a.}$$

$$T = 10 \text{ Y} = 120 \text{ months}$$

$$EMI = P * R * [(1+R)^T / (1+R)^T - 1]$$

So,

$$EMI = 1000000 * 0.01 * (1+0.01)^{120} \div \{(1+0.01)^{120} - 1\}$$

$$14347$$

.....

X wants to borrow Rs. 25000 immediately and another Rs. 20000 after a period of 2 years @ 10% roi. He wants to pay it in monthly installments for 5 years. Calculate the amount of monthly payment.

978

987

897

879

Ans - d

Explanation :

Here,

First find PV of 20000 for 2 years @ 10%.

Here, $t = 2 * 12 = 24$ months and $r = 10\% \div 12 = 0.00833$

$$PV = P / (1+R)^T$$

So,

$$PV = 20000 \div (1+0.0083)^{24}$$

$$= 16388.07$$

$$\text{So, total amount} = 25000 + 16388.07 = 41388.07$$

.....

Now,

$$P = 41388.07,$$

$$R = 10\% \div 12 = 0.00833,$$

$$T = 5 * 12 = 60 \text{ months}$$

$$EMI = P * R * [(1+R)^T / ((1+R)^T - 1)]$$

$$EMI = (41388.07 * 0.00833) * \{(1.0083)^{60} \div (1.0083)^{60} - 1\}$$

$$879$$

A person wants to receive Rs. 1250 every quarter for 5 years @ 12% roi. How much he should invest now?

18975

18795

18579

18597

Ans - d

Explanation :

Here,

$$P = 1250$$

$$R = 12\% \text{ quarterly} = 3\% \text{ p.a.}$$

$$T = 5 \text{ yrs} = 20 \text{ quarters}$$

$$PV = P / R * [(1+R)^T - 1] / (1+R)^T$$

$$\text{So, } PV = (1250 \div 0.03) * (1.0320 - 1) \div 1.0320$$

$$18597$$

Mr. X borrowed an amount of Rs. 50000 for 8 years @ 18% roi. What shall be monthly payment?

986

968

896
869

Ans - a

Explanation :

Here,

$P = 50000$
 $R = 18\% = 18\% \div 12 = 0.015\%$ monthly
 $T = 8 \text{ yrs} = 96 \text{ months}$

$$EMI = P * R * [(1+R)^T / ((1+R)^T - 1)]$$

$$EMI = 50000 * 0.015 * 1.01596 \div (1.01596 - 1)$$

986

Mr. X wants to receive Rs. 40000 p.a. for 20 years by investing @ 5%. How much he will have to invest now?

498489
498849
498948
498984

Ans - a

Explanation :

Here,

$P = 40000$
 $R = 5\% \text{ p.a.}$
 $T = 20 \text{ yrs}$

$$PV = P / R * [(1+R)^T - 1] / (1+R)^T$$

$$PV = (40000 \div 0.05) * \{(1.0520 - 1) \div 1.0520\}$$

$$= 498489$$

.....

Ms. X wants to receive a fixed amount for 15 years by investing Rs. 9 lacs @ 9% roi. How much she will receive annually?

- 116153
- 111563
- 115163
- 111653

Ans - d

Explanation :

Here,

P = 9 lac

R = 9% p.a.

T = 15 yrs

$$EMI = P * R * [(1+R)^T / ((1+R)^T - 1)]$$

$$EMI = 900000 * 0.09 * 1.0915 \div (1.0915 - 1)$$

111653

.....

A sum of Rs. 25, 000 is borrowed over 8 years. What will be the monthly repayments @ 18% compounded monthly?

- 439
- 493
- 394
- 349

Ans - b

Explanation :

Here,

PV = Rs. 25000

T = 8 years = 8 × 12 = 96 months

.....

$$R = 18\% = 18\% \div 12 = 0.015\% \text{ monthly}$$

$$PV = P / R * [(1+R)^T - 1]/(1+R)^T$$

$$25000 = P \times (1.01596 - 1) \div (0.015 \times 1.01596)$$

$$25000 = P \times 50.7017$$

$$P = 25000 / 50.7017$$

$$493$$

How much money will a student owe at graduation if she borrows Rs. 3000 per year @ 5% interest during each of her four years of school?

12390

12093

12930

12039

Ans - c

Explanation :

Here,

$$P = \text{Rs. } 300$$

$$T = 4 \text{ years}$$

$$R = 5\%$$

$$FV = P / R * [(1+R)^T - 1]$$

$$FV = 3000 \times (1.054 - 1) \div 0.05$$

$$12930$$

Mr x receive Rs. 100000, as interest on bond by end of each year for 5 year @ 5% ROI. Calculate present value of the amount he is to receive

454595

127628

162889

432948

Ans - d

Solution

$$\begin{aligned}
 PV &= A/R * (1+r)^n - 1/(1+r)^n \\
 &= (100000/0.05) * (1+0.05)^5 - \\
 &= 2000000 * 1.27628156 - \\
 &= 2000000 * 0.27628156 / 1.27628156 \\
 &= 2000000 * 0.216474 = 432948
 \end{aligned}$$

Mr. X borrowed Rs. 65600 for 2 years at 5% p.a., to be returned in 2 equal installments. What is the amount of installment?

38520

38250

35820

35280

Ans - d

Solution

Here,

$$P = 65600$$

$$R = 5\% \text{ p.a.}$$

$$T = 2 \text{ yrs}$$

$$\begin{aligned}
 EMI &= P * R * [(1+R)^T / ((1+R)^T - 1)] \\
 &= 65600 * 0.05 * ((1+0.05)^2 / ((1+0.05)^2 - 1)) \\
 &= 3280 * (1.1025 / (1.1025 - 1)) \\
 &= 3280 * (1.1025 / 0.1025) \\
 &= 3280 * 10.756097 \\
 &= 35279.99 \\
 &= 35280
 \end{aligned}$$

.....

A firm finds that during the last month of the year an amount of Rs.3500 received as cash from XYZ has been posted as Rs.5300 to their account. The entry will be rectified

- a. No journal entry if the correction is to be made before trial balance
- b. Debit XYZ account and credit suspense account if trial balance has been made
- c. Debit XYZ account and credit suspense account if trial balance has been made
- d. All the above

Ans - d

.....

A company came out with a public issue of 2 lac shares of rs.10 each payable as application money @ Rs.3 and allotment money @ Rs.3. Final call amount has also been called which has not been received on 4000 shares. What would be amount of calls in arrears?

- Rs.16000
- Rs.18000
- Rs.24000
- Rs.40000

Ans - a

.....

Which of the following parties in a bill of exchange do match ?

- a. Drawer- the person who orders the other person to make payment
- b. Payee- the person who is to make payment
- c. Drawee- the person who is to receive the payment as per order of the drawer
- d. None of the above

Ans - a

.....

The comparison between bank pass book and cash book shows that bank debited a cheque of Rs.3000 to firm's account while the cheque related to some other firm's account. A cheque of rs.2000 deposited with the bank has not been credited so far. The balance in firm's overdraft account as per cash book is Rs.40000. The balance in the pass book would be Rs.

- 45000
 - 41000
-

.....

39000
35000

Ans - a

.....

Credit balance of the pass book means it is a deposit account (b) credit balance of the cash book means it is and overdraft account (c) debit balance of the pass book means it is an overdraft account (d) debit balance of the cash book means it is an overdraft account:

- a. A to d are correct
- b. A to c only correct
- c. A, c and d only correct
- d. B to c only correct

Ans - b

.....

Machinery account has been showing balance of Rs.2.70 lac. An entry of Rs.0.30 Lac is made on right side of this account. This will (increase / decrease) the balance which would be Rs.

- a. Decrease, Rs.3.00 lac
- b. Increase, Rs.3.00 lac
- c. Decrease, Rs.2.40 lac
- d. Increase, Rs.2.40 lac

Ans - c

.....

The balance of cash book and the balance as per pass book of the bank are required to be reconciled because of which of the following reasons (which is not true)

- a. Some entries are recorded in the pass book first and cash book later on b.
- Some entries are recorded in the pass book later and cash book first
- c. Some entries are recorded either in the pass book or the cash book with delay d.
- Some entries are recorded in both the books, before date of reconciliation

Ans - d

.....

.....

.....

While recording a transaction, when is not clear whether it is on cash basis or on credit basis, what would be done?

- a. It will be taken as a cash transaction
- b. It will be taken as a credit transaction
- c. It will not be recorded s it will create confusion
- d. It will be recorded after talking to the originator

Ans - a

.....

A cheque is issued by a firm but not presented, while the other cheque drawn in its favour, is deposited by the firm with the bank. In the first case the entry will be first made by the _____ in its books and for the 2nd case, entry will be first made by the _____.

- a. Bank, firm
- b. Firm, bank
- c. Bank, bank
- d. Firm, firm

Ans - d

.....

For the purpose of reconciliation statement, if there is positive balance, it appears on _____ side of in the cash book and _____ side in the pass book

- a. Debit, credit
- b. Credit, debit
- c. Debit, debit
- d. Credit, credit

Ans - a

.....

When pass book has a higher balance than the cash book and account is a current account with the bank, this may be on account of

- a. Cheque issued by the firm and not paid by the bank
 - b. Bank might have credited some amount to firm's account without information to the firm
-

-
- c. Some customer of the firm might have deposited some amount in the account without information to the firm
d. All the above

Ans - d

.....

credit balance as per cash book means overdraft (b) direct deposit by a firm's debtor in the bank is first recorded by the bank (c) debit of bank charges by the bank reduce the balance. In the context of reconciliation, which of these is correct ?

- a. A to c all
b. A and b only
c. B and c only
d. A and c only

Ans - a

.....

The preparation of trial balance and final accounts with a view to ascertain the profit or loss made during a particular period and the financial position of the business on a particular date is called

- a. Recording of transactions
b. Classifying the transactions
c. Summarizing the transactions
d. All the above

Ans - c

.....

Which of the features of the journal and ledger given as under is not correct?

- a. Journal is book of original entry
b. Journal is a book of analytical record
c. Ledger is a book of secondary record
d. Process of recording the transaction in ledger is called posting

Ans - b

.....

.....

.....

Which of the following investment rules does not use the time value of the money concept?

- a. The payback period
- b. Internal rate of return
- c. Net present value
- d. All of the above use the time value concept

Ans - a

.....

Discount on issue of shares is a ...

- a. Revenue loss
- b. Capital loss
- c. Deferred revenue expenditure.
- d. Revenue and capital loss both

Ans - b

.....

The main object of permitting the company to issue non-voting equity shares is ...

- a. To give higher dividend
 - To give preference on re-payment
 - To raise resources without losing management control
 - All of the above

Ans - c

.....

.....is the value of an established business over the above the value represented by its tangible assets.

- Goodwill
- Liabilities
- Losses
- All of the above

Ans – a

.....

.....

.....

Cost of Car is Rs. 300,000, Depreciation rate is 10% on WDV. What is the book value of car after 3 years ?

- 210,000
- 220,00
- 214,300
- 218,700

Ans – d

.....

Which one is also called as "Liquidity Ratios"?

- a. Profitability Ratios
- b. Turnover Ratios
- Short-term Solvency Ratios
- Long-term Solvency Ratios

Ans - c

.....

Which one is not the uses of Accounting Ratios?

- Facilitate Inter-Firm comparison
- Facilitate Intra-Firm comparison
- Help in Planning
- None of these

Ans - d

.....

"Return on Investment" is also called as

- a. Overall Profitability Ratio
- b. Earnings per Share
- c. Gross Profit Ratio
- d. Net Profit Ratio

Ans - a

.....

.....

Current Ratio = 1.2 : 1.

Total of balance sheet being Rs.22 Lac.

The amount of Fixed Assets + Non Current Assets is Rs. 10 Lac.

What would be the Current Liabilities?

- a. 10 Lacs
- b. 12 Lacs
- c. 16 Lacs
- d. 22 Lacs

Ans - a

Explanation :

Total Assets is Rs.22 Lac.

Fixed Assets + Non Current Assets is Rs. 10 Lac

Then Current Assets = 22 – 10 = Rs. 12 Lac.

Current Ratio = 1.2 : 1

Current Liabilities = Rs. 10 Lac

Depreciation is a process of:

- Valuation.
- Allocation.
- Both valuation and allocation.
- Non of these.

Ans – b

In TOM, the exchange of currencies take place on

- a. Same Day
- b. Next Day
- c. Second Working Day
- c. Third Working Day

Ans - b

.....

Madhu had availed a loan of Rs. 120000 @ 12%, which she has to pay in 6 equal annual installments. Calculate the amount of installment?

- 21897
- 27897
- 28197
- 29187

Ans - d

Solution:

P = 120000

R = 12% p.a.

(SINCE PAYMENT IS TO ANNUALY, NOT Monthly, Rate IS NOT divided by 12)

T = 6 yrs

(SINCE PAYMENT IS TO BE ANNUALY, NOT Monthly, Time IS NOT multiplied with 12)

So, we can well use EMI formula in this question as we did in questions no 4, 5, 6 & 7

The formula of $EMI = P * R * (1 + R)^T \div \{ (1 + R)^T - 1 \}$

$$EMI = 120000 \times 0.12 \times 1.12^6 \div (1.12^6 - 1)$$

$$(120000 * 0.012 * 1.9738) \div 0.9738$$

$$28423 / 0.9738$$

$$29187$$

.....

Reposting of all the ATM transactions, which happened when the EOD process was running, is taken care by

- BOD
- SOD
- EOD
- All of the above

Ans - b

.....

Role of the concurrent auditors / Internal auditors with KYC is to

- a. Review of compliance of KYC guidelines
-

-
- b. Effectiveness of the implementation of the KYC
c. Verification of newly opened accounts and their transactions
d. All of the above

Ans - d

.....

One of the sources that is available to identify the correctness of the information given by the New Customer of the Commercial Bank is

- a. Introduction given by the existing customer of the Bank
b. By studying the account opening form
c. By providing information by the agencies like CRISIL
d. None of the above

Ans - c

.....

Sales - Rs. 85000, Operating expenses - Rs. 20000, Net Profit - Rs. 15000. Find gross profit.

- 5000
20000
35000
50000

Ans - c

.....

Expenditure on advertisement for a product is a

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

Ans - c

.....

.....

Merchandise costs - Rs. 250000, Gross Profit - Rs. 23000, Net Profit - Rs. 15000. Find the amount of sales.

- 227000
- 235000
- 265000
- 273000

Ans - d

.....

Which one does not appear in 'Other Assets'?

- Gold
- Silver
- Interest accrued
- Stationery and Stamps

Ans - a

.....

An asset cost Rs. 3,30,000/- has residual value of Rs. 30,000/-, and is expected to last 4 years. Calculate the depreciation for 4th year using sum of the digits Method.

- a. Rs. 1,20,000/-
- b. Rs. 60,000/-
- Rs. 30,000/-
- Rs. 15,000/-

Ans - c

Solution :

$$= \frac{\text{nth}}{E(\sigma)n}(\text{cost}-\text{Residual Value})$$

$$E(\sigma)n = 1+2+3+4 = 10$$

$$1\text{st year} = \frac{4}{10}(330000-30000) = \frac{4}{100} \times 300000 = 120000$$

$$2\text{nd year} = \frac{3}{10}(330000-30000) = \frac{3}{100} \times 300000 = 90000$$

$$3\text{rd year} = \frac{2}{10}(330000-30000) = \frac{2}{100} \times 300000 = 60000$$

$$4\text{th year} = \frac{1}{10}(330000-30000) = \frac{1}{100} \times 300000 = 30000$$

.....

.....

.....
Depreciation arises not because of..... (i) Fall in the market value of an asset, (ii) Physical wear and tear, (iii) Fall in the value of money.

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

Ans - b

.....

Under the diminishing balance method, depreciation is not calculated on (i) On book value, (ii) Scrap value, (iii) On original value

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

Ans - c

.....

Compliance with accounting standard is the duty of the (i) Company, (ii) Auditor

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

Ans - b

.....

Cash in hand in Trial balance indicates a

- a. Debit Balance
- b. Credit Balance
- c. Either Debit or Credit Balance
- d. Neither Debit nor Credit Balance

Ans – a

.....

.....

A person buys a watch for Rs. 1,950 in cash and sells it for Rs. 2,200 on credit of 1 year. If the rate of interest is 10% he

- a. Loses Rs.50
- b. Loses Rs.30
- c. Gains Rs.30
- d. Gains Rs.50

Ans - d

.....

On dishonour of a bill, the holder in due course presents the bill to a notary public to record the facts of dishonour on the bill or on paper attached to the bill , it is called

- Dishonour
- Noting
- Noting charges
- Protesting charges

Ans - b

.....

At 5% per annum simple interest, Rahul borrowed Rs. 500. What amount will he pay to clear the debt after 4 years

- 750
- 700
- 650
- 600

Ans - D

Explanation:

We need to calculate the total amount to be paid by him after 4 years, So it will be Principal + simple interest. So,

$$\Rightarrow 500 + 500 * 5 * 4 / 100$$

$$\Rightarrow \text{Rs.} 600$$

.....

.....

.....

In India, accounting standards are issued by the under the Council of the Institute of Chartered Accountants of India. (i) RBI, (ii) Accounting Standards Board

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

Ans - b

.....

A person purchased a watch for Rs. 3,000 and sold it the same day for Rs,3,600 allowing the buyer a credit of 9 years. If the rate of interest be 7.5% p.a. he has a gain of

- 4.5%
- 5%
- 5.5%
- 6%

Ans - b

.....

If a sum of money doubles itself in 8 years at simple interest, the rate percent per annum is

- 12
- 12.5
- 13
- 13.5

Ans - b

Explanation: Let sum = x then Simple Interest =
 Rate = $(100 * x) / (x * 8) = 12.5$

.....

A sum of Rs 12,500 amounts to Rs. 15,500 in the 4 years at the rate of simple interest. Find the rate percent?

- a. 6 %
 - b. 7 %
 - c. 8 %
-

.....

d. 9 %

Ans - a

Explanation:

$$S.I. = P * R * T / 100$$

$$\Rightarrow R = S.I. * 100 / P * T$$

$$\text{So, } S.I = 15500 - 12500 = 3000.$$

$$\Rightarrow R = 3000 * 100 / 12500 / 4$$

6%

.....

In the Partnership firms, liability of each partner is

- Limited
- Unlimited
- Overhead
- Maximum

Ans - a

.....

Profit on re-issue of forfeited shares is transferred to:

- a. Profit and loss a/c
- b. Capital Reserve a/c
- c. Share capital a/c
- d. General reserve a/c

Ans - b

.....

Book of accounts of a bank includes:

- a. Current a/c ledger
- b. Investment ledger
- c. Bill discounted ledger
- d. All of above

Ans – d

.....

.....

Cost of the goods - Rs. 89000, Opening Stock - Rs. 13500, Purchases - Rs. 75000, Sales - Rs. 112500. Find the gross profit.

- 10000
- 23500
- 24000
- 37500

Ans - b

.....

Where does the Net Profit appear in the balance sheet?

- A. liabilities side
- B. assets side
- C. either a or b
- D. none

Ans - a

.....

..... is the value attached to the super profit earning capacity of business arising from its wide connections, reputation and long standing in the business.

- Goodwill
- Liabilities
- Losses
- All of the above

Ans - a

.....

Rights shares mean the shares which are...

- a. Issued to directors of the company
- b. Issued for a consideration other than cash
- c. Offered to the exiting shareholders
- d. Issued to promoters of the company for their services

Ans – c

.....

.....

Interest of Rs. 3000 is credited in the passbook but not yet entered in cashbook. Bank passbook shows credit balance of Rs. 7500. The said amount should be from the passbook balance, to reconcile the same with cashbook.

- Added
- Deducted
- No entry required
- None of the above

Ans – b

.....

Cost of the goods - Rs. 37500, Expenses - Rs. 2300, Sales - Rs. 43500. Find the net profit.

- 3700
- 4700
- 6000
- 8300

Ans – a

.....

In Dissolution payment is made:

- a. To the outsiders
- b. Capital of partner
- c. Partner's loan
- d. Any balance

Ans - a

.....

What is the present worth of Rs. 132 due in 2 years at 5% simple interest per annum

- 110
- 120
- 130
- 140

Ans – b

.....

.....

Explanation:

Let the present worth be Rs.x

Then, S.I.= Rs.(132 - x)

$$\Rightarrow (x \times 5 \times 2 / 100) = 132 - x$$

$$\Rightarrow 10x = 13200 - 100x$$

$$\Rightarrow 110x = 13200$$

$$x = 120$$

.....

Purchase of a T.V set for the proprietor will not (i) decrease assets and decrease capital, (ii) increase assets and decrease capital, (iii) increase capital and decrease assets

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

Ans - c

.....

A sum of money doubles itself in 16 years at simple interest with yearly rate of...

- a. 5.25 %
- b. 6.25 %
- c. 7.25 %
- d. 8.25 %

Ans - b

.....

Sales - Rs. 110000, Gross profit - Rs. 35000, Net loss - Rs. 7500. Find Operating expenses.

27500

42500

68500

75000

Ans - b

.....

.....

.....

Amount of sales is Rs. 50 lac and stock turnover is 10. Amount of opening stock is Rs. 4 lac.
What will be amount of closing stocks?

- a. Rs. 3 lac
- b. Rs. 6 lac
- c. Rs. 9 lac
- d. None of the above

Ans - b

.....

Mr. X wants to receive a fixed amount for 15 years by investing Rs. 9 lacs @ 9% ROI. How much he will receive annually?

- 111356
- 111536
- 111563
- 111653

Ans – d

Solution:

P = 9 lac

R = 9% p.a.

(Note: SINCE HERE PAYMENT IS TO BE RECEIVED ANNUALY, NOT Monthly, Rate IS NOT divided by 12)

T = 15 yrs

(Note: SINCE HERE PAYMENT IS TO BE RECEIVED ANNUALY, NOT Monthly, Time IS NOT multiplied with 12)

So, we can well use EMI formula in this question as we did in questions no 4, 5 & 6.

The formula of EMI =

$$P * R * (1 + R)^T \div \{ (1 + R)^T - 1 \}$$

So,

$$EMI = 900000 * 0.09 * 1.09^{15} \div (1.09^{15} - 1)$$

111653 Ans

.....

.....

.....
Profit to sales is 2% and amount of profits is Rs. 5 lac. What is the amount of sales?

- a. Rs. 200 lac
- b. Rs. 250 lac
- c. Rs. 270 lac
- d. Rs. 300 lac

Ans - b
.....

The financial statements include..... (i) Profit and Loss Account, (ii) Balance Sheet, (iii) Funds flow statement

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

Ans - d
.....

In respect of a firm having fixed cost of Rs. 160000 and variable cost Rs. 20 per unit, what is the amount of selling price, if break even no. of units is 4,000?

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

Ans - c
.....

Mr. X obtained a loan of Rs. 92820 @ 10%, which he has to pay in 4 equal annual installments. Calculate the amount of installment?

- 22892
 - 22982
 - 28292
 - 29282
-

.....

Ans - d

Solution:

P = 92820

R = 10% p.a.

(Note: SINCE HERE PAYMENT IS TO ANNUALLY, NOT Monthly, Rate IS NOT divided by 12) T = 4 yrs

(Note: SINCE HERE PAYMENT IS TO BE ANNUALLY, NOT Monthly, Time IS NOT multiplied with 12) So, we can well use EMI formula in this question as we did in questions no 4, 5, 6 & 7

The formula of EMI =

$$P * R * (1 + R)^T \div \{ (1 + R)^T - 1 \}$$

$$\text{EMI} = 92820 \times 0.1 \times 1.1^4 \div (1.1^4 - 1)$$

$$= 29282 \text{ Ans}$$

.....

For assessing financial position of a borrower, the bank should study..... (i) Only profit and loss account, (ii) Only Balance Sheet

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

Ans - c

.....

The Current Assets are not those assets..... (i) which can be converted into cash during accounting period of one year, (ii) which can be sold in the market as current goods, (iii) which can be kept moving

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

Ans – c

.....

.....

Ram borrows Rs. 5000 for 2 years at 4% p.a. simple interest. He immediately lends money to Rahul at 25/4% p.a. for 2 years. Find the gain of one year by Ram.

- 110.50
- 111.50
- 112.50
- 113.50

Ans - C

Explanation:

Two things need to give attention in this question, First we need to calculate gain for 1 year only. Second, where we take money at some interest and lends at other, then we use to subtract each other to get result in this type of question.

Lets solve this Simple Interest question now.

$$\text{Gain in 2 year} = [(5000 \times 25 \times 2100) - (5000 \times 4 \times 2100)] \\ (625 - 400) \\ 225$$

$$\text{So gain for 1 year} = 225/2 = 112.50$$

.....

For nominal accounts, the fundamental rule of debit and credit is, debit expenses and losses and credit (i) Incomes, (ii) Gains

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

Ans - d

.....

Withdrawal of cash from business by the proprietor should not be credited to (i) Proprietor's A/c, (ii) Capital A/c, (iii) Cash A/c

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

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

Ans - a

.....

In accordance with the going concern concept in accounting, a business is considered as having a/an (i) definite life, (ii) indefinite life

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

Ans - b

.....

What is not a Nominal Account? (i) An account of each person or firm with whom the trader deals, (ii) An account of each head of expense or source of income, (iii) An account of each property or possession dealt in by the trader in his business

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

Ans - b

.....

Fundamental rule of debit and credit with regard to assets or real accounts is not (i) Debit what comes in and credit what goes out, (ii) Debit the receiver and credit the giver, (iii) Debit expenses and losses and credit gains

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

Ans - c

.....

.....

.....

Nama, the old method of accounting used in India, is also called as

- Mahajani
- Marwari
- Deshi
- All of these

Ans - d

.....

Which of the following depreciation methods is NOT an accelerated method?

- Double-declining balance
- Straight-line
- Sum-of-the-years' digits
- None of these

Ans – b

.....

The exchange of currencies takes place on the date of the deal in

- SPOT
- TOM
- Cash
- Forward

Ans - c

.....

If the rates in Mumbai are US \$1=Rs.42.850. In London market are US \$1=Euros 0.7580
Therefore for one Euro we will get

- Rs.56.45
- Rs.56.53
- Rs.56.38
- Rs.56.50

Ans - b

.....

.....

.....

The value which bond holder gets on maturity is called as...

- a. Market Value
- b. Face Value
- c. Intrinsic Value
- d. Redemption Value

Ans - d

.....

The contingent liabilities are not shown..... (i) In the balance sheet total, (ii) In the balance sheet alongwith other liabilities, (iii) As footnotes

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

Ans – a

.....

Sales - Rs. 85000, Operating expenses - Rs. 20000, Net Profit - Rs. 15000. Find gross profit.

- 5000
- 20000
- 35000
- 50000

Ans - c

.....

The investment in security deposits made against telephone or electricity is.....

- a. A current asset
- b. A fixed asset
- A non-current asset
- None of the above

Ans - c

.....

.....

.....

A capital equipment costing Rs. 200,000 today has Rs. 50,000 salvage value at the end of 5 years. If the straight line depreciation method is used, what is the book value of the equipment at the end of 2 years?

- a. Rs. 200,000
- b. Rs. 170,000
- c. Rs. 140,000
- d. Rs. 50,000

Ans - c

.....

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

- a. Rs. 734.86
- b. Rs. 942.26
- c. Rs. 1,135.90
- d. Rs. 1,315.24

Ans - a

.....

What would you pay for a share of ABC Corporation stock today if the next dividend will be Rs. 3 per share, your required return on equity investments is 15% and the stock is expected to be worth Rs. 90 one year from now?

- a. Rs. 60.00
- b. Rs. 68.12
- c. Rs. 78.26
- d. Rs. 80.87

Ans - c

.....

Capital = Rs. 65,000, Assets = Rs.80,000, then Liabilities = Rs.....

- a. Rs. 25,000
 - b. Rs. 35,000
 - c. Rs. 5,000
-

.....

d. Rs. 15,000

Ans - d

.....

Under the straight line method of providing depreciation, depreciation amount will not (i) Increase every year, (ii) Remain constant every year, (iii) Decreases every year

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

Ans - b

.....

An asset cost Rs. 16,00,000/- has residual value of Rs. 1,00,000/-, and is expected to last 5 years. Calculate the depreciation for 4th year using sum of the digits Method.

- a. Rs. 100000
- b. Rs. 200000
- c. Rs. 300000
- d. Rs. 400000

Ans - b

Let me explain :

$$= \frac{\text{nth}}{E(\sigma)n}(\text{cost}-\text{Residual Value})$$

$$E(\sigma)n = 1+2+3+4+5 = 15$$

$$\text{Cost}-\text{Residual Value} = 1600000 - 100000 = 1500000$$

$$\begin{aligned} \text{1st year} &= \frac{5}{15}(1500000) = 500000 \\ \text{2nd year} &= \frac{4}{15}(1500000) = 400000 \\ \text{3rd year} &= \frac{3}{15}(1500000) = 300000 \\ \text{4th year} &= \frac{2}{15}(1500000) = 200000 \\ \text{5th year} &= \frac{1}{15}(1500000) = 100000 \end{aligned}$$

.....

.....

.....

A truck cost Rs 1,05,000 with a residual value of Rs. 1,00,000. it has an estimated useful life of 5 years. If the truck was bought on July 9, what would be the book value at the end of year 1?

- a. Rs. 1,00,000
- b. Rs. 85,000
- c. Rs. 80,000
- d. Rs. 25,000

Ans - a

.....

A sum of Rs. 25,400 is lent out into two parts, one at 12% p.a. and the other at 12.5% p.a. If the total annual income from interest is Rs. 3116. the money lent at 12% is.....

- a. Rs. 10,000
- b. Rs. 11,800
- c. Rs. 12,400
- d. Rs. 13,400

Ans - b

.....

Assets

Net Fixed Assets - 800
 Inventories - 300
 Preliminary Expenses - 100
 Receivables - 150
 Investment In Govt. Secu - 50
 Total Assets - 1400

Liabilities

Equity Capital - 200
 Preference Capital - 100
 Term Loan - 600
 Bank C/C - 400
 Sundry Creditors - 100

Total Liabilities – 1400

.....

.....

1. Debt Equity Ratio = ?

- 1:1
- 1:2
- 2:1
- 2:3

Ans - c

Explanation :

$$600 / (200+100) = 2 : 1$$

.....

2. Tangible Net Worth = ?

- 100
- 200
- 300
- 400

Ans - b

Explanation :

Only equity Capital i.e. = 200

.....

3. Total Liabilities to Tangible Net Worth Ratio = ?

- 7:2
- 11:2
- 13:2
- 15:2

Ans - b

Explanation :

$$\text{Total Outside Liabilities} / \text{Total Tangible Net Worth} : (600+400+100) / 200 = 11 : 2$$

.....

.....

.....

4. Current Ratio = ?

- 1:1
- 1:2
- 2:1
- 3:1

Ans - a

Explanation :

$$(300 + 150 + 50) / (400 + 100) = 1 : 1$$

.....

Intangible assets are (i) Goodwill, patents, copyrights (ii) Cash in Bank, Land & Building, (iii) Trade marks, licences, preliminary expenses

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

Ans - b

.....

Ledger is the book of entry.

- Original
- Final
- Daily
- Monthly

Ans - b

.....

Net Working Capital is not calculated as (i) surplus of fixed assets over current liabilities, (ii) surplus of long term fund/liabilities over long term assets, (iii) surplus of fixed assets over current assets

- a. Only (i) and (ii)
-

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

Ans - b

.....

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

- 101086
- 101186
- 110186
- 111086

Ans - c

Hint:

Use FVOA formula to find C. Here FV is given.

Ans is 110186

.....

For nominal accounts, the fundamental rule of Debit and credit is, debit expenses and losses and Credit.....

- A. the giver
- B. what goes out
- C. incomes and gains
- D. none

Ans - c

.....

Sales Return Book records

- a. Return of goods to the suppliers
- b. Return of goods by the customers
- c. Return of anything sold
- d. Return of anything purchased

Ans – c

.....

.....

Goods sold worth Rs.30,000 to Raju against cheque issued by him. The entry for this will be...

- a. Debit bank a/c Credit Sales a/c
- b. Debit Raju's a/c Credit Sales a/c
- c. Debit cheque received a/c Credit Sales a/c
- d. Debit bank a/c Credit Raju's a/c

Ans - a

.....

Patent Right a/c is

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

Ans - b

.....

The difference between subscribed capital and called-up capital is called.

- a. Paid up capital
- b. Uncalled capital.
- c. Calls in advance
- d. Calls in arrear

Ans - b

.....

Simple interest on a sum at 4% p.a. for two years is Rs.800. Find the total amount for the compound interest on the same principal, rate of interest and for the same period is.....

- a. Rs. 8160
- b. Rs. 8610
- c. Rs. 10816
- d. Rs. 10861

Ans - c

.....

.....

Let me Explain :

Let us first find the principal Amount

Simple Interest for 2 years @ 4% = 800
So, for 1 year @ 4% = 800/2 = 400
So, the Principal Amount = 400/4*100 = 10000

Now let us calculate, compound interest on Rs. 10000 at 4% p.a for 2 years

$$A = P(1+r/100)^n$$
$$10000 (1+4/100)^2$$
$$10000 (1.04)^2$$
$$10000 (1.0816)$$
$$10816$$

So, Total Amount on Rs. 10000 at 4% p.a for 2 years is : Rs. 10816

.....

.....is the value of an established business over the above the value represented by its tangible assets.

- Goodwill
- Liabilities
- Losses
- All of the above

Ans - a

.....

The closing debit balance falls on the

- a. Debit Side
- b. Credit Side
- c. Either Debit or Credit Side
- d. None of these

Ans - a

.....

.....

.....

A sum of money invested at compound interest to Rs. 800 in 3 years and to Rs 840 in 4 years.
The rate on interest per annum is.

- 4%
- 5%
- 6%
- 7%

Ans - B

Explanation:

S.I. on Rs 800 for 1 year = 40

Rate = $(100 \times 40) / (800 \times 1) = 5\%$

.....

A person deposits Rs. 100 per month in a Recurring Deposit account carrying Simple interest @ 6.5% Find the amount at the end of one year.

- a. Rs. 1,200.25
- b. Rs. 1,278.25
- c. Rs. 1,242.25
- d. Rs. 1,300.25

Ans – c

.....

Operating Instructions on Joint Accounts can be (1) Either or Survivor, (ii) Former or Survivor, (iii) Later or Survivor

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

Ans - d

.....

The word Core in Core Banking Solutions (CBS) stands for

- a. Central Online Real-time Environment
-

-
- b. Centralized Online Real-time Environment
 - c. Centralized Online Real Environment
 - d. Centralized Offline Real-time Environment

Ans - b

Identifying KYC gaps, customer grievance redressal system is the function of (i) Front Office, (ii) Back Office

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) nor (ii)

Ans - b

Creditors are included in:

- a. Fixed liability
- b. Current asset
- c. Current Viability
- d. Loan capital

Ans – c

All the loans sanctioned must comply with (i) KYC – proper verification of KYC, (ii) CIBIL disclosure – Borrower should agree and give consent for disclosure by the Bank, (iii) Default – In case of default, the borrower must be sent with reminders through post, fax, email, SMS.

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

Ans - d

.....
Net profits are considered as:

- a. Remuneration of enterprise
- b. Salary to Manager
- c. Remuneration to partner only
- d. Gross income

Ans - a
.....

Goods given as charity of Rs 500 are:

- a. Credited to charity a/c
- b. Debited to purchase a/c
- c. Debited to charity a/c
- d. Credited to purchase a/c

Ans - c
.....

Expenses proprietor equity:

- Increase
- No effect
- Changes
- Decrease

Ans – d
.....

Decrease in asset is credited but decrease in capital

- Credited
- Debited
- Either a or b
- None

Ans - b
.....
.....

.....

Goods are returned:

- a. Due to defect
- b. Due to delay in dispatch
- c. Due to violation of item
- d. Any of these

Ans - d

.....

Journal proper records:

- a. All transaction
- b. Credit transactions
- c. Transaction not recorded in subsidiary books
- d. Cash transactions in any subsidiary book

Ans - c

.....

If furniture is purchased on credit then it be shown in:

- a. Debit side of cash book
- b. Not shown in cash book
- c. Credit side of cash book
- d. Either a or b

Ans - b

.....

Sahil took a loan for 6 years at the rate of 5% per annum on Simple Interest, If the total interest paid was Rs. 1230, the principal was

- 4100
- 4200
- 4300
- 4400

Ans - A

.....

Explanation:

$$S.I. = P * R * T / 100$$

$$\Rightarrow P = S.I. * 100 / R / T$$

By applying above formula we can easily solve this question, as we are already having the simple interest.

$$P = 1230 * 100 / 6 / 5$$

$$4100$$

There was simple interest of Rs. 4016.25 on a principal amount at the rate of 9%p.a. in 5 years. Find the principal amount

- A. Rs 7925
- B. Rs 8925
- C. Rs 7926
- D. Rs 7925

Ans - B

Explanation:

$$S.I. = P * R * T / 100$$

$$\Rightarrow P = S.I. * 100 / R / T$$

$$P = 4016.25 * 100 / 9 / 5$$

$$8925$$

Excess of credit side over debit side is called:

- a. Credit balance
- b. Debit balance
- c. Over draft only
- d. Either b or c

Ans – a

.....

All liabilities has opening balance:

- Debit
- Credit
- None
- Only a

Ans - b

.....

The banker's gain of a certain sum due 2 years hence at 5% p.a. is Rs. 40. The Present worth is

- a. Rs. 4,000
- b. Rs. 4,400
- c. Rs. 6,000
- d. Rs. 8,000

Ans - a

.....

Withdrawal from bank can be made through:

- Pay-in-slip
- Deposit slip
- Cheque
- Cash

Ans - c

.....

When a cheque is deposited in bank, bank will our a/c:

- Credit
- Debit
- Add
- Subtract

Ans - a

.....

.....

.....

You want to sell your fridge. There are two offers, one at cash payment of Rs. 16,200 and another at a credit of Rs. 16,500 to be paid after 6 months. If money being worth 6.25% per annum simple interest, which offer is better?

- a. Both are equally good
- b. Rs. 16,200 in cash
- c. Rs 16,500 due 6 months hence
- d. None of the above

Ans - b

.....

A bill of Rs. 2,000 is due 10 years hence at simple interest rate 5% p.a. Find Banker's discount.

- a. Rs. 200
- b. Rs. 225
- c. Rs. 300
- d. Rs. 1,000

Ans – d

.....

If A lends Rs. 3500 to B at 10% p.a. and B lends the same sum to C at 11.5% p.a., then the gain of B (in Rs.) in a period of 3 years is

- A. Rs. 154.50
- B. Rs. 155.50
- C. Rs. 156.50
- D. Rs. 157.50

Ans - D

Explanation:

We need to calculate the profit of B.

It will be,

SI on the rate B lends - SI on the rate B gets

Gain of B = $3500 \times 11.5 / 100 \times 3 - 3500 \times 10 / 100 \times 3$

1207.50 - 1050

157.50

.....

.....

.....

A Washing machine worth Rs. 10,000 is purchased on installment payment system under which 10 equal annual installments including interest at 10% p.a. are payable. Find the amount of annual installment.

- a. Rs. 1,627.00
- b. Rs. 1,000.00
- c. Rs. 1,333.00
- d. Rs. 1,225.00

Ans - a

.....

A shopkeeper advertises the case price of a colour. T.V. as Rs. 8,500. The same T.V. can also be purchased by paying Rs. 1,600 immediately and the balance in equal 8 installments monthly of Rs. 900 each. Find the rate of interest.

- a. 6% p.a.
- b. 8% p.a.
- c. 10% p.a.
- d. 12% p.a.

Ans - d

.....

Rs. 1,000 was posted to Depreciation a/c as depreciation on furniture but was not posted to Furniture a/c. If total of debit side of the trial balance is Rs. 13,000, what should it be after rectification of error?

- a. Rs. 13,000
- b. Rs. 14,000
- c. Rs. 15,000
- d. None of the above

Ans - d

.....

Contribution is not equal to..... (i) Variable cost less fixed cost, (ii) Sales less variable cost, (iii) Sales less fixed cost

- a. Only (i) and (ii)
-

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

Ans - b

.....

USD is worth Yen 125 and is equal to 1.6949 Fijian Dollar. What is the cross rate between Yen/Fijian Dollar (with yen as base currency)?

- 73.75
- 125
- 1.69
- 0.014

Ans - d

.....

The theory of interest rate parity postulates that

- a. interest rates should always be equal in two countries
- b. spot rate and the forward exchange rate difference must reflect difference in interest rates between two countries in the opposite direction
- c. spot rate and the future spot rate difference must reflect the interest rate difference between two countries in the opposite direction
- d. None of the above

Ans - b

.....

Which one of the following is/are not an error of principle? (i) Debiting Repairs a/c instead of Furniture a/c, (ii) Cash sale of Rs. 200 wrongly entered in Sales Book, (iii) Sales of Rs. 200 entered in the books as Rs. 2,000

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

Ans - c

.....

.....

In method of accounting, profit represents excess of receipts over expenditure. (i) Mercantile, (ii) Cash

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

Ans - b

.....

..... system of recording transactions in books is not a scientific one. (i) Single Entry, (ii) Doubly Entry

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

Ans - a

.....

A truck cost Rs 1,05,000 with a residual value of Rs. 1,00,000. it has an estimated useful life of 5 years. If the truck was bought on July 9, what would be the book value at the end of year 1?

- a. Rs. 1,00,000
- b. Rs. 85,000
- c. Rs. 80,000
- d. Rs. 25,000

Ans - a

.....

The cost of a van is 3,250 with a residual value of Rs. 750. The van has an estimated useful life of 5 years. The amount of depreciation expense using sum-of-the-year's digit to nearest dollar in year 5 is...

- 167
 - 333
 - 500
-

.....

d. 833

Ans - a

.....

..... capital is the amount with which Company is formed.

- Authorised
- Subscribed
- Both a & b
- All the above

Ans – a

.....

How much value of stock having face value of Rs. 100/- at Rs. 85 can be purchased for Rs. 1,360?

- a. Rs. 1,156 stock
- b. Rs. 1,360 stock
- c. Rs. 1,600 stock
- d. Rs. 1,660 stock

Ans - c

.....

What is the principal amount which earns Rs. 264 as compound interest for the second year @ 10% p.a.?

- a. Rs. 2,000
- b. Rs. 2,200
- c. Rs. 2,400
- d. Rs. 2,600

Ans - c

Solution :

$$A = P(1+r/100)^n$$

In the formula, A represents the final amount in the account after n years at interest rate 'r' with starting amount 'p'.

.....

.....

$$P \text{ 2nd year} = 2640$$

$$A \text{ 1st Year} = 2640$$

$$P \text{ 1st} = (2640/110 * 100) = 2400$$

.....

Simple interest on a sum at 5% p.a. for two years is Rs.500. The compound interest on the same sum, rate of interest and for the same period is.....

- a. Rs. 475
- b. Rs. 512.50
- c. Rs. 525
- d. Rs. 537.50

Ans – b

Solution :

Let us first find the Principal Amount

Simple Interest for 2 years @ 5% = 500

So, for 1 year @ 5% = $500/2 = 250$

So, the Principal Amount = $250/5 * 100 = 5000$

Now let us calculate, compound interest on Rs. 5000 at 5% p.a for 2 years $A = P(1+r/100)^n$

$$5000 (1+5/100)^2$$

$$5000 (1.05)^2$$

$$5000 (1.1025)$$

$$5512.50$$

CI = Amount - Principal

$$5512.50 - 5000$$

$$512.50$$

So, compound interest on Rs. 5000 at 5% p.a for 2 years is : Rs. 512.50

.....

..... is the interest that is paid on the principal amount and also on the accumulated part of interest.

Annuities

Interest

Simple Interest

.....

.....

d. Compound Interest

Ans - d

.....

In book keeping, Capital account is aaccount.

- nominal
- real
- personal
- intangible

Ans - b

.....

A man invested Rs. 1552 in a stock at 97 to obtain an income of Rs. 128. The dividend from the stock is %

- a. 7.5
- b. 8
- c. 8.5
- d. 9.7

Ans - b

Explanation:

By investing Rs. 1552, income = Rs. 128

By investing Rs. 97, income = $\text{Rs. } 128/1552 \times 97 = \text{Rs. } 8$

Dividend = 8%

.....

When a currency is at discount in future or for a future value date, it is

- Costlier
- Cheaper
- Equal
- None of these

Ans - b

.....

.....

.....

A firm sells 4000 units and earns profit of Rs. 80000. If fixed cost is Rs. 60000, what is the break even no. of units?

- 2000
- 2500
- 3000
- 3500

Ans - c

.....

In a Balance Sheet amount of total assets is Rs. 10 lac, current liabilities Rs. 5 lac and capital and reserves Rs. 2 lac. What is the funded debt equity ratio.....

- 1:1
- 1.5:1
- 2:1
- None of the above

Ans - b

.....

A loan of Rs. 1 lac is paid back in 5 equal annual installments. The ROI charged is 20% annually. Find the amount of each loan?

- 33348
- 33438
- 34348
- 34438

Ans - b

Solution:

P = Rs. 100000

T = 5 years

R = 20% p.a. = 0.2%

The formula of EMI =

$$P * R * (1 + R)^T \div \{ (1 + R)^T - 1 \}$$

.....

.....

So,

$$\text{EMI} = 100000 \times 0.2 \times 1.2^5 \div (1.2^5 - 1)$$

$$= 33438 \text{ Ans}$$

We can also solve using PV (OA), Present Value Ordinary Annuity formula as shown in the formula

in pic comment

$$100000 = P \times (1.2^5 - 1) \div (0.2 \times 1.2^5)$$

$$100000 = P \times 2.9906$$

$$P = 33438 \text{ Ans}$$

Funded Debt equity ratio is 3:1 and the amount of total assets Rs. 20 lac, Current Ratio is 1.5:1 and owned funds Rs. 3 lac. What is amount of current assets?

- a. Rs. 5 lac
- b. Rs. 3 lac
- c. Rs. 12 lac
- d. None of the above

Ans - c

Merchandise costs - Rs. 250000, Gross Profit - Rs. 23000, Net Profit - Rs. 15000. Find the amount of sales.

227000

235000

265000

273000

Ans - d

The selling price of a product is Rs. 90 and contribution Rs. 20 with fixed cost of Rs. 40000. What is the total variable cost of BEP?

- a. Rs. 80000
- b. Rs. 120000
- c. Rs. 130000

.....

d. Rs. 140000

Ans - d

.....

The fixed assets are those which..... (i) are used indirectly for the business, (ii) are not generally sold, (iii) cannot be converted into cash easily

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

Ans - d

.....

Long term liabilities should not be invested only in..... (i) In Current Assets, (ii) In Fixed Assets, (iii) Partly in Current Assets and fixed assets

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

Ans - a

.....

Mr. X is to invest Rs. 100000 by end of each year for 5 years @ 5% ROI. How much amount he will receive at the end of 5 years?

- 522563
- 525263
- 552563
- 555263

Ans - c

Solution:

P = 1000000

R = 5% p.a.

.....

.....

T = 5 Y

This ques asks the FUTURE VALUE OF INVESTMENT AT THE END OF PERIOD, so, FVOA (Future Value of

Ordinary Annuity) is applied.

The formula of FVOA =

$$FVOA = (C \div R) \times \{ (1 + R)^T - 1 \}$$

So,

$$FVOA = (100000 \div 0.05) * \{ \{1+0.05\}^5 - 1 \}$$

552563 Ans

.....

Current liabilities are those which are to be paid.....

- a. within 2 years of the Balance Sheet
- b. within 1 year from the Balance Sheet date
- c. within one month from the date they arise
- d. None of the above

Ans - b

.....

Which of the following are current liabilities for the purpose of current ratio? (i) Sundry Creditors and expenses payable, (ii) Working Capital raised from the bank and term loan instalment payable within one year, (iii) Provisions

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

Ans - d

.....

For a real property developer, a plot of land is..... (i) A fixed assets, (ii) A current assets

- a. Only (i)
-

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

Ans - b

.....

Mr. X is to invest Rs. 100000 every year for the next 5 years (at the beginning of the period) @ 5%. How much he would have at the end of the 5-year period?

- 508191
- 508911
- 580191
- 580911

Ans - c

Solution:

$P = 1000000$, $R = 5\%$ p.a., $T = 5$ Y

This question asks the FUTURE VALUE OF INVESTMENT AT THE BEGINNING OF PERIOD, so, FVAD (Future Value of Annuity Due) is applied.

The formula of FVAD =

$$FVAD = (C \div R) \times \{ (1 + R)^T - 1 \} \times (1 + R)$$

So,

$$FVAD = (100000 \div 0.05) \times \{ \{1 + 0.05\}^5 - 1 \} \times (1 + 0.05)$$

$$552563 \times 1.05 = 580191 \text{ Ans}$$

.....

For opening Bank Accounts, will be exempted from the requirement of photographs. (i) banks, (ii) Local Authorities, (iii) Government Departments

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

Ans - d

.....

.....

.....
Banks may not insist on photographs in case of accounts of (i) Staff members, (ii) Pardanishin women

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) nor (ii)

Ans - a

.....

Cheques can bear date in (i) Hindi as per the National Calendar (Saka Samvat), (ii) Gregorian Calendar

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) nor (ii)

Ans - c

.....

The time limit for resolution of ATM customer complaints by the issuing banks is

- a. 12 working days from the date of transaction
- b. 12 working days from the date of receipt of customer complaint
- c. 7 working days from the date of transaction
- d. 7 working days from the date of receipt of customer complaint

Ans - d

.....

Cash discount is allowed at time of:

- Payment
- Purchase
- Sale
- None

Ans – a

.....

.....
Which of following is contra entry?

- a. Cash withdrawn from office
- b. Cash deposited in bank
- c. Cheque withdrawn for domestic use
- d. Goods withdrawn

Ans - b
.....

The columns available in a three columnar cash book are...

- a. Cash, Discount, Bank
- b. Cash, Bank, Discount Paid
- c. Cash, Discount Received, Bank
- d. None of these

Ans - a
.....

When compound interest is calculated half yearly, then the period becomes

- half
- double
- one fourth
- one tenth

Ans - b
.....

Shradha sends 100 watches to Shubhra at an invoice price of Rs. 1,200 which is cost + 20%. 10 watches are lost in transit and an amount of Rs. 8,000 is received from the insurance company in full settlement. The amount to be credited to Consignment a/c being abnormal loss, is ...

- a. Rs. 2,000
- b. Rs. 8,000
- c. Rs. 10,000
- d. Rs. 12,000

Ans – c
.....

.....

The Income & Expenditure a/c of a club shows subscriptions of Rs. 50,000. Subscriptions Accrued at the beginning of the year are Rs. 5,000 and subscriptions accrued at the end of the year are Rs. 7,500. The amount that figures in Receipts & Payment a/c under the head 'Subscriptions' will be ...

- Rs. 42,500
- Rs. 47,500.
- Rs. 50,000.
- Rs. 55,000.

Ans - b

.....

At 40%, the capacity utilization break even point, the total no. of units produced is 5000. What is the no. of break even units?

- 1500
- 1800
- 2000
- 2500

Ans - c

.....

Audit of books of accounts is statutory requirement for-

- Companies
- Any business organization having annual turnover above Rs 40 lacs
- Any professional concern having professional income exceeding Rs 10 lacs in a year
- All of the above

Ans - d

.....

Which of the following statements is true? (i) Balance sheet depicts the financial position of a particular borrowing unit on a particular date, (ii) It tells about financial position for the whole year

- a. Only (i)
 - b. Only (ii)
-

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

Ans - a

.....

Sales - Rs. 150000, Operating expenses - Rs. 30000, Net Loss - Rs. 10000. Find gross profit.

- 10000
20000
40000
110000

Ans - b

.....

Mr. X is to receive Rs. 100000, as interest on bonds by end of each year for 5 years @ 5% ROI. Calculate the present value of the amount he is to receive.

- 423498
423948
432498
432948

Ans - d

Solution:

P = 10000
R = 5% p.a.
T = 5 Y

This ques asks the PRESENT VALUE OF INVESTMENT AT THE END OF PERIOD, so, PVOA (Present Value of Ordinary Annuity) is applied.

The formula of PVOA =

$$PVOA = (C \div R) \times \{ (1 + R)^T - 1 \} \div (1 + R)^T$$

So,

.....

.....

$$PVOA = (100000 \div 0.05) \times \{(1+0.05)^5 - 1\} \div (1+0.05)^5$$

432948 Ans

.....

In a Balance Sheet owners fund doesn't mean..... (i) Money invested by owners from their sources, (ii) Paid up capital and reserves, (iii) Money contributed by promoters

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

Ans - b

.....

Finished goods period is not worked out on the basis of..... (i) Cost of sales, (ii) Raw material consumed, (iii) Cost of production

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

Ans - c

.....

Cost of the goods - Rs. 89000, Opening Stock - Rs. 13500, Purchases - Rs. 75000, Sales - Rs. 112500. Find the gross profit.

- 10000
- 23500
- 24000
- 37500

Ans - b

.....

A Balance sheet shows total liabilities at Rs. 10 lac, current liabilities at Rs. 5 lac and long term debt Rs. 2 lac and debit balance of profit and Loss account at Rs. 1 lac. The net worth is.....

.....

-
- a. Rs. 2 lac
 - b. Rs. 4 lac
 - c. Rs. 3 lac
 - d. None of the above

Ans - a

.....

A Balance sheet shows fixed assets and non-current assets at Rs. 6 lac and long term liabilities at Rs. 8 lac. What is the net working capital.....

- a. Rs. 2 lac
- b. Rs. 0.75 lac
- c. Rs. 14 lac
- d. None of the above

Ans - a

.....

Where the safe deposit locker is hired from the bank by two or more individuals, nomination can be made in favour of (i) one individual only, (ii) more than one individual possible.

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) nor (ii)

Ans - c

.....

A minor be appointed as a nominee for delivering contents of a hired locker. (i) can, (ii) can't

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) nor (ii)

Ans - a

.....

.....

Banks can undertake Pension Fund Management..... (i) with prior approval of RBI, (ii) subject to satisfying the eligibility criteria prescribed by PFRDA, (iii) departmentally

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

Ans - a

PFRDA - Pension Fund Regulatory and Development Authority

.....

As per RBI guidelines, banks can't outsource (i) determining compliance with KYC norms, (ii) according sanction for loans, (iii) management of investment portfolio.

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

Ans - d

.....

In case of term deposits with "Either or Survivor" or "Former or Survivor" mandate, banks are permitted to allow premature withdrawal of the deposit (i) by the surviving joint depositor on the death of the other, only if, there is a joint mandate from the joint depositors to this effect

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

Ans - d

.....

Profits are shown in side of balance sheet:

- a. Asset side
-

-
- b. Capital a/c
 - c. Liabilities side
 - d. Loan capital

Ans - c

Under Fixed Capital Method, for each partner, the following account/s is/are maintained.

- a. Partner's Capital A/c
- b. Partner's Current A/c
- c. Both a & b
- d. Any one of the two

Ans - c

Banks are not permitted to levy penal charges for non-maintenance of minimum balances in any inoperative account with effect from

- 01.03.2014
- 06.03.2014
- 01.05.2014
- 06.05.2014

Ans - d

A company had issued and received share capital of shares (face value RS.10) and called application@ Rs5/- and allotment money Rs 5-/ Holders of 200 shares failed to pay the allotment money. What amount will the company forfeit?

- a. Rs. 500
- b. Rs. 1,000
- c. Rs. 2,000
- d. Rs. 10.000

Ans – b

.....

Composite Vouchers

- a. Evidences only debit to an account
- b. Evidences only credit to an account
- c. Evidences both debit and credit to different accounts
- d. None of these

Ans - c

.....

A company issues 3,00,000 share of Rs. 10 each at discount of Rs. 1 per share. What will be the amount of paid up capital?

- a. Rs. 3,00,000
- b. Rs. 2,70,000
- c. Rs. 30,00,000
- d. Rs. 27,00,000

Ans - c

.....

The Receipts & Payment a/c of a cricket club shows the following details :

Subscriptions :

Current received Rs. 21,000

Arrears received Rs.1,000 Advance received Rs. 1,600

There are 12,000 members each of them paying an annual subscription of Rs. 20. The amount to be credited to Income & Expenditure a/c will be ...

- a. Rs. 21,600
- b. Rs. 22,600
- c. Rs. 23,600
- d. Rs. 24,000

Ans - d

.....

A sum of money amount to Rs.2,240 @ 4% simple interest in 3 years. Find the interest on the same sum for 6 months @ 3.5% p.a.

- a. Rs. 35
-

-
- b. Rs. 40
 - c. Rs. 45
 - d. Rs. 50

Ans - a

.....

Stock of stationery of a club on 1st January 2005 Rs. 3,000;
 Creditors for stationery on 31st December 2005 Rs. 2,000;
 Opening balance of creditors for stationery Rs. 3,000;
 Payment for stationery during the year 2005 Rs.14,000;
 Stock of stationery on 31st December 2005 Rs. 2,000.

The amount to be charged for stationery to the income & Expenditure a/c ...

- a. Rs. 13,000
- b. Rs. 14,000
- c. Rs. 15,000
- d. Rs. 16,000

Ans - b

.....

Bank Reconciliation Statement is prepared with the help of

- a. Bank Passbook
- b. Cash column of cash book
- c. Bank Passbook and bank column of cash book
- d. Bank Passbook and cash column of cash book

Ans - c

.....

A firm purchased a machinery worth Rs. 2,05,000 and spent Rs. 20,000 on its installation. Its effective useful life is estimated at 10 years and scrap value Rs. 25,000. What will be the depreciated value at the end of 3rd year under straight line method?

- a. Rs. 2,25,000
 - b. Rs. 60,000
 - c. Rs. 1,65,000
-

.....

d. Rs. 45,000

Ans - c

.....

Calculate gross income from the following information:

sales Rs 2,00,000
opening stock Rs 20,000
purchases 1,20,000
purchase returns 2,000
wages 14,000
freight 6,000
salaries 40,000
closing stock 24,000

- a. Rs 60,000
- b. Rs 78,000
- c. Rs 1,34,000
- d. Rs 66,000

Ans - d

.....

Solvency means:

- a. Financial soundness of business
- b. Financial unsoundness of business
- c. Capital position of business
- d. None of these

Ans - a

.....

Luca De Bargo, an Italian monk in Venice gave birth to the modern concept of (i) accounts, (ii) bookkeeping

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

.....

d. Both (i) and (ii)

Ans - d

.....

How do profits made from normal operations retained in business appear in the balance sheet?
(i) Capital, (ii) Reserves, (iii) Surplus

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

Ans - d

.....

In double entry bookkeeping, entry is not balanced with a corresponding entry. (i) Reverse entry, (ii) Adjusting entry, (iii) Contra entry

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

Ans - a

.....

What is a Ledger?

- a. A book, where all transactions relating to a particular account are recorded at one place.
- b. A book where only cash transactions are recorded.
- c. A book where all business transactions are recorded daily.
- d. None of the above.

Ans - a

.....

The credit balance in the 'Capital Account' is not a/an (i) Liability, (ii) Asset, (iii) Revenue

- a. Only (i) and (ii)
-

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

Ans – c

.....

The transactions in the bank column on the credit side of the 'Three Columnar Cash Book' indicates (i) Amount withdrawn from the bank, (ii) Amount deposited into the bank

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

Ans - a

.....

Ram availed a house loan of Rs. 20 lac @ 12% ROI repayable in 15 years. Calculate EMI.

- 23004
- 23404
- 24003
- 24303

Ans - c

Solution:

$P = 10 \text{ lac}$

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

$T = 12 * 15 = 180$ (In EMI or Equated Monthly Instalment, we multiply time with 12)

The formula of EMI =

$$P * R * (1 + R)^{AT} \div \{ (1 + R)^{AT} - 1 \}$$

So,

.....

$$\begin{aligned} \text{EMI} &= 2000000 * 0.01 * (1+0.01)^{180} \div \{(1+0.01)^{180} - 1\} \\ &= (2000000 * 0.01 * 5.9958) \div 4.9958 \\ &= 119916 / 4.9958 \\ &= 24003 \end{aligned}$$

Amount of sales is Rs. 100 lac and profit before tax 6% and amount of tax paid Rs. 2 lac. Rest of the amount is given as dividend on capital of Rs. 10 lac. What is rate of dividend?

- 10%
- 20%
- 25%
- 40%

Ans - d

For a dealer in truck vehicles, a truck is..... (i) A current assets, (ii) A fixed assets

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

Ans - a

Debt equity ratio is..... (i) Total outside liability/Tangible Net Worth (ii) Long Term Liabilities/Tangible Net Worth

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) nor (ii)

Ans - c

.....

Which one of the following documents is not generated on EOD?

- a. Audit Trail
- Supplementary
- Balance Sheet
- Access log

Ans – c

.....

Wages Paid for the erection of machine debited to wages Ac is

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

Ans - a

.....

Present value is equivalent to

- Interest
- Principal amount
- Amount
- All of the above

Ans - b

.....

An asset cost Rs. 16,00,000/- has residual value of Rs. 1,00,000/-, and is expected to last 5 years. Calculate the depreciation for 5th year using sum of the digits Method.

- a. Rs. 100000
- b. Rs. 300000
- c. Rs. 500000
- d. Rs. 700000

Ans - a

Let me explain :

.....

$$= \frac{n \text{th}}{E(\sigma)n}(\text{cost-Residual Value})$$

$$E(\sigma)n = 1+2+3+4+5 = 15$$

$$\text{Cost-Residual Value} = 1600000 - 100000 = 1500000$$

$$\begin{aligned} \text{1st year} &= 5/15(1500000) = 500000 \\ \text{2nd year} &= 4/15(1500000) = 400000 \\ \text{3rd year} &= 3/15(1500000) = 300000 \\ \text{4th year} &= 2/15(1500000) = 200000 \\ \text{5th year} &= 1/15(1500000) = 100000 \end{aligned}$$

Instruments payable to order can be transferred or negotiated by

- a. Endorsement & delivery
- b. Mere delivery
- Encashment
- None of the above

Ans - a

What annual installment will discharge a debt of Rs. 92,400 due in years at 5% simple interest?

- a. Rs. 20,000
- b. Rs. 21,000
- c. Rs. 22,000
- d. Rs. 23,000

Ans - b

A 12% stock yielding 10% is quoted at:

- a. Rs. 83.33
- b. Rs. 110
- c. Rs. 112
- d. Rs. 120

Ans - d

Explanation:

.....
 To earn Rs. 10, money invested = Rs. 100.

To earn Rs. 12, money invested = $\text{Rs. } 100/10 \times 12 = \text{Rs. } 120$.

Market value of Rs. 100 stock = Rs. 120.

A machine costs Rs. 5,00,000 and its effective life estimated to be 10 years Its scrap value is Rs. 50,000. What amount should be retained out of profits at the end of each year to accumulate at 5% p.a. with compound interest for 10 years to replace the machine by another one costing Rs. 5,00,000?

- a. Rs. 33,771
- b. Rs. 34,771
- c. Rs. 35,771
- d. Rs. 36,771

Ans - c

A money lender lent some amount to a trader @ 8% p.a. After 18 months, the trader paid him Rs. 700 in full payment of interest and principal amount. Find out the sum lent by the money-lender.

- a. Rs. 600
- b. Rs. 610
- c. Rs. 625
- d. Rs. 650

Ans - c

A certain sum @4% simple interest per annum becomes Rs.31,360 in 3 years. What will be the amount of installment per year to repay the loan in 3 years?

- a. Rs.10,051 approx.
- b. Rs.11,000 approx.
- c. Rs.11,120 approx.
- d. Rs.11,215 approx.

Ans – a

A person borrowed Rs. 6,560 at 5% compound interest to repay in two equal Annual installments. Find the amount of each installment.

- a. Rs. 2,835
- b. Rs. 3,285
- c. Rs, 3,320
- d. Rs. 3,528

Ans - d

.....

An expenditure is a revenue expenditure because ...

- a. The amount is very small
- b. The amount is paid in installments
- c. It is intended to the benefit of current period
- d. It is intended to the benefit of future period

Ans – c

.....

An expenditure charged to P&L a/c over a period of 5 to 6 years is an example of ...

- a. Revenue expenditure
- b. Capital expenditure
- c. Deferred revenue expenditure
- d. All of the above

Ans - c

.....

In FIFO method of inventory valuation

- a. Closing stock is at latest price
- b. Issue of stocks to production is at earliest price
- c. Both a & b
- d. Neither a nor b

Ans - c

.....

.....

Goods worth Rs. 5,000 returned by Mr. Thomas were taken into stock, but no entry was passed. This is an error of ...

- Compensation
- Commission
- Omission
- Principle

Ans - c

.....

Bills receivable is a

- a. Personal Account
- b. Real Account
- c. Nominal Account
- d. None of these

Ans - b

.....

Accounting standard AS 3 deals with

- a. Cash Flow statements
- b. Valuation of Inventories
- c. Depreciation Accounting
- d. Accounting for investments

Ans - a

.....

The main objective of providing depreciation is

- a. To allocate true profit.
- b. To show the true financial position in the balance sheet.
- c. To reduce tax burden.
- d. To provide funds for replacement of fixed assets.

Ans - a

.....

.....

.....

What will be the capital of the proprietor if his her assets are Rs 1,90,00 and liabilities Rs 1,25,000

- a. Rs 50,000
- b. Rs 65,000
- c. RS 75,000
- d. Rs 1,90,000

Ans - b

.....

Preparation of Trial balance is :

- Compulsory
- Important
- Optional
- Situational

Ans - c

.....

Simple interest on a sum at 4% p.a. for two years is Rs.800. The compound interest on the same sum, rate of interest and for the same period is.....

- a. Rs. 81.60
- b. Rs. 816
- c. Rs. 1,600
- d. Rs. 1,816

Ans - b

.....

Rent paid Rs.900 was credited to rent a/c will be rectified by:

- a. Debiting Rent A/c with 1800
- b. Crediting suspense a/c with 900
- c. Debiting Rent a/c with 900
- d. Debiting rent a/c with 1000

Ans - a

.....

.....

An asset cost Rs. 3,30,000/- has residual value of Rs. 30,000/-, and is expected to last 4 years. Calculate the depreciation for 3rd year using Straight-line Method.

- Rs. 80,250/-
- Rs. 75,000/-
- Rs. 90,000/-
- Rs. 72,250/-

Ans - b

.....

An asset cost Rs. 3,30,000/- has residual value of Rs. 30,000/-, and is expected to last 4 years. Calculate the depreciation for 2nd year using double declining Method.

- Rs. 72,500/-
- Rs. 72,250/-
- Rs. 82,250/-
- Rs. 82,500/-

Ans - d

.....

Certain principal amount plus its 5 Year's simple interest makes an amount of Rs.500. If the interest is 1/4th of its principal, find out the rate of interest and the principal amount.

- a. 4% ; Rs. 400
- b. 5% ; Rs. 400
- c. 4% : Rs. 600
- d. 6% : Rs. 400

Ans - b

.....

Excess debit in Suspense a/c is written as:

- a. To balance b/d
- b. To balance c/d
- c. By balance b/d
- d. By balance c/d

Ans - c

.....

.....

Purchases book is overcast by Rs. 10,000. The present gross profit is Rs. 90,000. What would be the correct amount of gross profit after rectification of the error?

- a. Rs. 80,000
- b. Rs. 90,000
- c. Rs. 1,00,000
- d. Rs. 1,10,000

Ans - c

.....

Cash - 50,000, Debtors - 1,00,000, Inventories - 1,50,000, Current Liabilities - 1,00,000, Total Current Assets - 3,00,000. Find the Current Ratio.

- 1:1.5
- 1:3
- 1.5:1
- 3:1

Ans - D

Explanation :

Current Ratio = Current Assets : Current Liabilities

3,00,000 : 1,00,000
3 : 1

.....

A partner can:

- a. Borrow money
- b. Endorse bills of exchange
- c. Sell goods on credit
- d. Either (a. or (b. or (c)

Ans - d

.....

.....

.....

Partnership deed does not contain term:

- a. Name of partner
- b. Rights, duties of partner
- c. Appointment of arbitrator
- d. Audit of A/c

Ans - d

.....

A farmer could not pay annual installments worth Rs. 800 each for four years. If a simple rate of interest is calculated at the rate of 5% p.a., how much has he to pay now?

- a. Rs. 3,200
- b. Rs. 3,440
- c. Rs. 3,640
- d. Rs. 3,840

Ans - b

.....

..... a/c can show negative balance:

- a. Fixed capital a/c
- b. Fluctuating capital a/c
- c. Cash a/c
- d. Balance sheet

Ans - b

.....

Profits are shown in side of balance sheet:

- a. Asset side
- b. Capital a/c
- c. Liabilities side
- d. Loan capital

Ans - c

.....

.....

.....

A man deposits Rs. 500 every six months into a bank which allows him 1 interest payable quarterly at the rate of 2 % p.a. Find the sum which will stand to his credit at the end of 10 years from his first payment.

- a. Rs. 10,000 approx
- b. Rs. 11,000 approx.
- c. Rs. 12,000 approx.
- d. Rs. 13,000 approx.

Ans - b

.....

A company has issued debentures for Rs. 1,000,00 on 1st January 2012 which are redeemable on 31st December, 2015. The company has created Debenture Redemption fund for the redemption of debentures at the end of the year. 10% annual interest will be received on the investment.

Calculate the annuity amount.

- a. Rs. 17,547 approx.
- b. Rs. 18,547 approx.
- c. Rs. 21,547 approx.
- d. Rs. 25,000 approx.

Ans - c

.....

The income derived from a 6 % bond at Rs. 95 is...

- a. Rs. 1.50
- b. Rs. 6.30
- c. Rs. 6.50
- d. Rs. 11.50

Ans - c

.....

To produce an annual income of Rs. 1,000 in a 4% stock at 90, the amount of stock needed is ...

- a. Rs.22,500
-

Rs.25,000
Rs.27,500
Rs 36,000

Ans - b

A man invests in a 4.5% stock at 96. The interest obtained by him is

0.5%
1%
4.5%
4.69%

Ans - d

By investing Rs. 3,300 in a 5.5% stock, a man earns Rs. 231. The stock is then quoted at

a. Rs. 78
b. Rs. 4
c. Rs. 93
d. Rs. 3

Ans - b

A machine costs Rs. 5,00,000 and would fetch Rs. 2,50,000 in the first year; Rs.1,50,000 in second year and Rs. 1,00,000 in third year. Payback period would be ...

a. 1 year
b. 2 years
c. 3 years
d. 4 years

Ans - c

.....

As per accounting standards which of the following is not a preferred method

- LIFO
- FIFO
- WACM
- All of them

Ans - a

.....

Match the following pairs:

Column 'A' - Column 'B'

- (1) Trial balance (a) Difference in trial balance
- (2) Net trial balance (b) Always shows debit balance
- (3) Gross trial balance (c) Debit or Credit Balances
- (4) Suspense a/c (d) Debit and credit totals
- (5) Real a/c (e) Statement of balances of ledger accounts

Answers: (1)-(c), (2)-(e), (3)-(d), (4)-(a), (5)-(b)

.....

Noting charges are

- a. Paid to bank for dishonour
- b. Paid to drawer for dishonour
- c. Paid to notary public for recording dishonour
- d. None of the above.

Ans - c

.....

Due to heavy flooding a truck carrying consignment goods sinks. This loss is called

- a. contingent loss
- b. Nominal loss
- c. Abnormal loss
- d. Casual loss

Ans – c

.....

.....

Assets kept for short term for converting into cash or for resale are called as...

- a. Operating Assets
- b. Fixed Assets
- c. Current Assets
- d. Liquid assets

Ans. c

.....

X co .was maintaining account with KRB Bank Ltd. On 31st December,2006, Bank column of cash book of company showed a debit balance of Rs. 26000. Cheques deposited into the bank but not credited before 31st December,2006 amounted to Rs.4000 Bank charges of Rs. 500 were debited by the bank but no entry was made by the accountant of the company. From the above particulars, find out the balance as per KRB Bank's books.

Rs.30500

Rs.25500

Rs.21500

Rs.22500

Ans - c

.....

What will the ratio of simple interest earned by certain amount at the same rate of interest for 6 years and that for 9 years.

1:2

2:1

2:2

2:3

Ans - d

Let me Explain :

Let the principal be P and rate be R

$$\text{Then, Ratio} = [(P \cdot R \cdot 6 / 100) : (P \cdot R \cdot 9 / 100)]$$

$$= 6PR : 9PR$$

.....

6:9

2:3

.....

A sales of Rs. 3,000 to Mr. X has been omitted from recording in the Sales Book. The existing total of debit side of the trial balance is Rs. 2,00,000. What will be the total of credit side, presently?

- a. Rs 2,03,000
- b. Rs. 1,97,000
- c. Rs. 2,06,000
- d. Rs. 1,94,000

Ans - b

.....

A sum of money at simple interest amounts to Rs. 2,800 in 2 years and to Rs. 3,250 in 5 years. Find the sum and the rate of interest.

- a. Rs. 2,500 ; 5%
- b. Rs. 2,500 ; 6%
- c. Rs. 3,000 ; 5%
- d. Rs. 3,000 ; 6%

Ans - b

Int for 3 years = $3250 - 2800 = 450$.

So, int for 1 year = $450/3 = 150$.

Amount including interest for 2 years = 2800.

So, the Principle amount = $2800 - 150 - 150 = 2500$.

Int Rate = $150/2500 * 100 = 6\%$

.....

Which bond would most likely possess the least degree of interest rate risk?

- a. 8% coupon rate, 10 years to maturity
 - b. 10% coupon rate, 10 years to maturity
 - c. 8% coupon rate, 20 years to maturity.
-

.....

d. 12% coupon rate, 20 years to maturity.

Ans - b

.....

Over casting of Rs. 3500/- in total of sales book is an...

- a. Errors of commission
- b. Errors of omission
- c. Errors of principle
- d. None of the above

Ans - a

.....

Ideal ratio for "Acid test ratio" is

- 0.5
- 1
- 2
- 0.67

Ans - b

.....

If an expenditure helps in increasing the earning capacity of a firm, it is a

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

Ans - a

.....

An entry of Rs. 25000 related to Bills payable account has been posted to the credit side of Bills receivable account. Both Credit and debit sides of the trial balance presently shows a total of Rs. 56785000. Actually it should be

- a. 56810000
-

56760000
56785000
None of the above

Ans - b

Ideal ratio for "Fixed Asset Ratio" is

0.5
1
2
0.67

Ans - d

What does the rate of return equal to if interest rates do not change during the pendency of the bond ?

- a. yield to maturity
- b. coupon rate
- c. compounded rate
- d. current yield

Ans – a

Commission received is a

- a. Personal Account
- b. Real Account
- c. Nominal Account
- d. None of these

Ans - c

.....
Current Ratio is 1.2:1 and amount of current liabilities Rs. 10 lac. Total of Balance Sheet being Rs. 22 lac, what is amount of fixed assets?

- a. Rs. 5 lac
- b. Rs. 10 lac
- c. Rs. 15 lac
- d. None of the above

Ans - b
.....

Operating Profit Ratio is not (i) Operating profit/sales x 100%, (ii) Operating Profit/100 x sales%, (iii) Operating Profit/Income x 100%

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

Ans - c
.....

A joint stock company's total assets are Rs.45 crore which include intangible assets worth Rs.2 cr. Its liabilities other than share capital and reserves are Rs. 40 cr. What is the tangible net worth?

- a. 3 cr
- b. 7 cr
- c. 5 cr
- d. 2 cr

Ans – a
.....

Solvency Ratio is not (i) Current Assets/Liabilities, (ii) Total tangible assets/outside liabilities, (iii) Total net worth/total assets

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

.....

d. (i), (ii) and (iii)

Ans - b

.....

Term Loans are not paid out of..... (i) Profits, (ii) Capital, (iii) Working capital limits

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

Ans - c

.....

Anita borrowed an amount of Rs. 500000 for 10 years @ 9% ROI. What shall be monthly payment?

- 8445
- 8454
- 8545
- 8554

Ans - a

Solution:

$$P = 500000$$

$$R = 9\% \div 12 = 0.0075\% \text{ (In EMI, divide rate by 12)}$$

$$T = 10 \times 12 = 120 \text{ (In EMI, multiply time with 12)}$$

The formula of EMI =

$$\frac{P * R * (1 + R)^T}{(1 + R)^T - 1}$$

So,

$$\text{EMI} = 500000 * 0.0075 * 1.0075^{120} \div (1.0075^{120} - 1)$$

$$(500000 * 0.0075 * 2.4514) \div 1.4514$$

$$12257 / 1.4514$$

.....

8445

What does the 'Three Column Cash Book' record? (i) Cash transactions, (ii) Bank transactions, (iii) Discounts

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

Ans - d

Ledger is a book of entry. (i) Original, (ii) Final

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

Ans - b

Journal is not a entry. (i) Original, (ii) Final, (iii) Duplicate entry

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

Ans - c

Anvita wants to receive a fixed amount for 10 years by investing Rs. 10 lacs @ 12% ROI. How much he will receive annually?

- 167894
- 176984
- 187964

196874

Ans - b

Solution:

P = 10 lac

R = 12% p.a.

(SINCE PAYMENT IS TO BE RECEIVED ANNUALLY, NOT Monthly, Rate IS NOT divided by 12)

T = 10 yrs

(SINCE PAYMENT IS TO BE RECEIVED ANNUALLY, NOT Monthly, Time IS NOT multiplied with 12)

So, we can well use simple EMI formula in this question.

The formula of EMI =

$$P * R * (1 + R)^T \div \{ (1 + R)^T - 1 \}$$

So,

$$\text{EMI} = 1000000 * 0.12 * 1.12^{10} \div (1.12^{10} - 1)$$

$$= (1000000 * 0.012 * 3.1058) \div 2.1058$$

$$= 372702 / 2.1058$$

$$= 176984$$

If there is a surplus of cash in cash flow statement, it is not a (i) Satisfactory position, (ii) Strong position, (iii) Weak position

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

Ans - c

If a company issues bonus shares, the debt equity ratio will..... (i) Be be affected, (ii) Remain unaffected

- a. Only (i)
- b. Only (ii)

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

Ans - b

.....

If a company issues right shares, the debt equity ratio will.....

- a. Remain unchanged
- b. Improve
- c. Will change
- d. (b) and (c) above

Ans - d

.....

If a company revalues its assets, its net worth will not (i) improve, (ii) remain same, (iii) positively affected

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

Ans - b

.....

Tangible Net worth is calculated as follows.....

- a. Capital plus reserves
- b. Capital plus reserves minus intangible assets
- c. Capital plus fictitious assets plus reserves minus intangible assets
- d. Capital plus reserve minus fictitious assets and intangible assets

Ans – d

.....

Return on Investment can be improved by improving (i) Margin, (ii) Turnover

- a. Only (i)
-

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

Ans - d

DSCR does not show.....(i) Excess of current assets over current liabilities, (ii) No. of times the value of fixed assets covers the amount of loan, (iii) No. of times the company's earnings cover the payment of interest and repayment of principal of long debt

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

Ans - c

Unsecured loans can generally be taken by the companies to the extent of % of their net owned funds.

- a. 15%
- b. 20%
- c. 25%
- d. None of the above

Ans - a

Arrears of fixed cumulative dividends and the period for which they are in arrears will be shown as

- Provision
- Reserve
- Contingent Liability
- Current Liability

Ans - a

.....
In retail business, widely followed method of inventory valuation is

- FIFO
- Weighted average
- Adjusted selling price
- LIFO

Ans - c

.....

Window dressing of current ratio is not possible by..... (i) Overvaluing the inventory, (ii) Depositing cash in hand in bank, (iii) Converting cash into inventory

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

Ans - c

.....

Errors of Commission arise when

- a. Any transaction is incorrectly recorded either wholly or partially
- b. Any transaction is left wholly or partially
- c. Any transaction is recorded in a fundamentally incorrect manner
- d. All the above

Ans - c

.....

KYC is

- One-time project
- An ongoing process
- To be carried out every 2 years
- To be carried out every 5 years

Ans – b

.....

.....

.....

Joint venture account is

- Nominal
- personal
- Real
- Intangible account

Ans - a

.....

The set of rules for recording of events in accounts are called as

- a. Accounting Rules
- b. Accounting Standards
- c. Accounting laws
- d. None of these

Ans - b

.....

A man invested Rs. 3000 in a stock at 120 to obtain an income of Rs. 150. The dividend from stock is ...%

- 6
- 7
- 8
- 9

Ans - b

Explanation:

By investing Rs. 3000, income = Rs. 150

By investing Rs. 97, income = Rs. $150/3000 \times 120 =$ Rs. 6

Dividend = 8%

.....

A man invested Rs. 90,000 in a stock at 90 to obtain an income of Rs. 4,500. The dividend from the stock is %

a. 3.5

.....

4.5
5.5
6.7

Ans - b

Explanation:

By investing Rs. 90,000, income = Rs. 4,500

By investing Rs. 90, income = Rs. $4500/90000 \times 90 = \text{Rs. } 4.5$

Dividend = 4.5 %

.....

Simple interest on a sum at 8 % p.a. for 3 years is Rs.960. The compound interest on the same sum, rate of interest and for the same period is.....

- a. Rs. 1029
- b. Rs. 1039
- c. Rs. 1049
- d. Rs. 1092

Ans - b

Let me Explain :

Let us first find the printcipal Amount

Simple Interest for 3 years @ 8% = 960

So, for 1 year @ 8% = $960/3 = 320$

So, the Principal Amount = $320/8 \times 100 = 4000$

Now let us calculate, compound interest on Rs. 4000 at 8% p.a for 3 years $A = P(1+r/100)^n$

$$4000 (1+8/100)^3$$

$$4000 (1.08)^3$$

$$4000 (1.2597)$$

$$5039$$

CI = Amount - Principal

.....

$$\begin{array}{r} 5039 - 4000 \\ 1039 \end{array}$$

So, compound interest on Rs. 4000 at 8% p.a for 3 years is : Rs. 1039

Simple interest on a sum at 10% p.a. for 4 years is Rs.1600. The compound interest on the same sum, rate of interest and for the same period is.....

- a. Rs. 1586
- b. Rs. 1658
- c. Rs. 1856
- d. Rs. 1685

Ans - c

Let me Explain :

Let us first find the principal Amount

Simple Interest for 4 years @ 10% = 1600

So, for 1 year @ 10% = $1600/4 = 400$

So, the Principal Amount = $400/10 \times 100 = 4000$

Now let us calculate, compound interest on Rs. 4000 at 10% p.a for 4 years $A = P(1+r/100)^n$

$$4000 (1+10/100)^4$$

$$4000 (1.1)^4$$

$$4000 (1.4641)$$

$$5856$$

CI = Amount - Principal

$$5856 - 4000$$

$$1856$$

So, compound interest on Rs. 4000 at 10% p.a for 4 years is : Rs. 1856

.....

Any excess in the Cash Balance must be credited to account on the same day.

- Suspense
- Sundry Creditor
- Sundry Debtor
- Head Cashier

Ans – b

.....

Category-wise accounts for various types of transactions put through inter-branch accounts to be maintained wef

- 01.01.1998
- 01.04.1998
- 01.01.1999
- 01.04.1999

Ans - d

.....

Which of the following is not an example for credit voucher?

- Pay-in-Slips
- Challans for deposits into Govt Accounts
- Letters of authority signed by the customers, containing standing instructions
- Application for issue of DD, TD, RTGS/NEFT

Ans - c

.....

..... process is done for all the branches at one consolidated stretch.

- EOD/BOD
- EOD/SOD
- SOD/BOD
- All the above

Ans - b

.....

.....

.....

Cash discount is

- a. The allowance to expedite cash receipts and payments within a specified period
- b. It is a loss for the firm receiving the payment and again for the firm making the payment
- c. Discount allowed is entered on debit side and discount earned on the credit side of cash book.
- d. All the above
- E. A & B

Ans – d

.....

For opening accounts in the case of Joint Hindu Undivided Family (JHUF), the following document/s is/are important -

- a. Declaration of all guardians on behalf of minors
- b. Declaration of all family members
- c. Declaration of the Karta of the family
- d. Declaration can be exempted as per Hindu Succession Act

Ans - c

.....

A sum of Rs. 26,000 is lent out in two parts in such a way that the interest on one Part @ 10% for 5 years is equal to the on another part @ 9% for 6 years. The sum lent out at 10% is.....

- a. Rs. 10,500
- b. Rs. 11,500
- c. Rs. 12,500
- d. Rs. 13,500

Ans - d

.....

The cost of a van is 3,25,000 with a residual value of Rs. 75,000. The van has an estimated useful life of 5 years. The amount of depreciation expense using sum-of-the-year's digit in year 5 is...

16700
33300

.....

.....
50000
83300

Ans - a
.....

While opening an account in case of partnership firm, one of the vital document to be produced by the firm is

- a. Partnership Deed
- b. Partners MOU
- c. Signatures of the partners
- d. Registration certificate of Partnership

Ans - a
.....

Submission of details of PAN (Permanent Account Number) is compulsory for Fixed Deposits of

- Rs.20,000/- & above
- Rs.50,000/- & above
- Rs.75,000/- & above
- Rs.1,00,000/- & above

Ans - b
.....

Find the simple interest on Rs 7000 at 50/3 % for 9 months

- A. Rs. 1075
- B. Rs. 975
- C. Rs. 875
- D. Rs. 775

Ans - C

Explanation:

$$S.I. = P \times R \times T / 100$$

.....

.....

So, by putting the values in the above formula, we get

$$\begin{aligned} \text{S.I.} &= 7000 \times 50/3 \times 9/12/100 \\ &= 875 \end{aligned}$$

[Please note that we have divided by 12 as we converted 9 months in a year format]

.....

Rs. 5,000 received from Ramesh, whose account was previously written off as bad debts, should be credited to ...

- a. Bad Debts a/c
- b. Bad Debts Recovered a/c
- c. Bad Debts Provision a/c
- d. Ramesh a/c

Ans - b

.....

Maintenance of fixed assets is a

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

Ans - b

.....

Goods worth Rs. 15000 is returned by the customer. It is taken into stock but no entry passed. It is an ...

- a. Errors of commission
- b. Errors of omission
- c. Errors of principle
- d. None of the above

Ans - b

.....

.....

.....

Which of the following are not current assets ? (i) Furniture and fixtures, (ii) Plant and Machineries, (iii) Receivable of 2 years old, slow moving stock

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

Ans - a

.....

Sale of Rs.20000 to Suresh is posted to his credit, then rectification is

- a. Credit Suresh to the extent of Rs.40,000
- b. Credit Suresh to the extent of Rs.20,000
- c. Debit Suresh to the extent of Rs.40,000
- d. Debit Suresh to the extent of Rs.20000

Ans - c

.....

Current Ratio is not calculated as..... (i) Current Assets divided by Current Liabilities, (ii) Fixed Assets divided by Current Assets, (iii) Owned funds divided by Current Liabilities

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

Ans - c

.....

An asset cost Rs. 5,00,000/- has residual value of Rs. 50,000/-, and is expected to last 5 years. Calculate the total depreciation till 3rd year using Straight-line Method.

- a. Rs. 90,000
- b. Rs. 1,00,000
- c. Rs. 2,70,000
- d. Rs. 3,00,000

Ans – c

.....

.....

Let me Explain :

Expected Life = 5 Years

Total Depreciation = Cost of the Asset - Residual Value

So, Value to be taken for Depreciation = 500000 - 50000 = 450000

Depreciation per year = 450000/5 = 90000

So, Total Depreciation till 3rd year will be

Rs. 90000 * 3 = 2,70,000/-

.....

The contingent liabilities are not (i) Expenses not provided, liability on account of letter of credit, letter of guarantee, provisions not made etc., (ii) Current liabilities, which are to be repaid immediately, (iii) Net worth of the party

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

Ans - c

.....

The concept of deriving the rate of currency A in terms of currency C through currency B is called as

- a. Direct Quote
- b. Indirect Quote
- c. Chain Rule
- d. Arbitrage

Ans – c

.....

Cost of replacement of defective parts of the machinery is

- a. Capital expenditure
 - b. Revenue expenditure
 - c. Deferred revenue expenditure
-

.....

d. None of these

Ans. b

.....

Match the following pairs:

Column 'A' - Column 'B'

- | | |
|---------------------------|--|
| (1) Error of omission | (a) Not disclosed by trial balance |
| (2) Suspense ale | (b) Disclosed by trial balance |
| (3) Error of principle | (c) Rectified by passing journal entries |
| (4) Two sided errors | (d) Debit or credit balance |
| (5) Posting on wrong side | (e) Accounting rules not followed |

Answers: (1)-(a), (2)-(d), (3)-(e), (4)-(c), (5)-(b)

.....

Application software is concerned with ...

- a. the programming used to control input unit
- b. the programming used to control output unit
- c. the programming to execute specific functions
- d. the programming used to control the operations of the control unit

Ans - c

.....

Loss of goods due to fire for Rs.50000 is

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

Ans. b

.....

.....

.....

Under casting of the credit side of Cash Book has the same effect as over casting of the

- a. Debit side of the pass book.
- b. Credit side of the pass book.
- c. There is no relevance between the two
- d. None of the above

Ans. a

.....

Simple interest on a sum at 10% p.a. for 4 years is Rs.1600. Find the total amount for the compound interest on the same principal, rate of interest and for the same period is.....

- a. Rs. 5586
- b. Rs. 5856
- c. Rs. 6585
- d. Rs. 6856

Ans - b

Let me Explain :

Let us first find the principal Amount

Simple Interest for 4 years @ 10% = 1600

So, for 1 year @ 10% = $1600/4 = 400$

So, the Principal Amount = $400/10*100 = 4000$

Now let us calculate, compound interest on Rs. 4000 at 10% p.a for 4 years

$$\begin{aligned}
 A &= P(1+r/100)^n \\
 &4000 (1+10/100)^4 \\
 &4000 (1.1)^4 \\
 &4000 (1.4641) \\
 &5856
 \end{aligned}$$

So, Total Amount on Rs. 4000 at 10% p.a for 4 years is : Rs. 5856

.....

.....

.....

Simple interest on a sum at 8 % p.a. for 3 years is Rs.960. Find the total amount for the compound interest on the same principal, rate of interest and for the same period is.....

- a. Rs. 5029
- b. Rs. 5039
- c. Rs. 5049
- d. Rs. 5092

Ans - b

Let me Explain :

Let us first find the principal Amount
 Simple Interest for 3 years @ 8% = 960
 So, for 1 year @ 8% = $960/3 = 320$
 So, the Principal Amount = $320/8*100 = 4000$

Now let us calculate, compound interest on Rs. 4000 at 8% p.a for 3 years

$$A = P(1+r/100)^n$$

$$4000 (1+8/100)^3$$

$$4000 (1.08)^3$$

$$4000 (1.2597)$$

$$5039$$

So, Total Amount on Rs. 4000 at 8% p.a for 3 years is : Rs. 5039

.....

How much is the Capital or/and Revenue Expenditure in "Fixtures of the book value of Rs. 20000 were sold off at Rs. 14000 and new fixtures of the value of Rs. 10000 were acquired.

- a. Capital expenditure - Rs.16000
- b. Revenue expenditure - Rs.16000
- c. Capital expenditure - Rs.10000 and Revenue expenditure - Rs.6000
- d. Capital expenditure - Rs.6000 and Revenue expenditure - Rs.10000

Ans - c

.....

.....

.....

Subscription outstanding of a club during the previous year was Rs. 50,000 and received During the current year Rs. 3,50,000. Subscription shown in the credit side of income & Expenditure a/c will be

- a. Rs. 50,000
- b. Rs. 3,00,000
- c. Rs. 3,50,000
- d. Rs. 4,00,000

Ans. b

.....

Accounting standard AS 6 deals with

- a. Cash Flow statements
- b. Valuation of Inventories
- c. Depreciation Accounting
- d. Accounting for investments

Ans - c

.....

..... is time saving and economical

- a. Single Entry System
- b. Double Entry System
- c. Both a & b
- d. Neither a nor b

Ans - a

.....

Both Real Accounts and Nominal Accounts are

- a. Personal Accounts
- b. Impersonal Accounts
- c. Any one of the above
- d. None of these

Ans – b

.....

.....
Rate of return earned by an investor who purchases a bond and holds it till maturity is called as

- a. Intrinsic Value
- b. Coupon Rate
- YTM
- Redemption Value

Ans - c

.....
In exchange of currencies deal, "cash" is also called as

- TOM
- Ready
- Spot
- Forward

Ans - b

.....
Minimum capital requirement is expressed in terms of...

- a. Credit Risk
- b. Specific Risk
- c. General Market Risk
- d. Both b & c

Ans - d

.....
What is the Present Value of Rs. 115,000 to be received after 1 year at 10%?

- 121,000
- 100,500
- 110,000
- 104,545

Ans - d

.....
.....

..... destroys computer data.

- a. Software virus
- b. Hardware virus
- c. Computer virus
- d. None of the above

Ans - c

.....

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

- a. 52690
- b. 52960
- c. 56290
- d. 56920

Ans - b

Hint:

Use FVOA formula to find FV. Here C is given.

Ans is 52960.

.....

Wages paid to Raju should not be debited to..... (i) Raju's account, (ii) Wages account, (iii) Cash account

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

Ans - b

.....

Return of goods from a customer should not be credited to (i) Customer account, (ii) Sales return account, (iii) Goods account

- a. Only (i) and (ii)
-

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

Ans - c

.....

If you wish an annuity to grow to Rs. 17000 over 5 years so that you can replace your car, what monthly deposit would be required if you could invest at the end of month @ 12% compounded monthly?

- 208.16
- 218.06
- 268.16
- 286.06

Ans - a

Hint:

Use FVOA formula to find C. Here FV is given.

Ans is 208.16

.....

According to Indian Minority Act, a minor whose guardian is appointed by the court, continues to be a minor upto the age of

- 10
- 18
- 21
- 25

Ans - c

.....

Which of the following are the Para banking activities permitted for the banks? (i) Primary Dealership Business, (ii) Investment in VCFs, (iii) MMMF

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

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

Ans - d

VCF - Ventura Capital Funds
 MMMF - Money Market Mutual Funds

Which of the following are true in case of Basic Savings Bank Deposit Account (BSBDA)? (i) it shall not have the requirement of any minimum balance, (ii) account holders will be allowed a maximum of four withdrawals in a month, (iii) no charge will be levied for non-operation / activation of in-operative 'Basic Savings Bank Deposit Account'

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

Ans - d

.....

How much money will a student owe at graduation if she borrows Rs. 3000 per year @ 5% interest during each of her four years of school?

- 12390
- 12930
- 13290
- 13920

Ans - b

Hint:

Use FVOA formula to find FV. Here C is given.

Ans is 12930

.....

.....

.....

All cheque forms should be printed in (i) English, (ii) Hindi, (iii) the concerned Regional Language

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

Ans - a

.....

Sacrificing Ratio is equal to

- a. Old Ratio
- b. New Ratio
- c. Old Ratio - New Ratio
- d. New Ratio - Old Ratio

Ans - c

.....

Final accounts of a limited company consist of

- a. Balance Sheet
- b. Profit and Loss account
- c. Trading account
- d. Both a and b

Ans – d

.....

..... of the companies Act prescribes the form of balance sheet.

- a. Schedule V
- b. Schedule VI
- c. Schedule VII
- d. Schedule VIII

Ans - b

.....

.....

.....

In money at call and short notice, money is borrowed for

- a. 1 to 5 days
- b. 1 to 7 days
- c. 1 to 14 days
- d. 1 to 21 days

Ans - c

.....

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

- a. Rs. 734.86
- b. Rs. 942.26
- c. Rs. 1,135.90
- d. Rs. 1,315.24

Ans - a

.....

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

- a. Rs. 951
- b. Rs. 975
- c. Rs. 1,020
- d. Rs. 1,051

Ans - b

.....

What would you pay for a share of ABC Corporation stock today if the next dividend will be Rs. 3 per share, your required return on equity investments is 15% and the stock is expected to be worth Rs. 90 one year from now?

- a. Rs. 60.00
 - b. Rs. 68.12
-

-
- c. Rs. 78.26
d. Rs. 80.87

Ans - c

.....

Errors which affect one account can be

- a. Errors of full omission
b. Errors of principle
c. Errors of posting
d. None of the above

Ans - c

.....

Which is not a type of petty cash book are

- a. Simple petty cash book
b. Columnar petty cash book
c. Two columnar petty cash book
d. None of these

Ans - c

.....

Capital = Rs. 65,000, Assets = Rs.80,000, then Liabilities = Rs.....

- a. Rs. 25,000
b. Rs. 35,000
c. Rs. 5,000
d. Rs. 15,000

Ans - d

Solution :

Assets = Capital + Liabilities

Liabilities = Assets - Capital

$$80000 + 65000 = 15000$$

.....

.....

.....

Which is not considered as free reserve? (i) Premium received on issue of shares and debentures, (ii) Debenture redemption reserve, (iii) Reserve for gratuity and pension

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

Ans - c

.....

Find the rate at Simple interest, at which a sum becomes four times of itself in 15 years.

- 10%
- 20%
- 30%
- 40%

Ans - B

Explanation:

Let sum be x and rate be r%

then, $(x * r * 15) / 100 = 3x$ [important to note here is that simple interest will be 3x not 4x, because $3x + x = 4x$]

=> $r = 20\%$

.....

At 5% per annum simple interest, Rahul borrowed Rs. 500. What amount will he pay to clear the debt after 4 years ?

- 750
- 700
- 650
- 600

Ans - d

.....

.....
Explanation:

We need to calculate the total amount to be paid by him after 4 years, So it will be Principal + simple interest. So,

$$\Rightarrow 500 + 500 * 5 * 4 / 100$$

$$\Rightarrow \text{Rs. } 600$$

.....

Trail balance

- a. Is prepared every year
- b. Is prepared after preparing the P&L ac
- c. Shows the profit earned by a firm during a period
- d. Checks the accuracy of posting the ledger accounts

Ans - d
.....

The test of objectivity and verifiability is satisfied by valuing stock at

- a. Historical price
- b. Current replacement price
- c. Net realizable value
- d. Avg market price

Ans - a
.....

A bill of Rs. 2,000 is due 10 years hence at simple interest rate 5% p.a. Find Banker's discount.

- a. Rs. 200
- b. Rs. 225
- c. Rs. 300
- d. Rs. 1,000

Ans - d
.....
.....

.....

A owes B Rs. 1,802 due 1 year hence. However, A wants to settle the account after 3 months. How much cash should he pay, if rate is 8% p.a.?

- a. Rs. 1,700
- b. Rs. 1,740
- c. Rs. 1,750
- d. Rs. 1,760

Ans - a

.....

Gold appears under

- a. Other assets
 - Investments
 - Fixed assets
 - None of these

Ans - b

.....

The central processing unit in a computer comprises the following ...

- a. Control unit and logical unit
- b. Control unit, logical unit and output unit
- c. Control unit, Input unit and output unit
- d. Control unit, logical unit and storage unit

Ans - a

.....

A credit entry of Rs. 5200 to Mr. Anand's account was credited as Rs. 2500. It is an

- a. Errors of commission
- b. Errors of omission
- c. Errors of principle
- d. None of the above

Ans – a

.....

.....

.....

A has to pay Rs. 22,000 to B after 1 year. B asks A to pay Rs. 11,000 in cash Immediately and defer the payment of Rs. 11,000 for 2 years. A agrees to it. Counting the rate of interest at 10% p.a. in this new mode of payment

- a. A gains Rs. 734
- b. A loses Rs. 734
- c. A gains Rs. 1,100
- d. B gains Rs. 1,100

Ans - a

.....

Acquisition of Fixed assets is a

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

Ans - a

.....

Sales - Rs. 90000, Gross profit - Rs. 30000, Net Profit - Rs. 18000. Find Operating expenses.

- 12000
- 18000
- 42000
- 60000

Ans - a

.....

If compound interest for 2 Years at the rate of 4% of some money is Rs. 102, find the simple interest at the same rate for 2 years.

- a. Rs. 108.16
- b. Rs. 100
- c. Rs. 110
- d. Rs. 120

Ans – b

.....

.....

What is the rate percent per annum if a sum doubles itself in 12 years at Compound rate of interest?

- 5.2%
- 5.4%
- 5.5%
- 5.9%

Ans - d

.....

If a sum of money trebles itself in 2 years at compound interest, then it will be 27 times of itself in

- a. 5 years
- b. 6 years
- c. 12 years
- d. 15 years

Ans - b

.....

A sum of money amounts to Rs 9800 after 5 years and Rs 12005 after 8 years at the same rate of simple interest. The rate of interest per annum is

- 9%
- 10%
- 11%
- 12%

Ans - d

Explanation:

We can get SI of 3 years = $12005 - 9800 = 2205$

SI for 5 years = $(2205/3)*5 = 3675$ [so that we can get principal amount after deducting SI]

Principal = $12005 - 3675 = 6125$

So Rate = $(100*3675)/(6125*5) = 12\%$

.....

.....

.....

A man saves Rs 200 at the end of each year and lends the money at 5% compound interest. How much will it become at the end of 3 years?

- a. Rs 660
- b. Rs 662
- c. Rs 664
- d. Rs 666

Ans- b

Explanation:

$$[200(2120 \times 2120 \times 2120) + 200(2120 \times 2120) + 200(2120)]$$

662

.....

Wages outstanding in Trial balance will show a

- a. Debit Balance
- b. Credit Balance
- c. Either Debit or Credit Balance
- d. Neither Debit nor Credit Balance

Ans - b

.....

Personal expenses of Rs. 4200 by the proprietor debited to Office Expenses account. It is an

- a. Errors of commission
- b. Errors of omission
- c. Errors of principle
- d. None of the above

Ans - c

.....

A, B and C invested Rs. 8000, Rs. 4000 and Rs. 8000 respectively in a business. A left after six months. If after eight months, there was a gain of Rs. 4005, then what will be the share of B?

- A. Rs 690
 - B. Rs 790
 - C. Rs 890
-

.....

D. Rs 990

Ans - c

Explanation:

A:B:C = $(8000*6):(4000*8):(8000*8)$

48:32:64

3:2:4

So B share

$(\frac{2}{9}) * 4005$

Rs 890

.....

Sales - Rs. 110000, Gross profit - Rs. 35000, Net loss - Rs. 7500. Find Operating expenses.

27500

42500

68500

75000

Ans - b

.....

An entry of Rs. 4000 wrongly posted to inventory account instead of building account is an

- a. Errors of commission
- b. Errors of omission
- c. Errors of principle
- d. None of the above

Ans - c

.....

Paid-up Capital means amount of capital actually paid by

Shareholders

Equity Shareholders

Preference Shareholders

All of the above

Ans – a

.....

.....

A sum of Rs. 25,400 is lent out into two parts, one at 12% p.a. and the other at 12.5% p.a. If the total annual income from interest is Rs. 3116. the money lent at 12% is.....

- a. Rs. 10,000
- b. Rs. 11,800
- c. Rs. 12,400
- d. Rs. 13,400

Ans - b

.....

An asset cost Rs. 16,00,000/- has residual value of Rs. 1,00,000/-, and is expected to last 5 years. Calculate the depreciation for 1st year using sum of the digits Method.

- a. Rs. 100000
- b. Rs. 300000
- c. Rs. 500000
- d. Rs. 700000

Ans - c

Let me explain :

$$= \frac{\text{nth}}{E(\sigma)n}(\text{cost}-\text{Residual Value})$$

$$E(\sigma)n = 1+2+3+4+5 = 15$$

$$\text{Cost}-\text{Residual Value} = 1600000 - 100000 = 1500000$$

$$\text{1st year} = \frac{5}{15}(1500000) = 500000$$

$$\text{2nd year} = \frac{4}{15}(1500000) = 400000$$

$$\text{3rd year} = \frac{3}{15}(1500000) = 300000$$

$$\text{4th year} = \frac{2}{15}(1500000) = 200000$$

$$\text{5th year} = \frac{1}{15}(1500000) = 100000$$

.....

Which is not an Advance?

- Over-drafts
- Cash Credit
- Bills discounted and purchased
- None of these

Ans – d

.....

.....

If Rs. 7,500 are borrowed at compound interest at the rate of 4% p.a. then after 2 years the amount to be paid is

- a. Rs. 7,800
- b. Rs. 8,082
- c. Rs. 8,100
- d. Rs. 8,112

Ans - d

.....

A sum of Rs. 26,000 is lent out in two parts in such a way that the interest on one Part @ 10% for 5 years is equal to the on another part @ 9% for 6 years. The sum lent out at 10% is.....

- a. Rs. 10,500
- b. Rs. 11,500
- c. Rs. 12,500
- d. Rs. 13,500

Ans - d

.....

Intangible Assets are dealt in Accounting Standard

- a. AS 9
- b. AS 19
- c. AS 26
- d. AS 28

Ans – c

.....

If a sum of money doubles itself in 8 years at simple interest, the rate percent per annum is

- 12
- 12.5
- 13
- 13.5

Ans - b

.....

.....

Explanation:

Let sum = x then Simple Interest = x

$$\text{Rate} = (100 * x) / (x * 8) = 12.5$$

.....

An asset cost Rs. 16,00,000/- has residual value of Rs. 1,00,000/-, and is expected to last 5 years. Calculate the depreciation for 3rd year using sum of the digits Method.

- a. Rs. 100000
- b. Rs. 300000
- c. Rs. 500000
- d. Rs. 700000

Ans - b

Let me explain :

$$= (\text{nth}/\text{E}(\sigma)n)(\text{cost}-\text{Residual Value})$$

$$\text{E}(\sigma)n = 1+2+3+4+5 = 15$$

$$\text{Cost}-\text{Residual Value} = 1600000 - 100000 = 1500000$$

$$1\text{st year} = 5/15(1500000) = 500000$$

$$2\text{nd year} = 4/15(1500000) = 400000$$

$$3\text{rd year} = 3/15(1500000) = 300000$$

$$4\text{th year} = 2/15(1500000) = 200000$$

$$5\text{th year} = 1/15(1500000) = 100000$$

.....

A company had selling price per unit of Rs.100. Its Break even point units are 2000. If variable cost is Rs.60, what is the fixed cost?

- a. Rs. 50000
- b. Rs. 60000
- c. Rs. 70000
- d. Rs. 80000

Ans - d

.....

.....

.....

Nominal Partners are also called as

- a. Active Partners
- b. Quasi Partners
- c. Sleeping Partners
- d. Working Partners

Ans - b

.....

A company has issued partly convertible debentures for Rs. 100 lacs of which 40% is compulsorily convertible to equity. In this case proper classification is-

- a. Rs 100 lacs as Term Liability
- b. Rs 60 lacs equity and Rs 40 lacs Term Liability
- c. Classification depends upon the period of payment of debenture
- d. Rs 40 lacs net worth and Rs 60 lacs Term Liability

Ans - a

.....

Purchase of office furniture for Rs. 2000 has been debited to General Expenses ac. It is

- a. A clerical error
- b. An error of principle
- c. An error of omission
- d. A mathematical error

Ans - b

.....

Errors of part omission do not permit

- a. Correct totaling of the Balance sheet
- b. Correct totaling of the Trial Balance
- c. The trial balance to agree
- d. Preparation of final accounts

Ans - c

.....

.....

.....

A company is forced to sell its product at Rs. 90 due to competition, which it had been selling at Rs.100 earlier. There is no change in the variable cost. Previously the Break even point units were 2000 and now 2667. What is the variable cost, if fixed cost is Rs. 80000/-?

- a. Rs 60
- b. Rs 50
- c. Rs.40
- d. Rs.30

Ans - a

.....

The term Quasi Equity refers to-

- a. unsecured loans from friends and relatives
- b. unpaid share capital
- c. capital reserve
- d. all of the above

Ans - a

.....

Under the diminishing balance method depreciation, depreciation amount will not (i) Increase every year, (ii) Remain constant every year, (iii) Decreases every year

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

Ans - a

.....

What will the ratio of simple interest earned by certain amount at the same rate of interest for 6 years and that for 9 years.

- 1:2
 - 2:1
 - 2:2
 - 2:3
-

.....

Ans- d

Explanation:

Let the principal be P and rate be R, then

$$\text{Ratio} = \frac{P \cdot R \cdot 6100}{P \cdot R \cdot 9100}$$

$$= 6PR : 9PR$$

$$= 2 : 3$$

.....

A person wants to borrow Rs. 25000 immediately and another Rs. 20000 after a period of 2 years @ 10% interest. He wants to pay it in monthly installments for 5 years. Calculate the amount of monthly payment?

879.29

897.29

789.29

798.29

Ans - a

Hint:

Present Value of 20000 for 2 years @ 10% = $20000 \div 1.0083324 = 16388.07$

So, total amount today = $25000 + 16388.07 = 41388.07$

$T = 5 \times 12 = 60$ months and $R = 10\% \text{ p.a.} = 10/1200 = 0.00833$

Now, apply EMI formula.

Ans is 879.29

.....

Assets turnover ratio of a company is increasing, which indicates.....

- a. Low capacity utilisation
- b. Better capacity utilisation
- c. Increase in liquidity
- d. None of the above

Ans - b

.....

.....

.....
Stock-in-process period is worked out not based on..... (i) Raw material consumption, (ii) Cost of sales, (iii) Cost of production

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

Ans - a

.....
Creditors' period is worked out on the basis of..... (i) Cost of production, (ii) Purchases, (iii) Cost of sales

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

Ans – b

.....
Which are of the following are functions of a bank? (i) Collection and Payment of Credit Instruments, (ii) Purchasing and Sale of Securities, (iii) Acting as Representative and Correspondent

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

Ans - d

.....
Submission of audited balance sheet audited by Chartered Accountants, by the borrowing units is mandatory if the amount of credit limits from banking system is.....

- a. Rs. 1 lac and above
 - b. Rs. 5 lac and above
 - c. Rs. 10 lac and above
-

.....

d. Rs. 50 lac and above

Ans - c

.....

Which of the following are permitted para banking activities? (i) Mutual Fund Business, (ii) Money Market Mutual Funds, (iii) Primary Dealership Business

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

Ans - d

.....

Which of the following are called as Back-offices? (i) Bank Branch, (ii) Regional Office, (iii) Head Office

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

Ans - c

.....

Banks can allow minors' accounts to be opened with mothers as guardians in case of
accounts (i) FD, (ii) savings, (iii) RD

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

Ans - d

.....

.....

.....

A woman retire at the age of 60 years and her employer gives her a pension of Rs. 12,000 a year paid on half-yearly installments for the rest of her life. Supposing her expectation of life to be 13 years more and that interest is @ 4% p.a. payable half-yearly, what single sum is equivalent to this pension?

- a. Rs. 3,00,000
- b. Rs. 2,50,000
- c. Rs. 2,41,500
- d. Rs. 1,20,750

Ans - d

.....

LIABILITES		ASSETS	
Capital	180	Net Fixed Assets	400
Reserves	20	Inventories	150
Term Loan	300	Cash	50
Bank C/C	200	Receivables	150
Trade Creditors	50	Goodwill	50
Provisions	50		
	800		800

What is the Net Worth ?

Tangible Net Worth is

Outside Liabilities

Net Working Capital

Current Ratio

Quick Ratio

What is the Net Worth : Capital + Reserve = 200

Tangible Net Worth is : Net Worth - Goodwill = 150

Outside Liabilities : TL + CC + Creditors + Provisions = 600

d. Net Working Capital : C A - C L = 350 - 250 = 50

e. Current Ratio : C A / C L = 350 / 300 = 1.17 : 1

f. Quick Ratio : Quick Assets / C L = 200/300 = 0.66 : 1

.....

.....

The following convention/s do not consider the qualities and disqualities of general manager (i) convention of conservatism, (ii) convention of feasibility, (iii) convention of materiality

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

Ans - c

LIABILITIES	2013-14	2014-15	ASSETS	2013-14	2014-15
Capital	300	350	Net Fixed Assets	730	750
Reserves	140	160	Security Electricity	30	30
Bank Term Loan	320	280	Investments	110	110
Bank CC (Hyp)	490	580	Raw Materials	150	170
Unsec. Long T L	150	170	S I P	20	30
Creditors (RM)	120	70	Finished Goods	140	170
Bills Payable	40	80	Cash	30	20
Expenses Payable	20	30	Receivables	310	240
Provisions	20	40	Loans/Advances	30	190
			Goodwill	50	50
Total	1600	1760		1600	1760

Tangible Net Worth for 1st Year : (300 + 140) - 50 = 390

Current Ratio for 2nd Year : (170 + 30 +170+20+ 240 + 190) / (580+70+80+70)
820 /800 = 1.02

Debt Equity Ratio for 1st Year : 320+150 / 390 = 1.21

Which is not one of the approaches proposed for measurement of operational risks ?

- a. Basic Indicator Approach
- b. Standardised Approach
- c. Advanced Measurement
- d. Internal Rating Based Approach

Ans – d

.....

Posting is made at side of any a/c appearing at debit side of cash book:

- Debit
- Credit
- Either a or b
- none

Ans - b

.....

A money-lender finds that due to a fall in the rate of interest from 13% to 12.5%, His yearly income from interest falls by Rs. 208. His principal amount is.....

- a. Rs. 42,800
- b. Rs. 41,600
- c. Rs. 44,600
- d. Rs. 48,000

Ans - c

.....

Raw material consumed is calculated as.....

- a. Opening stock plus purchases
- b. Opening stock plus purchases less closing stock of raw material
- c. Purchases less closing stocks
- d. None of the above

Ans – b

.....

Personal a/c may have balance:

- Debit
- Credit
- Either a or b
- None

Ans - c

.....

.....

.....

At what rate percent per annum will the simple interest on a sum of money be $\frac{2}{5}$ of the amount in 10 years?

- 1%
- 2%
- 3%
- 4%

Ans - d

Explanation:

Let sum = x

Time = 10 years.

S.I = $\frac{2x}{5}$, [as per question]

Rate = $\left(\frac{100 * 2x}{x * 5 * 10} \right) \%$

=> Rate = 4%

.....

Profit represents excess of receipts over expenditure. This statement is not as per (i) mercantile system of accounting, (ii) cash system of accounting, (iii) hybrid system of accounting

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

Ans - b

.....

Rs. 800 becomes Rs. 956 in 3 years at a certain rate of simple interest. If the rate of interest is increased by 4%, what amount will Rs. 800 become in 3 years.

- a. Rs 1052
- b. Rs 1152
- c. Rs 1252
- d. Rs 1352

Ans - a

.....

.....

Explanation:

$$\text{S.I.} = 956 - 800 = \text{Rs } 156$$

$$R=156 \times 100800 \div 3R=612\% \text{ New Rate} = 612 \div 4 = 212\% \text{ New S.I.} = 800 \times 212 \div 3100 = 252 \quad R=156 \times 100800 \div 3R=612\% \text{ New Rate} = 612 \div 4 = 212\% \text{ New S.I.} = 800 \times 212 \div 3100 = 252$$

Now amount will be $800 + 252 = 1052$

.....

Interest collected by bank is in our passbook:

Credited
 Debited
 Subtracted
 Not shown

Ans - a

.....

Bank reconciliation statement is prepared by:

Bank
 Customer
 Creditor
 Firm

Ans - b

.....

A person desires to create an endowment fund to provide for a prize of Rs.3,000 every year. If the fund can be invested at 10% per annum compound interest, find the amount of the endowment.

- a. Rs. 3,000
- b. Rs. 6,000
- c. Rs. 15,000
- d. Rs. 30,000

Ans - d

.....

.....

.....

The debit balance of passbook is:

- a. Plus balance
- b. Minus balance
- c. Either a or b
- d. none

Ans - b

.....

Trial balance shows:

- a. Arithmetic accuracy of books
- b. Only ledger balances
- c. Necessary adjustments
- d. Only cash transactions

Ans - a

.....

According to Accounting Standard 2 inventory means tangible property held

- a. For sale in the ordinary course of business (finished goods)
In the process of production for such sale(work-in-process)
For production in the production of goods or services for sale(raw materials)
All the above

Ans - d

.....

The rate of interest in a bank is 5% compounded annually. What should I invest per year to get Rs. 6,00,00 at the end of 20 years?

- a. Rs. 8,000 approx.
- b. Rs. 9,073 approx.
- c. Rs. 18,146 approx
- d. Rs. 36,292 approx

Ans - c

.....

.....

.....

A firm has leased a leasehold property for 3 years on 1st January, 2005 for Rs.1,00,000 and has decided to replace it by creating a depreciation fund. The rate of compound interest on investments is 55 p.a. Calculate the annual depreciation (i.e. the amount to be invested).

- a. Between Rs. 30,000 and Rs. 31,000
- b. Between Rs. 31,000 and Rs. 32,000
- c. Between Rs. 32,000 and Rs. 33,000
- d. Between Rs. 33,000 and Rs. 34,000

Ans - b

.....

Cash discount is (i) The allowance to expedite cash receipts and payments within a specified period, (ii) It is a loss for the firm receiving the payment and again for the firm making the payment, (iii) Discount allowed is entered on debit side and discount earned on the credit side of cash book.

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

Ans - d

.....

The holding period for which interest rate risk disappears is not known as (i) Safety of bond, (ii) Duration of the bond, (iii) Maturity of the bond

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

Ans - b

.....

If a bond is purchased at its current market price and if the coupon interest is received, the rate of return on it is measured by

- a. Yield to maturity of bond
-

-
- b. Current yield of bond
 - c. Current present value of bond
 - d. Future yield of bond.

Ans - b

.....

In perpetual bonds, only paid. (i) Interest, (ii) Maturity

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

Ans - a

.....

My daughter is 5 years old. In order to provide a sum Rs. 1,00,000 when she Completes 21 years, I have decided to invest a fixed sum of money every year beginning immediately and the last payment will be when she completes 21 years. Find the fixed sum of money assuming the money earns compound interest at the rate of 8%p.a.

- a. Rs 1,483 approx.
- b. Rs. 1,400 approx.
- c. Rs. 1,500 approx.
- d. Rs. 2,966 approx.

Ans - d

.....

Under which system, in every transaction, an account is debited and some other account is credited.

- a. Single Entry System
- b. Double Entry System
- c. Both a & b
- d. Neither a nor b

Ans - b

.....

.....

.....

Assets-Rs.3,20,000, Liabilities-Rs.1,40,000, then Capital.....

Rs.4,60,000

Rs.1,80,000

Rs.1,60,000

Rs.4,80,000

Ans - b

.....

The Pass book of an account holder is the copy of

- a. the bank columns in the cash book of the account holder
- b. the relevant account in the books of a bank
- c. the cash column in the cash book of a customer
- d. none

Ans - b

.....

Professional fees paid in connection with acquisition of leasehold premises

- a. Capital expenditure
- b. Deferred revenue expenditure
- c. Revenue expenditure
- d. Current expenditure

Ans - a

.....

Entries for issuance of cheques are made immediately by the customer to the credit of cash book, but the bank debits the customer account

immediately

on presentation over counter

on presentation in clearing

on presentation at counter or in clearing

Ans. d

.....

.....

.....

Any customer is entitled to receive compensation for delay in resolution of ATM customer complaints, only if (i) a claim is lodged with the issuing bank within 30 days of the date of the transaction, (ii) a claim is lodged with the issuing bank anytime

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) nor (ii)

Ans - a

.....

Which of the following are not considered as main functions of a Modern commercial bank? (i) Equipment Leasing, (ii) Dealing in securities, (iii) MMMFs

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

Ans - b

MMMMF - Money Market Mutual Funds

.....

Banks should make available all printed material used by retail customers including account opening forms, pay-in-slips, passbooks, etc., in (i) English, (ii) Hindi, (iii) the concerned Regional Language

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

Ans - d

.....

In case of joint account, revoking of stop payment of cheque should be authorised by (i) only primary customer, (ii) by all the authorised signatories

- a. Only (i)
-

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

Ans - b

.....

A man purchased 9,500 shares at Rs.12 per share in the open market, the face Value of shares being Rs. 10. The company declared a dividend of 8%. What amount of dividend will he receive?

- a. Rs. 7,600
- b. Rs. 9,120
- c. Rs. 9,500
- d. Rs. 11,400

Ans - a

.....

A and B share profits in the ratio of $\frac{4}{5}$ th and $\frac{1}{5}$ th. C is admitted for $\frac{1}{2}$ share. The profit sharing ratio will be.....

- a. 1 : 5 : 4
- b. 4 : 1 : 5
- c. 5 : 1 : 4
- d. 5 : 4 : 1

Ans - b

.....

Under casting of the credit side of Cash Book has the same effect as over casting of the ...

- a. Debit side of the pass book.
- b. Credit side of the pass book.
- c. There is no relevance between the two
- d. None of the above

Ans - b

.....

.....

.....

Mr. X purchased a machine worth Rs. 2,00,000 on 1st January 2012. The machine is depreciated at 10% p.a.; on original cost. On 1st July 2014, the machinery was sold for Rs. 1,20,000. What is the amount of loss to be written off, assuming that the books are closed on 31st December.

- a. Rs. 25,000
- b. Rs. 30,000
- c. Rs. 35,000
- d. Rs. 40,000

Ans - b

.....

A company purchased a car for Rs. 2,00,000 on 1st January 2013. Depreciation is charged at 20% p.a. under written down value method. The car was sold on 1st July 2014 for Rs. 1,60,000. calculate the amount Profit/loss on the sale of the car.

- (-) Rs. 10,000
- (-) Rs. 12,000
- Rs. 14,000
- Rs. 16,000

Ans – d

.....

Mr. X Purchased a machinery for Rs. 1 lakh, its effective life being 5 years and scrap value at the end of 5 years Rs. 10,000. The machinery is sold at the end of 3rd year for Rs. 45,000. If depreciation is charged on straight line method, what is the profit/loss on this sale?

- a. Profit Rs. 18,000
- b. Profit Rs. 1,000
- c. Loss Rs. 1,000
- d. Loss Rs. 18,000

Ans - c

.....

Freight paid on a machine for bringing it to factory is.....

- a. Capital expenditure
 - b. Revenue expenditure
-

-
- c. Deferred revenue expenditure
d. None of the above

Ans - a

.....

Find the simple interest on the Rs. 2000 at 25/4% per annum for the period from 4th Feb 2015 to 18th April 2015

- A. Rs 25
B. Rs 30
C. Rs 35
D. Rs 40

Ans - A

Explanation:

One thing which is tricky in this question is to calculate the number of days.

Always remember that the day on which money is deposited is not counted while the day on which money is withdrawn is counted.

So lets calculate the number of days now,

Time = (24+31+18) days

73/365 years

1/5 years

P = 2000

R = 25/4%

S.I. = $2000 \times \frac{25}{4} \times \frac{1}{5} \times \frac{73}{100}$

25

.....

A company incorporated out side India but has a place of business in india, is termed as

- a. Statutory Company
b. Foreign Company
c. Holding Company
d. Subsidiary Company

Ans - b

.....

.....

Cash book is book of (i) Prime entry, (ii) Final entry

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

Ans - d

.....

The sale of business asset on credit is recorded in (i) Sales journal , (ii) General journal

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

Ans - b

.....

The amount brought in by the proprietor in the business should not be credited to (i) Proprietor's account, (ii) Drawings account, (iii) Capital account

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

Ans - a

.....

A construction company plans to purchase a new earthmover for Rs. 350000 in 5 years. Determine the annual savings required to purchase the earthmover if the return on investment is 12%.

- 50593
 - 55093
 - 50953
 - 59053
-

.....

Ans - b

Hint:

Use FVOA formula to find C. Here FV is given.

Ans is 55093

.....

A truck cost 8,900 with a residual value of 500. it is estimated the useful life of the truck is 4 years. The amount of depreciation expense in year 2 by using the declining balance at twice the straight line rate is...

- a. 2,225
- b. 4,200
- c. 4,450
- d. 8,400

Ans – c

.....

In case of a bad debt, the amount should not be debited to..... (i) Bad debt account, (ii) Customer account, (iii) Discount account

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

Ans - c

.....

The debt-equity ratio of a firm has shown increase (increase in long term sources) along with its current ratio. Which of the following is certainly true?

- a. Sources of funds have been utilised for purchase of fixed assets
- b. Sources of funds have been used for payment of current liabilities
- c. Sources of funds have been used for payment of current assets
- d. (b) & (c) both

Ans - d

.....

.....

.....

A sum of Rs. 25,400 is lent out into two parts, one at 12% p.a. and the other at 12.5% p.a. If the total annual income from interest is Rs. 3,116, the money lent at 12% is

- Rs. 10,800
- Rs. 11,800
- Rs. 12,400
- Rs. 13,400

Ans - b

.....

Which is not Tax deductible?

- a. Interest Payments on Debts
- b. Dividend Payments
- Both
- None of these

Ans - b

.....

Debt which is due to us is called...

- Active
- Passive
- Any of the above
- None of the above

Ans - a

.....

Which bond would most likely possess the least degree of interest rate risk?

- a. 8% coupon rate, 10 years to maturity
- b. 10% coupon rate, 10 years to maturity
- c. 8% coupon rate, 20 years to maturity.
- d. 12% coupon rate, 20 years to maturity.

Ans - b

.....

.....

.....

If a receipt of Rs. 20,000 from Manan (our debtor) has not been recorded in the books, the profit will show ...

- a. An increase of Rs. 20,000
- b. A decrease of Rs. 20,000
- c. Neither an increase nor a decrease
- d. An increase of Rs. 10,000

Ans - c

.....

In case of Safe custody of articles, Nomination facilities are available for (i) individual depositors, (ii) Persons jointly depositing articles

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) nor (ii)

Ans - a

.....

Balance in the petty cash book is

- a. Expense
- b. Profit
- c. Asset
- d. Liability

Ans - c

.....

..... of a partner means joining of a new person into an existing partnership as a partner.

- Admission
- Submission
- Permission
- Retirement

Ans – a

.....

Cost of asset = 8,00,000

Estimated residual value = 10% of the cost

Estimated useful life of asset = 5 years

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

312000

424000

512000

604000

Ans - c

Explanation

Depreciation rate = $(1/\text{useful life}) \times 200\%$

$$1/5 \times 200\% = 20\% \times 2 = 40\%$$

[Year 1]

Depreciation amount for year 1

beginning book value x depreciation rate

$$8,00,000 \times 40\% = 3,20,000$$

Accumulated depreciation at the end of year 1 = 3,20,000

Book value at the end of year 1

$$8,00,000 - 3,20,000 = 4,80,000$$

[Year 2]

Depreciation amount for year 2

beginning book value x depreciation rate

$$4,80,000 \times 40\% = 1,92,000$$

Accumulated depreciation at the end of year 2

$$3,20,000 + 1,92,000 = 5,12,000$$

Rs. 25,000 paid as salary to Mr. Ravi has been debited to his personal account. The rectification entry will be...

- debit Cash a/c and credit Salary a/c
- debit Salary a/c and credit Cash a/c
- debit Ravi's a/c and credit Cash a/c
- debit Salary a/c and credit Ravi's a/c

Ans. d

.....

A sale of Rs. 20,000 was omitted from recording in the Sales Book. The existing total of debit side of the trial balance is Rs. 15,00,000. Presently, what will be the total of credit side?

- a. Rs 15,20,000
- Rs.14,80,000
- Rs.15,40,000
- Rs.14,60,000

Ans - b

.....

Calculate sales if cost of sales is Rs 1,60,000 and the gross loss is Rs 68,00

- a. Rs. 2,28,000
- b. Rs. 92,000
- c. Rs. 2,52,00
- d. RS. 1,42,000

Ans - c

.....

Find out net profit from the following figures

cash sale = Rs 70,000
 credit sales =RS 80,000
 cost of goods =Rs 1,04,000
 selling expenses =Rs 13,400

(-) Rs. 34,000
 (-) Rs. 24,000
 Rs. 32,600
 Rs. 46,000

Ans - c

.....

Gross profit is calculated as:

- a. Net sales - Loss
 - b. Sale x Rate of G.P/100
-

-
- c. Net Profit - Expenses
 - d. Both a & b

Ans - d

.....

Purchase of machinery for cash, results in:

- a. Decrease in total assets
- b. Increase in total assets
- c. No change in total assets
- d. Increase in liability

Ans - c

.....

Rate of depreciation in reducing balance method is:

- High
- Moderate
- Low
- 5%

Ans - a

.....

If an asset is sold on 30 June while the accounts are closed on 31 Dec., then depreciation is calculated for:

- a. 1 year
- b. 6 month
- c. 1 month
- d. 5 month

Ans - b

.....

Bank column of cash book has balance:

- a. Debit
-

.....

Credit
Either a or b
None

Ans – c
.....

Shradha borrowed some money from a money-lender. She returns this in two Annual equal installments of Rs. 5,832 each. Find the sum, if the rate of compound interest is 8% p.a.

- a. Rs. 5,832
- b. Rs. 5,200
- c. Rs. 11,664
- d. Rs. 10,400

Ans - d
.....

A sum of money was borrowed the paid back in 2 annual installments of Rs. 1,864 and Rs1,740, respectively. If the rate of compound interest was 16% p.a. find out the sum borrowed.

- a. Rs. 3,604
- b. Rs. 3,202
- c. Rs. 2,900
- d. Rs. 2,700

Ans - c
.....

What will be the difference between simple and compound interest @ 10% per annum on the sum of Rs 1000 after 4 years ?

- A. Rs 62.10
- B. Rs 63.10
- C. Rs 64.10
- D. Rs 65.10

Ans - C

Explanation:
.....

.....

$$S.I. = 1000 \times 10 / 100 \times 4 = 400$$

$$C.I. = [1000(1 + 10/100)^4 - 1000] = 464.10$$

So difference between simple interest and compound interest will be

$$464.10 - 400 = 64.10$$

.....

Italian Method of accounting is also known as

- a. Cost Accounting
- Double entry book-keeping
- Financial Accounting
- None of these

Ans - b

.....

Common non-traditional methods available for determining arm's length price is/are

- a. Profit Spilt Method
- b. Transactional Net Margin Method
- c. Both a and b
- d. None of these

Ans - c

.....

In cash book, all receipts are recorded on the side and all payments are recorded on the side

- a. debit, credit
- b. credit, debit
- c. debit, debit
- d. credit, credit

Ans - a

.....

.....

.....

Goods lost in transit is

- a. Nominal loss
- b. Abnormal loss
- c. Casual loss
- d. Conditional loss

Ans – a

.....

Capital Rs. 1,20,000, Liabilities Rs. 75,000, then Assets Rs.....

- a. Rs. 45,000
- b. Rs. 75,000
- c. Rs. 1,20,000
- d. Rs. 1,95,000

Ans - d

Let me Explain :

$$A = C+L$$

$$120000 + 75000$$

$$195000$$

.....

Simple interest on a sum at 6% p.a. for 6 years is Rs.2160. Find the total amount for the compound interest on the same principal, rate of interest and for the same period is.....

- a. Rs. 8115
- b. Rs. 8511
- c. Rs. 8521
- d. Rs. 8581

Ans - b

Let me Explain :

Let us first find the principal Amount

.....

.....

Simple Interest for 6 years @ 6% = 2160
 So, for 1 year @ 6% = 2160/6 = 360
 So, the Principal Amount = 360/6*100 = 6000

Now let us calculate, compound interest on Rs. 6000 at 6% p.a for 6 years

$A = P(1+r/100)^n$
 6000 (1+6/100)^6
 6000 (1.06)^6
 6000 (1.4185)
 8511

So, Total Amount on Rs. 6000 at 6% p.a for 6 years is : Rs. 8511

.....

An asset cost Rs. 5,00,000/- has residual value of Rs. 50,000/-, and is expected to last 5 years. Calculate the depreciation for 3rd year using Straight-line Method.

- a. Rs. 90,000
- b. Rs. 1,00,000
- c. Rs. 2,70,000
- d. Rs. 3,00,000

Ans - a

Let me Explain :

Expected Life = 5 Years
 Total Depreciation = Cost of the Asset - Residual Value
 So, Value to be taken for Depreciation = 500000 - 50000 = 450000
 Depreciation per year = 450000/5 = 90000

So, Depreciation for 3rd year also will be Rs. 90000/-

.....

A clerical error committed while posting, totaling or balancing of an account is

- a. Error of commission
 - b. Error of omission
 - c. Error of principle
-

.....

d. Compensating error

Ans - a

.....

Legal expenses incurred in connection with raising debenture loans is

- a. Capital Expenditure
- b. Revenue Expenditure
- c. Deferred Revenue Expenditure
- d. None

Ans - c

.....

At 10% p.a. 2 year discount factor is

- a. 0.826
- b. 1.00
- c. 0.909
- d. 0.814

Ans - a

.....

Compliance of accounting standards is not the duty of (i) Board of Directors, (ii) Auditor, (iii) Company secretary

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

Ans - c

.....

Point out the correct accounting equation (i) capital = assets - liabilities, (ii) assets = capital + liabilities, (iii) liabilities = assets + capital

- a. Only (i) and (ii)
-

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

Ans - a

.....

Transaction are first recorded in the and then they are posted to the

- a. Ledger, Journal
- b. Journal, Ledger
- c. Any one of the above
- d. None of these

Ans - b

.....

Mr. Ravi borrowed a sum of Rs. 30000 from Mr. Raj at the rate of 11% p.a. for 3 years. Total amount of interest payable is

- a. Rs. 9000
- b. Rs. 9600
- c. Rs. 9900
- d. Rs. 10200

Ans - c

.....

At a certain rate of simple interest, a sum doubles itself in 5 years. It will be four times of itself in

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

Ans – b

.....

.....

.....
Due to a fall in the rate of interest from 11% to 10.5%, a money-lender's yearly income from interest falls by Rs. 240. What is his principal amount?

- a. Rs. 42,800
- b. Rs. 41,600
- c. Rs. 44,600
- d. Rs. 48,000

Ans - d

.....
The removal of stock from old works to new site is...

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

Ans - b

.....
The overhauling expenses of machines is...

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

Ans - b

.....
Legal expenses incurred in connection with raising of debenture loans is ...

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

Ans - c

.....
.....

.....

..... of a partner means that a partner breaks off his relations with all other partners and withdraws himself from the firm.

- Admission
- Submission
- Permission
- Retirement

Ans - d

.....

..... means accounting performed by a computer.

- Accounting
- Computerised accounting
- Manual accounting
- None of the above

Ans - b

.....

..... of a partner means joining of a new person into an existing partnership as a partner.

- Admission
- Submission
- Permission
- Retirement

Ans – a

.....

The set of instructions written by a programmer for a computer is called

- Programme
- software programme
- Computer programmed - software programme
- Hardware Programme

Ans - c

.....

.....

.....

The relationship between the bond prices and interest rates is one of the Following

- a. direct & linear
- b. inverse & linear
- c. direct and curvilinear
- d. no relationship

Ans - b

.....

Which is not a Solvency Ratio?

- Debt-Equity Ratio
- Current Ratio
- Debtor's Turnover Ratio
- Liquidity Ratio

Ans. c

.....

To know the cause for the difference between balance as per bank column of cash book and passbook, is prepared.

- a. Balance Sheet
- b. Trial Balance
- c. Bank Reconciliation Statement
- d. All the above

Ans - c

.....

What will the ratio of simple interest earned by certain amount at the same rate of interest for 12 years and that for 6 years.

- 1:2
- 2:1
- 2:2
- 2:3

Ans – b

.....

.....

Let me Explain :

Let the principal be P and rate be R, then

$$\text{Ratio} = [(P \cdot R \cdot 12/100) : (P \cdot R \cdot 6/100)]$$

$$12PR : 6PR$$

$$12 : 6$$

$$2 : 1$$

.....

If the benefit of an expenditure is available for only one year, it is a

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

Ans - b

.....

Sales - Rs. 150000, Operating expenses - Rs. 30000, Net Loss - Rs. 10000.
Find gross profit.

10000

20000

40000

110000

Ans - b

.....

Consignee's Account is a...

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

Ans. b

.....

.....

.....
The periodic total of the sales book is posted to the

- a. Debit of Sales Account
- b. Credit of Sales Account
- c. Debit of Cash Account
- d. Credit of Cash Account

Ans - b
.....

Sales Account in ledger records

- a. Only cash sales of merchandise
- b. Only credit sales of merchandise
- c. Both cash and credit sales of merchandise
- d. Only credit sale of old assets

Ans - c
.....

When a bill is endorsed, credit is given to

- Bank's
- Acceptor's a/c
- Endorser's a/c
- Bills Receivable a/c

Ans - d
.....

At what rate percent per annum will the simple interest on a sum of money be 3/10th of the amount in 5 years?

- 2%
- 4%
- 6%
- 8%

Ans - c
.....

.....

Explanation:

Let sum = x

Time = 5 years.

S.I = $3x/10$, [as per question]

Rate = $((100 * 3x) / (x * 10 * 5))\%$

=> Rate = 6%

.....

Rs. 50000 becomes Rs. 61250 in 3 years at a certain rate of simple interest. If the rate of interest is increased by 3%, what amount will Rs. 50000 become in 3 years.

- a. Rs. 57750
- b. Rs. 62500
- c. Rs. 65750
- d. Rs. 67250

Ans - c

Explanation:

S.I. for 3 years = $61250 - 50000 = \text{Rs } 11250$

S.I. for 1 years = $11250/3 = 3750$

Rate of interest = $3750/50000 * 100 = 7.5$

If the rate of interest is increased by 3%, to 10.5

S.I. for 3 years = $50000 * 10.5 * 3 = 15750$

Now amount will be $50000 + 15750 = 65750$

.....

What will the ratio of simple interest earned by certain amount at the same rate of interest for 8 years and that for 12 years.

- 1:2
- 2:1
- 2:3
- 3:2

Ans- d

.....

.....

Explanation:

Let the principal be P and rate be R

then

$$\text{Ratio} = [(P \cdot R \cdot 8 / 100) : (P \cdot R \cdot 12 / 100)]$$

$$= 8PR : 12PR$$

$$= 2 : 3$$

.....

If A lends Rs. 80000 to B at 9% p.a. and B lends the same sum to C at 12% p.a., then the gain of B (in Rs.) in a period of 5 years is ...

- A. Rs. 9000
- B. Rs. 12000
- C. Rs. 15000
- D. Rs. 18000

Ans - b

Explanation:

We need to calculate the profit of B.

It will be,

SI on the rate B lends - SI on the rate B gets

$$\text{Gain of B} = 80000 \cdot 12 \cdot 5 / 100 - 80000 \cdot 9 \cdot 5 / 100$$

$$48000 - 36000$$

$$12000$$

.....

Errors of Commission arise when

- a. Any transaction is incorrectly recorded either wholly or partially
- b. Any transaction is left wholly or partially
- c. Any transaction is recorded in a fundamentally incorrect manner
- d. All the above.

Ans - c

.....

.....

.....
Purchase of office furniture for Rs2000 has been debited to General Expenses ac. It is

- a. A clerical error
- b. An error of principle
- c. An error of omission
- d. A mathematical error

Ans - b
.....

Subscription received in advance during the current year is

- a. an expense
- b. an income
- c. an outstanding expenditure
- d. a liability

Ans - d
.....

Which of the following is/are True? (i) Replacement of defective part of machinery is revenue expenditure, (ii) Underwriting commission for issue of shares is revenue expenditure, (iii) Daily wages paid for erection /installing of machinery is capital expenditure

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

Ans - b
.....

Credit sale of X to Suresh is posted to his credit, then rectification is

- a. Credit Suresh to the extent of 2X
- b. Credit Suresh to the extent of X
- c. Debit Suresh to the extent of 2X
- d. Debit Suresh to the extent of X

Ans – c
.....

.....

Which of the following are not true (i) A bill drawn for mutual help is an accommodation bill, (ii) An insolvent is a person from whom some portion of the debt is recoverable, (iii) Drawer drags the drawee to court in case of dishonour of accommodation Bill.

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

Ans - c

.....

Which of the following may not be part of the reconciliation process?

- a. Interest on overdraft
- b. Dishonour of cheque
- c. Cash drawn from bank
- d. Cheque deposited but not collected

Ans - c

.....

The facility to get bill of exchange discounted puts them into the category of

- a. Fixed assets
- b. Intangible assets.
- c. Wasting assets
- d. Current assets.

Ans - d

.....

AS2-Revised, permits use of only (i) FIFO, (ii) LIFO, (iii) WAM

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

Ans – b

.....

.....

A bill for Rs. 10,000 was dishonoured with Rs. 150 as noting charges. It was renewed with interest of Rs. 250. The amount of the new bill will be -

- a. Rs. 10,000
- b. Rs. 10,150
- c. Rs. 10,250
- d. Rs. 10,400

Ans - d

.....

What ratio can be used to inefficient buying habits?

- a. Inventory turnover ratio
- b. Gross margin ratio
- c. Equity multiplier
- d. Debt ratio

Ans - a

.....

A ratio that compares investors' and creditors' stake in a company.

- a. Debt ratio
- b. Debt to equity ratio
- c. Equity ratio
- d. Investor creditor ratio

Ans - b

.....

The ratio that explains how efficiently companies use their assets to generate revenue.

- a. Revenue asset ratio
- b. Receivables turnover ratio
- c. Income ratio
- d. Asset turnover ratio

Ans - d

.....

.....

.....

Funds generated in business does not mean..... (i) Profit and depreciation, (ii) Profit less depreciation, (iii) Net Profit

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

Ans - c

.....

What is the present worth of Rs. 132 due in 2 years at 5% simple interest per annum ?

- 110
- 120
- 130
- 140

Ans – b

Explanation:

Let the present worth be Rs.x

Then, S.I.= Rs.(132 - x)

$\Rightarrow (x * 5 * 2 / 100) = 132 - x$

$\Rightarrow 10x = 13200 - 100x$

$\Rightarrow 110x = 13200$

$x = 120$

.....

Capital at the start of business-Rs.6,00,000.

At the end of the year, worth of the Assets-Rs.10,00,000 and liabilities-Rs.2,00,000.

Then Capital at the end of the year.....

- a. Rs. 8,00,000
- b. Rs. 10,00,000
- c. Rs. 12,00,000
- d. Rs. 6,00,000

Ans - a

.....

.....

.....

Total Liabilities of a firm is Rs.100 Lac and Current Ratio is 1.5 : 1. If Fixed Assets and Other Non Current Assets are to the tune of Rs. 70 Lac and Debt Equity Ratio being 3 : 1. What would be the Long Term Liabilities?

- a. 40 Lacs
- b. 60 Lacs
- c. 80 Lacs
- d. 100 Lacs

Ans - b

Explanation :

Total Assets = Total Liabilities = 100 Lac
 Current Asset = Total Assets - Non Current Assets
 Rs. 100 L - Rs. 70 L
 Rs. 30 L

If the Current Ratio is 1.5 : 1
 then Current Liabilities works out to be Rs. 20 Lac.
 That means, Net Worth + Long Term Liabilities = Rs. 80 Lacs.
 If the Debt Equity Ratio is 3 : 1,
 then Debt works out to be Rs. 60 Lacs and equity Rs. 20 Lacs.
 Therefore the Long Term Liabilities would be Rs.60 Lac.

.....

Rebate on bills discounted account is of the nature of

- A. Real account
- B. Personal account
- C. Nominal account
- D. Intangible account

Ans - c

.....

Patents right account is of the nature of

- A. Real account
 - B. Personal account
-

-
- C. Nominal account
D. Intangible account

Ans - a

.....

Accounts generally prepared for months

- 6
9
12
18

Ans - c

.....

There was simple interest of Rs. 4016.25 on a principal amount at the rate of 9%p.a. in 5 years.
Find the principal amount

- A. Rs 7925
B. Rs 8925
C. Rs 7926
D. Rs 7925

Ans - B

Explanation:

$$S.I. = P * R * T / 100$$

$$\Rightarrow P = S.I. * 100 / R / T$$

$$P = 4016.25 * 100 / 9 / 5$$

$$8925$$

.....

By investing Rs. 1620 in 8% stock, Michael earns Rs. 135. The stock is then quoted at:

- a. Rs. 80
b. Rs. 96
c. Rs. 106
-

.....
d. Rs. 108

Ans - b

Explanation:

To earn Rs. 135, investment = Rs. 1620.

To earn Rs. 8, investment = Rs.

$1620/135 \times 8 = \text{Rs. } 96.$

Market value of Rs. 100 stock = Rs. 96.
.....

A non - banking asset is ...

- a. Furniture, Fixture and Fittings
- b. Office equipment
- c. Money at call and short notice
- d. Asset acquired from the debtors in satisfaction of claims against them

Ans - d
.....

Share of a limited company can be classified into

- Equity
- Preference
- Equity and Preference
- None of the above

Ans - c
.....

Purchase book is an example ofjournal

- General
- Special
- Common
- Cash

Ans - b
.....
.....

.....
EOD operations at CDC normally starts around

- a. 8 PM
- b. 9 PM
- c. 10 PM
- d. 11 PM

Ans - c
.....

Max permissible LTV ratio for individual housing Loans upto 20 Lacs is %

- a. 80
- b. 85
- c. 90
- d. 95

Ans - c
.....

Max permissible LTV ratio for Auto Loans above Rs. 10 Lacs is % of 'on road price' of the car.

- a. 80
- b. 85
- c. 90
- d. 95

Ans - a
.....

The banker's gain of a certain sum due 2 years hence at 5% p.a. is Rs. 40. The Present worth is...

- a. Rs. 4,000
- b. Rs. 4,400
- c. Rs. 6,000
- d. Rs. 8,000

Ans – a
.....
.....

.....

When the consignee receives the goods from the consigner

- a. Goods are debited to goods received on consignment account
- b. No entry is to be passed
- c. Credit consignor's personal account
- d. None of the above

Ans - b

.....

An asset cost Rs. 16,00,000/- has residual value of Rs. 1,00,000/-, and is expected to last 5 years. Calculate the depreciation for 2nd year using sum of the digits Method.

- a. Rs. 100000
- b. Rs. 200000
- c. Rs. 300000
- d. Rs. 400000

Ans - d

Let me explain :

$$= \frac{n \text{th}}{E(\sigma)n} (\text{cost} - \text{Residual Value})$$

$$E(\sigma)n = 1+2+3+4+5 = 15$$

$$\text{Cost} - \text{Residual Value} = 1600000 - 100000 = 1500000$$

$$1\text{st year} = \frac{5}{15}(1500000) = 500000$$

$$2\text{nd year} = \frac{4}{15}(1500000) = 400000$$

$$3\text{rd year} = \frac{3}{15}(1500000) = 300000$$

$$4\text{th year} = \frac{2}{15}(1500000) = 200000$$

$$5\text{th year} = \frac{1}{15}(1500000) = 100000$$

.....

Which of following is special journal?

- a. Purchase book
- b. Creditor a/c
- c. Debtor a/c
- d. Capital a/c

Ans – a

.....

.....

.....

Sales book do not contain:

- a. Credit sales
- b. Credit sales of goods
- c. Cash sales
- d. Trade discount

Ans - c

.....

Subsidiary book contain:

- a. Interest on capital
- b. Credit items
- c. Sale of asset
- d. Loss of goods

Ans - b

.....

Submission of details of PAN (Permanent Account Number) is compulsory for Fixed Deposits, Remittances, such as, DDs / TTs/ Rupee TCs, etc., if the amount exceeds

- Rs.10,000/-
- Rs.25,000/-
- Rs.50,000/-
- Rs.1,00,000/-

Ans – c

.....

Zero coupons bonds

- a. Do not carry any interest. It is issued at a lower price than its redemption value
- b. Carry a fixed rate of interest payable at the time of redemption of the bonds
- c. Bears zero risk
- d. All of the above

Ans - a

.....

.....

.....

..... of the Banking Regulation Act, 1949 does not preclude a minor from being a nominee, for obtaining delivery of the contents of a locker.

- a. Section 45
- b. Section 46
- c. Section 45 ZE
- d. Section 46 ZE

Ans - c

.....

Maximum timeframe for collection of cheques drawn on major cities is

- a. 7 days
- b. 10 days
- c. 14 days
- d. 21 days

Ans - b

.....

KYC is

- One-time project
- An ongoing process
- To be carried out every 2 years
- To be carried out every 5 years

Ans - b

.....

Share Allotment Account is ...

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

Ans – b

.....

.....

.....

An HUF concern wants to become partner of a firm in which there are already 15 partners. The no. of HUF members is 7

- a. Since no. of partners would exceed 20 partnership is not possible
- b. HUF will be taken as one member. Hence partnership is possible
- c. HUF cannot become a partner in a partnership firm
- d. None of the above

Ans - c

.....

Under KYC guidelines, where a customer does not comply with the KYC requirement, his account can be closed. (i) decision to close the account should be taken at a high level, (ii) account should be closed after giving due notice to the customer, (iii) account should be closed after explaining the reasons to the customer

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

Ans - d

.....

Which of the following are limitations of ratio analysis? (i) Ratio analysis may result in false results if variations in price levels are not considered, (ii) Ratio analysis ignores qualitative factors, (iii) Ratio Analysis ignores quantitative factors

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

Ans - d

.....

Given sales is Rs 2,00,000 and Rs 4,00,000 in year 2016 and 2017 respectively. Profit is Rs 10,000 and Rs 20,000 in 2016 and 2017 respectively. Compute P/V ratio.

- a. 20%
-

-
- 30%
 - 40%
 - 50%

Ans - b

.....

Which of the following are assumptions for break-even analysis? (i) Fixed cost remains certain from zero production to full capacity, (ii) Behavior of different costs is linear, (iii) Selling per price unit remains constant

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

Ans - d

.....

Given Sales in first and second year is Rs 80,000 and Rs 90,000 respectively. Also, profit is Rs 10,000 and Rs 14,000 respectively. What is the break-even point in rupees?

- a. Rs 10,000
- b. Rs 24,000
- c. Rs 55,000
- d. None of the above

Ans - c

.....

Accommodation bills are generally for

- a. Genuine trade reasons
- b. For mutual financial accommodation
- c. To help augment money supply
- d. All the three

Ans - b

.....

.....

.....

Assumption of accounting entity or business entity concept is applicable for which of the following business organizations. (i) Societies, (ii) Joint Stock Companies, (iii) Corporations

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

Ans - d

.....

On early retirement of a B/E who suffers loss of interest

- Drawee
- Drawer
- Payee
- None

Ans - b

.....

NPV of a proposal, as calculated by RADR real CE Approach will be..... (i) Same, (ii) Unequal

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) not (ii)

Ans - b

.....

If A lends Rs. 3500 to B at 10% p.a. and B lends the same sum to C at 11.5% p.a., then the gain of B (in Rs.) in a period of 3 years is ...

- a. Rs. 154.50
- b. Rs. 155.50
- c. Rs. 156.50
- d. Rs. 157.50

Ans - d

.....

.....

Explanation:

We need to calculate the profit of B. It will be, SI on the rate B lends - SI on the rate B gets

$$\begin{aligned} \text{Gain of B} &= 3500 \times 11.5/100 \times 3 - 3500 \times 10/100 \times 3 \\ &= 1207.50 - 1050 \\ &= 157.50 \end{aligned}$$

.....

Which of the following statements are true about Ratio Analysis? (i) Ratio analysis is useful in financial analysis, (ii) Ratio analysis is helpful in communication and coordination, (iii) Ratio Analysis is not helpful in identifying weak spots of the business

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

Ans - d

.....

In context of net operating profit, which of the following statements are true? (i) If all costs are variable, the amount of profit obtained in marginal costing and absorption costing will be same, If the volume of sales and output is equal in a period, profit will be same in absorption costing and marginal costing

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

Ans - d

.....

The stock statement submitted by the borrower contains the following data: Value of stocks - Rs. 15 lacs; Sundry creditors for good - Rs. 5 lacs, Margin - 25 % on stocks. What will be the D.P (Drawing Power)?

- a. Rs. 5.00 lacs
 - b. Rs. 7.50 lacs
-

-
- c. Rs. 11.25 lacs
 - d. Rs. 15.00 lacs

Ans - b

.....

Normally the banks open new accounts in the name of a partnership firm in case of death or insolvency of a partner and stop operations in the cash credit account

- a. to avoid any complication later on if the account goes bad
- b. to avoid any problem with recovery of the dues of the bank
- c. to ensure that application of rule in Clayton's case does not absolve the bank of its liability
- d. to ensure that rule in Clayton's case does not come into operation

Ans - d

.....

Sales for desired profit is measured as

- a. $(\text{Fixed cost} + \text{profit}) / (\text{P/V Ratio})$
- b. $(\text{Fixed cost} + \text{profit}) * (\text{P/V Ratio})$
- c. $(\text{Fixed cost} - \text{profit}) / (\text{P/V Ratio})$
- d. None of the above

Ans - a

.....

Which of the following is true with reference capital budgeting? (i) Capital budgeting is related to asset replacement decisions, (ii) Cost of capital is equal to minimum required return, (iii) Timing of cash flows is relevant

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

Ans - c

.....

.....

.....

Determine B.E.P in units and amount if Units produced if Rs 10,000, Fixed cost is Rs 40,000, Selling price is Rs 50 per unit and Variable cost us Rs 30 per unit.

- a. Rs 20 per unit, Rs 1,00,000
- b. Rs 30 per unit, Rs 3,00,000
- c. Rs 30 per unit, Rs 2,00,000
- d. Rs 40 per unit, Rs 3,00,000

Ans - a

.....

A foreign bill of exchange is generally drawn up in

- Triplicate
- Duplicate
- Single
- Quadruplicate

Ans - a

.....

Rs. 800 amounts to Rs. 920 in 3 years at simple interest. If the interest rate is increased by 3%, it would amount to

- 992
- 1056
- 1112
- 1182

Ans - a

.....

Capital expenses are shown in

- a. Balance Sheet
- b. Profit and Loss A/c
- c. Trading A/c
- d. None of these

Ans - a

.....

.....

Which of the following statements are true? (i) In absorption costing, cost is divided into three major parts while in marginal costing cost is divided into two main parts, (ii) In absorption costing period is important and in marginal costing product is important

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

Ans - d

.....

Closing stock appearing in the trial balance is shown in

- a. Trading A/c and balance sheet
- b. Profit and loss A/c
- c. Balance sheet only
- d. Trading A/c only

Ans - c

.....

In a exchange rate system there is no intervention by the government or central bankers.

- fixed
- floating
- managed float
- pegged

Ans - b

.....

A speculative position on exchange rate movements in the near future is usually held (choose the wrong one) (i) for a long time, typically lasting more than a year, (ii) for a long time, typically lasting more than five years, (iii) for a short time, typically being closed out by the end of the day

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

.....

d. (i), (ii) and (iii)

Ans - a

.....

A lent Rs. 6,000 to B for 2 years and Rs. 1,500 to C for 4 years and received Altogether from both Rs.900 as simple interest. The rate of interest is

- 4%
- 5%
- 8%
- 10%

Ans - b

.....

In Risk-Adjusted Discount Rate method, the normal rate of discount is (choose the wrong one) (i) Increased, (ii) Decreased, (iii) Unchanged

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

Ans - c

.....

The financial statements of a company contain the following information for the year ending 31.03.2017:

Cash - 1,60,000
 Sundry Debtors - 4,00,000
 Short-term Investment - 3,20,000
 Stock - 21,60,000
 Prepaid Expenses - 10,000
 Total Current Assets - 30,50,000
 Current Liabilities - 10,00,000
 10% Debentures - 16,00,000
 Equity Share Capital - 20,00,000
 Retained Earnings - 8,00,000

.....

Statement of Profit for the year ended 31.03.2017

Sales (20% cash sales) - 40,00,000
Less : Cost of goods sold - 28,00,000
Profit before Interest & Tax - 12,00,000
Less : Interest - 1,60,000
Profit Before Tax - 10,40,000
Less : Tax @30% - 3,12,000
Profit After Tax - 7,28,000

Now calculate:

1. Quick Ratio

0.88
0.57
0.47
0.75

Ans - a

2. Debt-equity Ratio

0.88
0.57
0.47
0.75

Ans - b

3. Return on Capital Employed

24.88%
27.57%
27.3%
27.45%

Ans - c

.....

4. Average collection period (Assuming 360 days in a year)

- a. 30 days
- b. 35 days
- c. 40 days
- d. 45 days

Ans - d

.....

Under a floating exchange rate system an increase in the market price (the exchange rate value) of a currency is called a(n) of that currency.

- appreciation
- depreciation
- revaluation
- devaluation

Ans - a

.....

Type of bond which pays interest payment only when it earns is classified as (choose the wrong one) (i) income bond, (ii) interest bond, (iii) payment bond

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

Ans - c

.....

Determine P/V ratio if Sales per unit is Rs 10 and Variable cost per unit is Rs 7.

- 20%
- 30%
- 40%
- 50%

Ans - b

.....

.....

The simple interest on a sum will be Rs. 60,000 after 10 years. If the principal is Trebled after 5 years, the total interest at the end of the tenth year will be

- 60000
- 90000
- 120000
- 150000

Ans - c

.....

What is the amount of Rs. 4,000 @ 4% simple interest p.a from 10th January 2015 to 11th April 2016, on the basis of number of days?

- a. 4200
- b. 4300
- c. 4300.17
- d. 4200.17

Ans - d

.....

Treasury bonds are exposed to additional risks that are included (i) reinvestment risk, (ii) interest rate risk, (iii) investment risk

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

Ans - a

.....

xyz & Co, a partnership firm is maintaining a current account with your branch with operational instructions to be operated by 'any one of the partners'. A cheque signed by A is countermanded by B which he claims was, through an oversight at a later stage. Subsequently, the said partner approaches the bank to revoke the instructions of lifting the stop payment. The bank would

- a. accept even if signed by him alone
-

-
- b. accept if signed by all the partners
 - c. not accept the request
 - d. accept by having indemnity from A

Ans - b

.....

Which one of the following statements is correct?

- a. Audit of an educational institution is compulsory if it is run by a charitable trust
- b. A club is treated as a commercial establishment
- c. The accounts of a charitable trust can be audited by any person who belongs to accountancy profession
- d. Audit of a charitable trust is not compulsory under law

Ans - a

.....

A borrower enjoying a C/C limit of Rs.25 lacs has a risk rating of AB3, the unit visit & stock verification should be carried out at least

- a. Every month
- b. Once in two months
- c. Once in a quarter
- d. Once in a year

Ans - c

.....

“Anticipate no profits and provide for all possible losses” is the essence of which of the following accounting concept/convention.

- a. Dual Aspect concept
- b. Materiality convention
- c. Convention of Consistency
- d. Convention of Conservatism

Ans - d

.....

.....

A capital equipment costing Rs. 200,000 today has Rs. 50,000 salvage value at the end of 5 years. If the straight line depreciation method is used, what is the book value of the equipment at the end of 2 years?

- a. Rs. 200,000
- b. Rs. 170,000
- c. Rs. 140,000
- d. Rs. 50,000

Ans - c

Explanation :

$$200000 - 50000 = 150000 / 5 = 30000$$

So, per year depreciation is Rs.30000/-

So, at the end of 2 years, book value will be $200000 - 60000 = 140000/-$

.....

Which of the following is/are followed in capital budgeting? (i) Cash flows Principle, (ii) Accrual Principle, (iii) Interest Exclusion Principle

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

Ans - b

.....

A premium charged by lenders for securities that cannot be converted into cash is classified as (i) required premium, (ii) liquidity premium, (iii) marketability premium

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

Ans - c

.....

.....

.....

Which column of a cash book will not have credit balance?

- a. Bank column
- b. Discount column
- c. Cash column
- d. None

Ans - c

.....

Which of these types of expenditure would not be treated as a Capital Expenditure?

- a. Acquisition of an Asset
- b. Extension of an Asset
- c. Improvement of the existing Asset
- d. Maintenance of the Asset

Ans - d

.....

Indian Accounting Standard – 28 is related to

- a. Accounting for taxes on income
- b. Financial Reporting of Interests in Joint Venture
- c. Impairment of Assets
- d. Provisions, Contingent Liabilities and Contingent Assets

Ans - c

.....

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

- 868
- 888
- 968
- 986

Ans - b

.....

.....

Solution:

$$P = 10000$$

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

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

The formula of EMI =

$$\frac{P * R * (1 + R)^T}{(1 + R)^T - 1}$$

So,

$$\text{EMI} = 10000 * 0.01 * (1 + 0.01)^{12} \div \{(1 + 0.01)^{12} - 1\}$$

888 Ans

.....

Which of the following is a representative personal A/c?

- a. Outstanding salary A/c
- b. Rent A/c
- c. SBI A/c
- d. Bad debts A/c

Ans - a

.....

A business firm is separate and distinct from its owners is the assumption under which of the following accounting concepts

- a. Business Entity
- b. Going Concern Entity
- c. Money Measuring Entity
- d. Accounting Period concept

Ans - a

.....

Which of the following is an one sided error?

- a. Rs.500 purchase of old equipment not recorded in the books of A/c at all b. Rs.500 being expense on travelling expense credited to travelling expenses
-

Both
None

Ans - b

The periodic total of sales day book is posted to

- a. Sales A/c
- b. Cash sales A/c
- c. Sales return A/c
- d. Credit sales A/c

Ans - a

Mr. X wants to receive a fixed amount for 15 years by investing Rs. 9 lacs @ 9% ROI. How much he will receive annually?

- 111365
- 111563
- 111653
- 116534

Ans - c

Solution:

P = 9 lac

R = 9% p.a.

(Note: SINCE HERE PAYMENT IS TO BE RECEIVED ANNUALY, NOT Monthly, Rate IS NOT divided by 12)

T = 15 yrs

(Note: SINCE HERE PAYMENT IS TO BE RECEIVED ANNUALY, NOT Monthly, Time IS NOT multiplied with 12)

So, we can well use EMI formula in this question as we did in questions no 4, 5 & 6.

The formula of EMI =

$$P * R * (1 + R)^{AT} \div \{ (1 + R)^{AT} - 1 \}$$

.....

So,

$$\text{EMI} = 900000 * 0.09 * 1.09^{15} \div (1.09^{15} - 1)$$

$$= 111653 \text{ Ans}$$

.....

Profit is a liability for a firm and the loss is an asset under which of the following concepts

- a. Business Entity Concept
- b. Materiality Concept
- c. Historical Record Concept
- d. Accounting Period Concept

Ans - a

.....

Recording of capital contributed by the owner as liability ensures the adherence of principle of.....

- Consistency
- Going concern
- Separate entity
- Materiality

Ans - c

.....

A project requires an initial investment of 2,20,000, which will be depreciated on a straight-line basis over 4 years to a zero book value. A 20 percent average accounting return (AAR) and a 15 percent internal rate of return (IRR) have been assigned to the project. The estimated annual net income from the project is 18,100, 20,500, 21,500, and 22,500, respectively. Which one of the following statements is correct concerning this project?

- a. The AAR exceeds the requirement, so the project should be accepted.
- b. The average book value that should be used in the AAR computation is 55,000.
- c. The AAR will be the same regardless of the depreciation method selected.
- d. The project should be rejected based on the available information.

Ans - d

.....

.....

The minimum number of members required for registration of a cooperative society are

- Two
- Seven
- Ten
- Twenty

Ans - c

.....

A person invested Rs. 100000 in a bank FDR @ 6% p.a. for 1 year. If interest is compounded on yearly basis, the amount payable shall be

- 100600
- 106000
- 120600
- 126000

Ans - b

Solution:

$$P = 100000$$

$$R = 6\% \text{ yearly}$$

$$T = 1 \text{ yr}$$

Since compounding is annually and its only 1-time investment, the formula to be used:

$$FV = P * (1+R)^T$$

So,

$$FV = 100000 * (1+0.06)^1$$

$$106000 \text{ Ans.}$$

.....

Banks are required to report credit information to CRILC on all borrowers having aggregate funded/non funded exposure of Rs. crore and above

a. 1

.....

-
- 2
 - 5
 - 10

Ans - c

.....

Which of the following customers fall under the high risk category customers from KYC purposes? (i) politically exposed persons of foreign origin, (ii) companies having close shareholding, (iii) high net worth individuals

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

Ans - d

.....

A certain sum of money at simple interest amount to Rs. 1,012 in 2--- 2 years and to Rs. 1,067.20 in 4 years. The rate of interest per annum is

- 2%
- 2.5%
- 3%
- 4%

Ans - d

.....

Which of these is not an essential feature of a bill of exchange?

- Unconditional
- Certainty of amount
- In writing
- Amount to be paid in foreign currency

Ans - d

.....

.....

.....
 Depreciation account appearing in the trial balance is shown in

- a. Profit and loss A/c
- b. Trading A/c
- c. Deducted from the concerned assets A/c
- d. Shown on the liability side

Ans - a

.....

Sales day book records

- a. All sales
- b. All credit sales of manufactured or traded goods
- c. All credit sales
- d. Only cash sales

Ans - b

.....

Which of the following is/are correct? (i) Net present value (NPV) is one of the two or three most important concepts in finance, (ii) NPV is the difference between the market value of an investment and its cost, (iii) The financial manager acts in the shareholders' best interests by identifying and taking positive NPV projects

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

Ans - d

.....

Which of the following is/are function/s of the interbank operations of the foreign exchange market? (i) Provides a bank with a continuous stream of information on conditions in the foreign exchange market, (ii) Provides a bank with technological resources for use in foreign exchange trading, (iii) Permits a bank to take on a position in a foreign currency quickly

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

.....

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

Ans - b

Who among the following will sign the account opening form for opening a current account in case of a partnership firm where the firm has three partners and a minor, aged 17, has been admitted to the firm for benefits?

- a. all the three and the father of the minor
b. all the three and natural guardian of the minor
c. all the three and the minor himself
d. all the three partners only

Ans - d

Under a floating exchange rate system a fall in the market price (the exchange rate value) of a currency is called a(n) of that currency.

- appreciation
depreciation
revaluation
devaluation

Ans - b

What annual rate of simple interest was paid if Rs. 500 earned Rs. 55 as interest in 2 Years and 9 months?

- 2%
3%
3.5%
4%

Ans - d

.....

Risk of a Capital budgeting can be incorporated (i) Adjusting the Cash flows, (ii) Adjusting the Discount Rate, (iii) Adjusting the life

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

Ans - d

.....

Savings in respect of a cost is treated in capital budgeting as (i) An Inflow, (ii) An Outflow

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) not (ii)

Ans - a

.....

Which of these errors does not affect agreement of Trial Balance? (i) Errors of principle, (ii) Complete omission in subsidiary books, (iii) Compensating errors

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

Ans - d

.....

Early payment of a Bill of Exchange is known as

- Retirement
- Renewal
- Discount
- Endorsement

Ans - a

.....

.....

The concept that recognizes the distinction between the receipt of cash and the right to receive the cash is called

- a. Accrual Concept
- b. Cash Concept
- c. Materiality Concept
- d. Full Disclosure Concept

Ans - a

.....

You are trying to choose between two projects as you do not have sufficient funding to accept both projects. Each project costs 80,000. Project A pays 25,000 a year for 4 years and project B pays 20,000 a year for 5 years. If your required return is 14 percent, which project should you choose and why?

- a. A; because it pays back sooner
- b. A; because it has a higher IRR
- c. B; because it has a higher NPV
- d. You should reject both projects.

Ans - d

.....

Inventory turnover ratio is 6 times

Year end debtors are outstanding for 2 months

Year end creditors are outstanding for 73 days.

Ratios of cost of goods sold to:

- a. Proprietors' funds is 2:1
- b. Fixed assets is 4:1

Ratio of gross profit to sales is 20%

Closing stock is greater than the opening stock by Rs.10,000

The gross profit for the year ended 31.03.2017 is Rs.1,20,000.

Reserves and surplus appearing in the Balance Sheet as at 31.03.2017 total to Rs.40,000.

The directors of XYZ Enterprises ask you to ascertain:

1. Proprietors' funds

- a. Rs.2,00,000
-

Rs.2,20,000
Rs.2,40,000
Rs.2,60,000

Ans - c

2. Fixed assets

Rs.1,00,000
Rs.1,20,000
Rs.1,40,000
Rs.1,60,000

Ans - b

3. Closing Debtors

Rs.1,00,000
Rs.1,20,000
Rs.1,40,000
Rs.1,60,000

Ans - a

4. Closing Creditors

Rs.90,000
Rs.94,000
Rs.96,000
Rs.98,000

Ans - d

5. Closing Stock

a. Rs.83,000

Rs.85,000
Rs.87,000
Rs.89,000

Ans - a

.....

6. Share capital

Rs.2,00,000
Rs.2,20,000
Rs.2,40,000
Rs.2,60,000

Ans - a

.....

7. Cash Balance

Rs.31,000
Rs.33,000
Rs.35,000
Rs.37,000

Ans - b

.....

8. Bank Balance

Rs.31,000
Rs.33,000
Rs.35,000
Rs.37,000

Ans - b

.....

Master XYZ, aged 16, visits ABC Bank and presents a bearer cheque of 10000 issued by his grandfather, gifting him for payment, across the counter. The cheque is endorsed by grandfather as pay to Mrs. XYZ. The minor boy demands payment urgently (i) the cheque is

.....

.....

endorsed in favour of Mrs. xyz, without whose consent it cannot be paid, (ii) the cheque is bearer due to which the endorsement does not carry any meaning, (iii) minors can give valid discharge due to which the payment can be made

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

Ans - c

.....

Which among the following is true regarding kind of accounts that could be opened by the mother of a minor under her guardianship during the life time of the natural guardian i.e. father of the minor?

- a. only a saving bank account can be opened to facilitate the limited transactions
- b. Saving and current account could be opened
- c. only fixed deposit account could be opened
- d. any account could be opened

Ans - d

.....

A sum of money at compound interest amount to Rs. 10,648 in 3 years and Rs. 9,680 in 2 years. The rate of interest is

- a. 5%
- b. 10%
- c. 15%
- d. 20%

Ans - b

.....

Under the straight line method of providing depreciation, depreciation amount will not (i) Increase every year, (ii) Remain constant every year, (iii) Decreases every year

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

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

Ans - b

.....

A person lends Rs. 10,000 in four parts. If he gets 8% on Rs. 2,000; 7.5% on Rs. 4,000 and 8.5% on Rs. 1,400; what per cent must he get for the remainder, if the average rate of interest is 8.13%?

- 6%
- 7%
- 9%
- 10%

Ans - c

.....

Relatively high rates of domestic inflation are often mirrored by high interest rates. High interest rates will lead to:

- a. a devaluation of the currency
- b. no effect on imports or exports
- c. to a fall in imports
- d. to a fall in exports

Ans - d

.....

IRR is the value of the discount rate at which the NPV of a project is (i) More than zero, (ii) Less than zero

- a. Only (i)
- b. Only (ii)
- c. Either (i) or (ii)
- d. Neither (i) nor (ii)

Ans - d

.....

.....

.....

An asset cost Rs. 3,30,000/- has residual value of Rs. 30,000/-, and is expected to last 4 years. Calculate the depreciation for 2nd year using sum of the digits Method.

- a. Rs. 1,20,000/-
- b. Rs. 90,000/-
- Rs. 60,000/-
- Rs. 30,000/-

Ans - b

Let me explain :

$$= (nth/E(\sigma)n)(\text{cost}-\text{Residual Value})$$

$$E(\sigma)n = 1+2+3+4 = 10$$

$$1\text{st year} = 4/10(300000) = 120000$$

$$2\text{nd year} = 3/10(300000) = 90000$$

$$3\text{rd year} = 2/10(300000) = 60000$$

$$4\text{th year} = 1/10(300000) = 30000$$

.....

Every transactions has two aspects i.e., debit and credit, under which of the following accounting principles

- a. Cash Accrual Principle
- b. Revenue Accrual Principle
- c. Dual Aspect Principle
- d. Double Entry Book-keeping System

Ans - c

.....

The accounting equation asset = capital + liability is part of which of the following concepts

- a. Realization Concept
- b. Materiality Concept
- c. Historical Record Concept
- d. Dual Aspect Concept

Ans - d

.....

.....

.....

In case there are changes in terms of sanction of a loan (say enhancement), the creditor/company must file within 30 days after such change, an application for

- a. Modification of charge
 - Re-registration of charge
 - Satisfaction of charge
 - Registration of fresh charge

Ans - a

.....

Which of the following customer fall under low risk category under KYC guidelines? (i) salaried employees, (ii) trusts, (iii) persons from lower strata of the society

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

Ans - b

.....

What will the ratio of simple interest earned by certain amount at the same rate of interest for 4 years and that for 10 years.

- 1:2
- 2:1
- 2:5
- 2:3

Ans - c

Let me Explain :

Let the principal be P and rate be R, then

Ratio = $[(P \cdot R \cdot 4 / 100) : (P \cdot R \cdot 10 / 100)]$

$4PR : 10PR = 4 : 10$

$2 : 5$

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Mr. Vinod started a business for buying and selling of stationery with Rs. 5,00,000 as an initial investment. Of which he paid Rs.1,00,000 for furniture, Rs. 2,00,000 for buying stationery items. He employed a sales person and clerk. At the end of the month he paid Rs.5,000 as their salaries. Out of the stationery bought he sold some stationery for Rs.1,50,000 for cash and some other stationery for Rs.1,00,000 on credit basis to Mr.Ravi. Subsequently, he bought stationery items of Rs.1,50,000 from Mr. Peace. In the first week of next month there was a fire accident and he lost Rs. 30,000 worth of stationery. A part of the machinery, which cost Rs. 40,000, was sold for Rs. 45,000.

What is the amount of capital with which Mr. Vinod had started business?

What is the value of the fixed assets he bought?

What is the value of the goods purchased?

Who is the creditor and state the amount payable to him.

What are the expenses?

What is the gain he earned?

What is the loss he incurred?

Who is the debtor? What is the amount receivable from him?

What is the total amount of expenses and losses incurred?

Determine if the following are assets, liabilities, revenues, expenses or none of the these:

Sales, debtors, creditors, salary to manager, discount to debtors, Drawings by the owner.

Answers :

Rs. 5,00,000

Rs. 1,00,000

Rs. 2,00,000

Mr. Reace, Rs. 1,50,000

Rs. 5,000

Rs. 5,000

Rs. 30,000

Mr. Ravi, Rs. 1,00,000

Rs. 35,000

Assets : debtors;

Liabilities : creditors; drawings;

Revenues : sales expenses, discount, salary.

.....

The concept of conservatism does not take into account (i) all future losses but leaves all future profits, (ii) all future profits but leaves all future losses, (iii) all future profits and all future losses

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

Ans - d

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The concern concept according to which a fact or happening which cannot be expressed in terms of money is not recorded in the accounting books is called

- a. cost concept
- b. matching concept
- c. realisation concept
- d. money measurement concept

Ans - d

.....

If the Current Assets and Current Liabilities of a concern are Rs.4,00,000 and Rs.2,00,000 respectively, Find the Current Ratio.

- 1:2
- 1:1.5
- 2:1
- 2:1.5

Ans - c

Explanation :

$$\text{Rs.4,00,000/Rs.2,00,000} = 2 : 1$$

The ideal Current Ratio preferred by Banks is 1.33 : 1

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When the expected rate of interest is lower than the coupon rate a bond may be issued

- a. At par
- b. At discount
- c. At premium
- d. At any rate

Ans - c
.....

In system of accounting, incomes and expenses are recognised as and when they are due irrespective of their actual receipt/payment. (i) Mercantile, (ii) Cash

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

Ans - a
.....

The facility to get bill of exchange discounted puts them into the category of

- a. Fixed assets
- b. Intangible assets
- c. Wasting assets
- d. Current assets

Ans - d
.....

Ascertaining value of stock from accounting record is known as

- a. Continuous stock taking
- b. Periodic inventory
- c. Perpetual inventory
- d. Stock audit

Ans - c
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A man invested Rs. 50000 in a stock at 90 to obtain an income of Rs. 500. The dividend from the stock is %

- a. 8
- b. 8.5
- c. 9
- d. 9.5

Ans - c

Explanation:

By investing Rs. 5000, income = Rs. 500

By investing Rs. 90, income = Rs. $500/5000 \times 90$ = Rs. 9

Dividend = 9%

.....

When overdraft as per cash book and a Cheque of Rs.1000 directly deposited in the bank, but not recorded in cash book ...

- a. Add Rs.1000 in CB
- b. Deduct Rs.1000 in CB
- c. Add Rs.2000 in cash book
- d. Deduct Rs.2000 in CB

Ans – b

.....

Which of the following is/are a quality of arbitrage? (i) It ensures that the spot price of the currency will equal the forward price of the currency, (ii) The process of buying and selling a currency to make a (nearly) riskless pure profit, (iii) It ensures that exchange rates in different locations are essentially the same

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

Ans - c

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Find the compound interest on Rs. 7500 at 4% per annum for 2 years, compounded annually.

- A. Rs. 610
- B. Rs. 612
- C. Rs. 614
- D. Rs. 616

Ans - B

Explanation:

$$\text{Amount} = [7500 \times (1 + 0.04)^2] = (7500 \times 2625 \times 2625) = 8112$$

$$\text{So compound interest} = (8112 - 7500) = 612$$

.....

Albert invested amount of 8000 in a fixed deposit for 2 years at compound interest rate of 5 % per annum. How much Albert will get on the maturity of the fixed deposit.

- A. Rs. 8510
- B. Rs. 8620
- C. Rs. 8730
- D. Rs. 8820

Ans - D

Explanation:

$$\Rightarrow (8000 \times (1 + 0.05)^2) \Rightarrow 8000 \times 2120 \times 2120 \Rightarrow 8820$$

.....

What will be the compound interest on Rs. 25000 after 3 years at the rate of 12 % per annum

- A. Rs 10123.20
- B. Rs 10123.30
- C. Rs 10123.40
- D. Rs 10123.50

Ans - a

Explanation:

$$(25000 \times (1 + 0.12)^3) \Rightarrow 25000 \times 2825 \times 2825 \times 2825 \Rightarrow 35123.20$$

$$\text{So Compound interest will be } 35123.20 - 25000$$

$$= \text{Rs } 10123.20$$

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While opening an account in the name of a company, the following document/s is/are to be obtained

- a. Memorandum and Articles of Association of the Company
- b. Instructions of the Registrar of the Company
- c. Roles and responsibilities of the Company
- d. Organisation Chart of the company

Ans - a

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Max permissible LTV ratio for individual housing Loans Above 20 Lacs & upto 75 Lacs is %

- 75
- 80
- 85
- 90

Ans - b

.....

The branches of commercial banks should report suspicious transactions to

- RBI
- Bank's respective authority
- Ministry of Finance
- None of the above

Ans – b

.....

Max permissible LTV ratio for individual housing Loans Above 75 Lacs is %

- 75
- 80
- 85
- 90

Ans - a

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What annual rate of simple interest was paid if Rs. 10000 earned Rs. 1100 as interest in 2 Years and 9 months?

2%

3%

4%

5%

Ans - c

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A sum of money at simple interest amounts to Rs. 2,800 in 2 years and to Rs. 3,250 in 5 years. Find the sum and the rate of interest.

a. Rs. 2,500; 5%

b. Rs. 2,500; 6%

c. Rs. 3,000; 5%

d. Rs. 3,000; 6%

Ans - b

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SUMMARY OF ANNUITIES FORMULAS

1.

If the question asks the FUTURE VALUE OF INVESTMENT AT THE END OF PERIOD, FVOA (Future Value of Ordinary Annuity) is applied.

$$FVOA = (C \div R) \times \{ (1 + R)^T - 1 \}$$

2.

If the question asks the FUTURE VALUE OF INVESTMENT AT THE BEGINNING OF PERIOD, FVAD (Future Value of Annuity Due) is applied.

$$FVAD = (C \div R) \times \{ (1 + R)^T - 1 \} \times (1 + R)$$

3.

If the question asks the PRESENT VALUE OF INVESTMENT AT THE END OF PERIOD, PVOA (Present Value of Ordinary Annuity) is applied. -----

----- PVOA = (C ÷

$$R) \times \{ (1 + R)^T - 1 \} \div (1 + R)^T$$

4.

If the question asks the PRESENT VALUE OF INVESTMENT AT THE BEGINNING OF PERIOD, PVAD (Present Value of Annuity Due) is applied.

$$- PVAD = (C \div R) \times \{ (1 + R)^T - 1 \} \times (1 + R) \div (1 + R)^T$$

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ALL THE VERY BEST FOR YOUR EXAMS

SAMPLE QUESTIONS FOR JAIIB ACCOUNTING & FINANCE FOR BANKERS

Though we had taken enough care to go through the questions, we request everyone to update yourself with the latest information through RBI website and other authenticated sources. In case you find any incorrect/doubtful information, kindly update us also (along with the source link/reference for the correct information) as lot of questions were shared by many people.
