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Question	Discount is allowed by Sejal to Mohit. What should be passed in the books of Sejal?	
type	multiple_choice	
option	Credit Mohit A/c and debit Discount Allowed A/C	correct
option	Debit Mohit A/c and credit Discount Received A/c.	incorrect
option	Credit Sejal A/c and debit Discount Allowed A/C	incorrect
option	Debit Sejal A/c and credit Discount Received A/C	incorrect
Solution	when a discount is been allowed by Sejal to Mohit, the necessary journal entry in the books of Sejal would be: discount allowed A/c. Dr To Mohit A/c(Being discount allowed by Sejal to Mohit)	
marks	1	0
Question	In case of a new machinery, which of the following is not included in the original cost:	
type	multiple_choice	
option	invoice price of the machinery	incorrect
option	taxes	incorrect
option	carriage cost + installation cost	incorrect
option	none of the above	correct
Solution	In case of new machinery, all these are included	
marks	1	0
Question	Accounts of banks should be audited by a person duly qualified under any law to be auditors of the company, as per provisions of _____ and with approval of _____	

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type	multiple_choice	
option	Banking Regulation Act section 29,RBI	incorrect
option	Banking Regulation Act,section 30,RBI	correct
option	Banking Regulation Act section 30,central Govt	incorrect
option	banking regulation Act section 29,central Govt	incorrect
Solution	Accounts of banks should be audited by a person duly qualified under any law,to be auditorsof the company,as per provisions of banking regulation Act section 30 and with approval of RBI	
marks	1	0
Question	The final accounts of banking companies are to be prepared as per provision of:	
type	multiple_choice	
option	companies Act	incorrect
option	Banking Regulation Act	correct
option	RBI Act	incorrect
option	All the above	incorrect
Solution	The final accounts of banking companies are to be prepared as per provisions of banking Regulation Act	
marks	1	0
Question	Entries relating to goods are made in (a)sales account (b) purchase account (c) sales returns account (d) purchase returns account (e) stock account ?	
type	multiple_choice	
option	a to e all	correct
option	a to d only	incorrect

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option	a to c only	incorrect
option	a to d only	incorrect
Solution	Entries relating to goods are made in (a) sales account (b) purchase account (c) sales returns account (d) purchase returns account (e) stock account	
marks	1	0
Question	Identify whether the following assertion is correct and does it follow the reason given below. Assertion: Accounting standards are like laws. Reason: In this respect, they limit the area within which an accountant has to function.	
type	multiple_choice	
option	The assertion statement is correct and it does follow the reason provided.	incorrect
option	The assertion statement is correct and it does not follow the reason provided.	correct
option	The assertion statement is incorrect.	incorrect
option	The reason statement is correct	incorrect
Solution	Accounting standards do not aim to introduce rigidity in accounting. They only limit the flexibility and provide the accountants realistic guidelines. If the specific circumstances of an enterprise do not justify the application of a certain accounting standard, the alternative practice, regarded as more suitable, may be adopted. However, in the event of any deviation from the standards, it will be duty of the accountant to make adequate disclosure of the fact in the	

	financial statements so that users of such statements may be aware of such deviations. Thus, the correct option is (b)	
marks	1	0
Question	Identify whether the following assertion is correct and does it follow the reason given below. Assertion: Accounting conventions differ from concepts. Reason: It is because of uniform adoption of accounting concepts in different enterprises while it may not be so in case of accounting conventions.	
type	multiple_choice	
option	The assertion statement is correct and it does follow the reason provided.	correct
option	The assertion statement is incorrect and it does not follow the reason provided.	incorrect
option	The assertion statement is incorrect.	incorrect
option	The reason statement is correct	incorrect
Solution	An accounting convention may be defined as a custom or generally accepted practice which is adopted either by general agreement or common consent among accountants. Accounting conventions differ from concepts in respect to the following: - Accounting concepts are established by law while accounting conventions are guidelines based upon custom, or usage or general agreement. There is no role of personal judgments or individual bias in the adoption of accounting concepts whereas they may play a crucial role in the following accounting conventions. It	

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	is because of uniform adoption of accounting concepts in different enterprises while it may not be so in case of accounting conventions. Thus, the correct option is (a)	
marks	1	0
Question	when the value of inventory is ascertained from books of stock,it is called:	
type	multiple_choice	
option	periodic inventory	incorrect
option	first in first out inventory	incorrect
option	perpetual inventory	correct
option	last in first out inventory	incorrect
Solution	when the value of inventory is ascertained from books of stock,it is called perpetual inventory.	
marks	1	0
Question	Which among the following will not be included in Cash flows from Operating Activities?	
type	multiple_choice	
option	Cash receipts from the sale of goods and rendering of services	incorrect
option	Cash receipts from sale of fixed assets	correct
option	Cash payments to and on behalf of employees	incorrect
option	Cash receipts from royalties, fees, commissions and other revenue	incorrect
Solution	Cash flows from operating activities include the cash generated or used in the major revenue producing	

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	activities of the business. Therefore, they generally result from the transactions or events that are included for determination of net profit or loss. Cash receipt from sale of fixed assets is not included in operating activity since sale of fixed assets is not the routine business of the firm. It will be a part of investing activity. Hence, the correct answer is option (b).	
marks	1	0
Question	banks have adopted computerized accounting and for this purpose they prefer to make use of:	
type	multiple_choice	
option	core business solution environment	incorrect
option	centralised banking solution environment	correct
option	stand alone networking	incorrect
option	all the above	incorrect
Solution	Central banking software and solutions that enable banks to manage and settle securities and financial transactions. browse our collection of Central banking system to meet your business architectural and functionality needs .so option (2) is correct	
marks	1	0
Question	Banks generally maintain the following types of book (a) principle books of account (b) subsidiary books © statistical records.	
type	multiple_choice	
option	a and b only	incorrect
option	b and c only	incorrect
option	a and c only	incorrect

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option	a to c all	correct
Solution	Banks generally maintain principle books of account, subsidiary books and statistical records	
marks	1	0
Question	A company has 2 lac shares and its net profit after tax is Rs.10 lac. The earning per share is :	
type	multiple_choice	
option	Rs.20	incorrect
option	RS.10	incorrect
option	Rs.5	correct
option	Rs.2	incorrect
Solution	Calculation shall be made as net profit after tax and preference dividend/ no.of equity shares. Hence $10 \text{ lac} / 2 \text{ lac} = \text{Rs.5 per share}$	
marks	1	0
Question	The acceptance of the bank which is outstanding at the end of the year is shown in the balance sheet as	
type	multiple_choice	
option	Current liability	incorrect
option	Contingent Liability	correct
option	Current Asset	incorrect
option	Fixed Asset	incorrect
Solution	A bank is more creditworthy compared to its customer, due to which the bank is called to accept or endorse a bill on behalf of its customers. Wherein the bank has to pay the bill in the event of a client failing to honour the bill on the due date. As against this liability, the bank has a corresponding claim against the customer on whose behalf it has undertaken to be a party to the bill, either as an acceptor or as an	

	endorser. Such Acceptance (Liabilities) are outstanding at the close of the year and the corresponding asset (security) is disclosed as a Contingent liability. For safety purposes, banks collect from their customers a security deposit equivalent to the amount of the bill accepted on their behalf.	
marks	1	0
Question	What denotes that the fixed rate of dividend is payable on preference shares. In case of dividend are not paid to preference shareholders, it will affect the fund arising. capacity of the firm. Hence the dividend is usually paid regularly on preference shares except when there are no profits to pay dividends?	
type	multiple_choice	
option	Cost of preference share capital	correct
option	Cost of equity capital	incorrect
option	Cost of redeemable preference share	incorrect
option	Cost of irredeemable preference share	incorrect
Solution	An amount paid by a company as dividend to preference shareholders is known as cost of preference share capital. It is a small unit of a company's capital which bears a fixed rate of dividend and the holder of it gets a dividend when the company earns profit. is that part of the cost of capital in which we calculate the amount which is payable to preference shareholders in the form of dividend with fixed rate. It is capital that is dividend committed and paid by the company.	
marks	1	0

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Question	computerized accounting means which of the following?	
type	multiple_choice	
option	making accounting entries in computer	incorrect
option	performing various accounting functions on computer	correct
option	getting output from the computer	incorrect
option	all the above	incorrect
Solution		
marks	1	0
Question	where the drawee of a bill makes payment of the bill on due date,the bill is treated as;	
type	multiple_choice	
option	paid	incorrect
option	retired	incorrect
option	honoured	correct
option	any of the above	incorrect
Solution	Honouring of bill means making payment by the drawee,on due date	
marks	1	0
Question	Match the following classification of ratios?	
	I. Liquidity ratio	A. •grows profit ratio • net profit ratio • operating profit ratio • operating ratio

	II. Solvency	B. •capital turn over ratio •fixed asset ratio turn over ratio •stock turn over ratio •debtors turn over ratio •creditors turn over ratio
	III. Profitability ratio	C. •current ratio •liquid ratio •absolute liquid ratio
	IV. Activity ratio	D. • debt equity ratio • proprietary ratio
type	multiple_choice	
option	I-B, II -D, III -A, IV -C	incorrect
option	I-D, II -A, III -B, IV -C	incorrect
option	I-C, II -A, III-D, IV-B	incorrect
option	I -C, II-D, III -A, IV -B	correct
Solution	classification of ratios is done on the basis of the financial statements from which the ratios are calculated-	
	I. Liquidity ratio	A. •current ratio •liquid ratio • absolute liquid ratio
	II. Solvency ratio	B. • debt equity ratio • proprietary ratio
	III. Profitability ratio	C •gross profit ratio •net profit ratio •operating profit ratio • operating ratio
	Iv. Activity ratio	D. •capital turnover ratio fixed asset turnover ratio •stock turnover ratio

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		•debtors' turnover ratio • creditors turnover ratio
marks	1	0
Question	Income of a minor who is suffering from a disability shall be assessed in the hands of	
type	multiple_choice	
option	Minor himself	correct
option	Minor's Father	incorrect
option	Minor's Mother	incorrect
option	Minor's Parents whosoever income is higher	incorrect
Solution	<p>The income of a minor is to be included in the income of his or her parents, whose total income, excluding the minor's income, is greater. However, the income derived by the minor from manual work or any activity involving his skill, talent or specialised knowledge or experience will not be included in the income of his parents. Further, the income of a minor child suffering from any disability of the nature specified in section 80U shall not be included in the hands of the parent but shall be assessed in the hands of the child. In the case of a minor married daughter also the clubbing provisions are applicable.</p>	
marks	1	0
Question	<p>(I) The analysis also known as Scenario analysis (II) It is a technique in which the profit (NPV) in relation to change in a particular factor is determine (III) The objectives of this analysis are to ascertain profitability (NPV) under different situation Which kind of analysis is being referred to here.? And the above three statements about this analysis are true or false?</p>	

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type	multiple_choice	
option	True statements about ratio analysis	incorrect
option	False statements about cash flow analysis	incorrect
option	True statements about fund flow analysis	incorrect
option	True statements about sensitivity analysis	correct
Solution	<p>Sensitivity analysis is a financial model that determines how target variables are affected based on changes in other variables known as input variables. It is a way to predict the outcome of a decision given a certain range of variables. A sensitivity analysis generates quantitative data based on the behavior of outputs in response to changing inputs. It allows us to understand the effect of fluctuations in selected variables on your profitability. So, the sensitivity analysis is used to understand the effect of a set of independent variables on some dependent variable under certain specific conditions. E.g.; a financial analyst wants to find out the effect of a company's net worked capital on its profit margin.</p>	
marks	1	0
Question	The sensitivity of the bond price to changes in the interest rate is called:	
type	multiple_choice	
option	duration of the bond	incorrect
option	bond volatility	correct
option	yield to maturity of the bond	incorrect
option	intrinsic value of the bond	incorrect

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Solution	The sensitivity of the bond price to changes in the interest rate is called bond volatility	
marks	1	0
Question	Many small transactions are not recorded dseparately in the accounts of a firm.These are included in the miscellaneous items for recording purposes.this is done because of use of:	
type	multiple_choice	
option	convention of materiality	correct
option	convention of conservatism	incorrect
option	convention of accounting of full disclosure	incorrect
option	convention of consistency	incorrect
Solution	as per conventionof materiality information should be recorded.It depends upon the nature of business and circumstances as to what is material and what is not.recording of small transactions separetly involves huge cost due to which these are grouped together these do not have significant bearing on the business.	
marks	1	0
Question	Pass the journal entry of the following transaction given below: Bought goods from K for 20,000 at a trade discount of 10% and cash discount of 2%. He paid 60% immediately. (I) M Dr. 18,000 To Discount Received 216 To K 7200 To Cash 10,584 (II) M Dr. 18,000 To Discount Received 319 To K 7200 To Cash 10,544 (III) M Dr. 19,000 To Discount Received 216 To K 2200 To Cash 10.584	
type	multiple_choice	
option	I	correct

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option	II	incorrect
option	III	incorrect
option	None of the above are correct	incorrect
Solution	Total amount 20,000 Less: 10% trade discount 2000 Net 18,000 (20,000- 2000) Cash purchases 60% of 18,000 10,800 Less: Cash discount 2% of 10,800 216 Amount paid 10,584 Credit purchase 40% of 18,000 7200 Thus, the correct option is (a)	
marks	1	0
Question	A 10% bond with face value of Rs.1000 is purchased at Rs.900.what is the current yield ?	
type	multiple_choice	
option	11.11%	correct
option	10.00%	incorrect
option	9.09%	incorrect
option	8.71%	incorrect
Solution	$100/900 = 11.11\%$	
marks	1	0
Question	For a given maturity,the change in bond price will be_____with the decrease in the YTM of the bond than the change in bond price with an equal increase in the YTM of the bond.	
type	multiple_choice	
option	smaller	incorrect
option	greater	correct
option	equal	incorrect
option	none of the above	incorrect
Solution	Theory-for a given maturity the change in bond price will be greater with the decrease in the YTM of the	

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	bond than the change in bond price with an equal increase in the YTM of the bond.which means that for equal sized increase and decrease in the YTM,the price movement are not symmetrical.	
marks	1	0
Question	The wages paid for installation of machinery by a firm have benn debited to the wages account instead of the machinery account.This is :	
type	multiple_choice	
option	error of ommission	incorrect
option	error of commission	incorrect
option	error of principle	correct
option	compensating error	incorrect
Solution	This is error of principle because the basic accounting principle has not been observed.An entry relating to asset or liability has been recorded for the nominal account	
marks	1	0
Question	Fixed cahrges cover can be calculated as:	
type	multiple_choice	
option	income after interest and tax/interest charges	incorrect
option	income before interest and tax/interest cahrges	correct
option	income before interest/interest charges	incorrect
option	income before tax/interest charges.	incorrect
Solution	Fixed charges cover can be calculated as income before interest and tax/interest charges	

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marks	1	0
Question	Which of the following statements regarding computerised accounting is true? I. In the case of manual accounting, there is a track record of transactions whereas data Stored in the Computer is not Visible and thus, the Trail of Events is difficult to Establish. II. The risk of financial statements being manipulated is high under computerized accounting when compared to manual accounting.	
type	multiple_choice	
option	I only	incorrect
option	II only	incorrect
option	Both I and II	correct
option	None of the above	incorrect
Solution	In the case of manual accounting, there is a track record of the transaction to its original source documents like vouchers or ledger in computerised accounting data stored in the computer are not Visible and thus, the Trail of Events is difficult to establish. Further, the risk of financial statements being manipulated is high under computerized accounting when compared to manual accounting as the numbers can be easily changed according to convenience.	
marks	1	0
Question	Section 87A provides a rebate from the tax payable by an assessee, being an individual resident in India, whose total income does not exceed	
type	multiple_choice	
option	5,00,000	correct
option	300,000	incorrect
option	250,000	incorrect

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option	5,50,000	incorrect
Solution	Section 87A of the Income-tax act offers a rebate from the tax owed by an assessee who is an individual resident of India whose total income falls within the 5% tax slab to provide tax relief to those individuals whose income is below Rs 5,00,000. The rebate shall be equal to the amount of income-tax payable on the total income for any assessment year or an amount of 12,500, whichever is less.	
marks	1	0
Question	when the required rate of return is less than the coupon rate, the premium on the bond _____ as maturity approaches.	
type	multiple_choice	
option	increases	correct
option	declines	incorrect
option	remains same	incorrect
option	none of the above	incorrect
Solution	No Explanation is required	
marks	1	0
Question	The difference between the present value of cash inflows and the present value of cash outflows is known as:	
type	multiple_choice	
option	Gross present value.	incorrect
option	Capital.	incorrect
option	Net present value.	correct
option	Annuity	incorrect
Solution	Net present value (NPV) is a method used to determine the current value of all future cash flows	

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	generated by a project, including the initial capital investment. It is widely used in capital budgeting to establish which projects are likely to turn the greatest profit. Hence, the correct answer is option (c),	
marks	1	0
Question	_____ refers to the process of accounting for a cost which begins with the recording of income and expenditure and ends with the preparation of periodical reports for ascertaining costs.	
type	multiple_choice	
option	Costing	incorrect
option	Management Accounting	incorrect
option	Cost Accounting	correct
option	Cost Accountancy	incorrect
Solution	Costing refers to the technique and process of ascertaining costs and providing financial information to the management to plan and control the organisation's activities and to make decisions about the future. While Cost Accounting as defined by ICMAI refers to "the process of accounting for cost which begins with the recording of income and expenditure or the bases on which they are calculated and ends with the preparation of periodical statements and reports for ascertaining and controlling costs.	
marks	1	0
Question	Which among the following is a personal account ?	
type	multiple_choice	
option	cash	incorrect
option	bank and overdraft	correct
option	wages paid	incorrect
option	machinery	incorrect

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Solution	Bank overdraft is an account with a bank.Hence a personl account	
marks	1	0
Question	_____ is referred to the Credit balance of the ledger	
type	multiple_choice	
option	a revenue or an asset	incorrect
option	a revenue or a liability	correct
option	an expense or an asset	incorrect
option	an expense or a liability.	incorrect
Solution	Credit balance of ledger means an increase in liability, revenue, and owners' capital or equity while Debit balance in a ledger indicates an increase in Asset, Expenses, and Dividend account.	
marks	1	0
Question	Under which costing cost per unit decreases with an increase in production?	
type	multiple_choice	
option	Marginal costing	incorrect
option	Activity-based costing	incorrect
option	Absorption costing	correct
option	Operation costing	incorrect
Solution	Under absorption costing both fixed and variable costs are considered for product costing and inventory valuation. As a result, the cost per unit reduces, as the production increases as the fixed cost reduces, whereas, the variable cost remains the same per unit.	
marks	1	0
Question	Z purchased 8%, 3 years bonds of Rs.10 lac with annual interest payment and face value payable on	

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	maturity.The YTM is assumed at 6%.calculate the duration.	
type	multiple_choice	
option	2.69%	incorrect
option	2.79%	correct
option	2.87%	incorrect
option	2.99%	incorrect
Solution	Explanation:(summation pv x T) / (summation pv) = 2938181 / 1053441 = 3.79	
marks	1	0
Question	A machinery is purchased on June 12,2006 for Rs.60000. Another machinery is purchased on January 22,2007 for Rs.40000.The depreciation rate is 10% SLM. What is the book value as at Mar 31,2009(it is annual closing period)	
type	multiple_choice	
option	79000	incorrect
option	76000	incorrect
option	73000	correct
option	69000	incorrect
Solution	Book value of 1st machinery 60000-18000(3 year depreciation)=42000.2nd machinery 40000-9000(depreciation for 2 nd year and one quarter)=31000.Total book value=42000 + 31000 = 73000 minimum depreciation of one quarter is chargeable where period is less than a quarter	
marks	1	0
Question	A promissory note is an instrument in writing containing an_____ signed by the maker to pay a certain sum of money	

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type	multiple_choice	
option	None of these	incorrect
option	Endorsement bill	incorrect
option	Conditional undertaking	incorrect
option	Unconditional undertaking	correct
Solution	A promissory note is a legal, financial tool declared by a party, promising another party to pay the debt on a particular day. It is a written agreement signed by the drawer with a promise to pay the money on a specific date or whenever demanded. It contains an unconditional undertaking or promise, signed by the maker to pay a certain sum of money to a certain person. Thus, the correct option is (d)	
marks	1	0
Question	1000 shares with a face value of Rs.10 each, against which Rs.6 have already been received are issued at Rs.8 per share.what amount will be credited to capital reserve account.	
type	multiple_choice	
option	Rs.8 per share i.e Rs.8000	incorrect
option	Rs.6 per share i.e Rs.6000	incorrect
option	Rs.4 per share i.e Rs.4000	correct
option	Rs.2 per share i.e per 2000	incorrect
Solution	Total amount received per share is Rs.14 (Rs.6 + Rs.8) against the face value of Rs.10.hence Rs.4 per share will be credited to the capital reserve account.	
marks	1	0
Question	In the sinking fund method of depreciation.which of the following journal entries is made to provide the depreciation:	
type	multiple_choice	

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option	debit depreciation and credit fixed asset account	incorrect
option	debit depreciation and credit bank account	incorrect
option	debit depreciation and credit sinking fund account	correct
option	no journal entry is required. Investment is directly made	incorrect
Solution	The sinking fund is credited to the debit of depreciation. To make investment, the sinking fund is debited and bank account is credited	
marks	1	0
Question	when the balance as the pass book is starting point the cheque issued and not presented are:	
type	multiple_choice	
option	added	incorrect
option	deducted	correct
option	kept constant	incorrect
option	none of the above	incorrect
Solution	When the balance as the pass book is starting point ,the cheque issued and not presented are deducted	
marks	1	0
Question	Alfred paid the amount due on the first call at the time of allotment. What will be the treatment of the first call amount received in advance before it is actually called up by the directors?	
type	multiple_choice	
option	Debited to calls in advance account	incorrect

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option	Credited to Share allotment account	incorrect
option	Credited to Calls in advance account	correct
option	Debited to first call account	incorrect
Solution	A shareholder may sometimes pay a part, or whole, of the amount not yet called upon his shares. Thus, the number of future calls is received in advance by the company. When the amount of Calls-in-advance is received, it is credited to a newly opened account "Calls in Advance A/c". Hence, the correct answer is option (c)	
marks	1	0
Question	What is the process of transferring the debit and credit items of the journal entries to their respective ledger accounts known as?	
type	multiple_choice	
option	Journalizing	incorrect
option	Posting	correct
option	Accounting	incorrect
option	Summarizing	incorrect
Solution	All the accounting transactions are first recorded in a journal in chronological order. These journal entries are to be transferred to individual account opened in the ledger. The process of transferring the entries from journal to ledger is called posting. Hence, the correct answer is option (b).	
marks	1	0
Question	which of the following to be shown in the misc,expenditure in the balance sheet of a company ?	

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type	multiple_choice	
option	preliminary expenses	incorrect
option	discount allowed on issue of shares or debenture	incorrect
option	development expenses not adjusted	incorrect
option	all the above	correct
Solution	All the above are to be shown as misc,expenses	
marks	1	0
Question	<p>What action must be taken in respect of all unreconciled debit entries in the Nostro accounts originating on or after April 1, 2002 which are outstanding for more than two years? I. Make 100 per cent provision II. They may be transferred to Blocked Account and shown as outstanding liabilities</p>	
type	multiple_choice	
option	Only I	correct
option	Only II	incorrect
option	Both I and II	incorrect
option	Neither I nor II	incorrect
Solution	<p>According to RBI Guidelines on Reconciliation of nostro account and treatment of outstanding entries Make 100 per cent provision in respect of all unreconciled debit entries in the nostro accounts originated on or after April 1, 2002 which are outstanding for more than two years (instead of three years as at present). Hence, the correct answer is option (a).</p>	
marks	1	0
Question	Direct payments made by the bank are recorded:	
type	multiple_choice	

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option	on the deposit side of the pass book	incorrect
option	on the withdrawl side of the pass book	correct
option	on the left side of the cash book	incorrect
option	none of the above	incorrect
Solution	Direct payments made by the bank are recorded on the withdrawl side of the pass book	
marks	1	0
Question	The debit side of trial balance of the firm shows a balance of Rs.185500. The amount of depreciation amounting to Rs.2500 has not been provided in the books. The debit balance in the trial balance should be if the amount is provided:	
type	multiple_choice	
option	Rs.183000	incorrect
option	Rs.185500	correct
option	Rs.188000	incorrect
option	Rs.190500	incorrect
Solution	When the depreciation will be provided,the debit balance in depreciation account will increase and the debit balance in fixed asset account will decline.The net change will be zero.Hence there will be no change in the debit total of the trial balance.	
marks	1	0
Question	The accounting concepts used in preparation of accounts are:	
type	multiple_choice	
option	methods for preparation of financial statements	incorrect

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option	broad assumption for preparation of accounts	correct
option	basic rules for preparation the accounts	incorrect
option	all the above	incorrect
Solution	These are abroad assumptions that are taken into account for preparation of accounts by the business firms.	
marks	1	0
Question	Under which of the following cases Income from the previous year will be assessed in the previous year itself? I. Shipping business of the non-resident II. Artificial Judicial person formed for a particular purpose. III. Discontinued Business	
type	multiple_choice	
option	I, II	incorrect
option	II, III	incorrect
option	I, III	incorrect
option	I, II, III	correct
Solution	Under the following cases Income from the previous year will be assessed in the previous year itself: I. Shipping Business of Non-Resident: Where a ship, belonging chartered by a non-resident, such ship can leave only when 7.5% of the freight paid to the owner or any person on his behalf, whether in India or outside India on account of such carriage is deemed to be his income which is charged to tax in the same year in which it is earned. It. Persons leaving India: When AO feels that the assessee may leave India with no intention to return, the total income of such individual for the period from the expiry of the respective previous year up to the probable date of his departure	

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	from India is chargeable to tax in that assessment year. III. Artificial Judicial person formed for a particular purpose and which is likely to be dissolved next year. IV. Discontinued business.	
marks	1	0
Question	If the discounted payback period is less than the target period of the project, what should be the decision rule?	
type	multiple_choice	
option	Accept the project	correct
option	Reject the project	incorrect
option	Remain indifferent	incorrect
option	None of these	incorrect
Solution	<p>Discounted Payback Period: One of the major limitations of payback period is that it does not consider Time Value of Money. So an improvement technique is the Discounted Payback Period in which cash flows are first discounted to find their present value. This technique helps us to compare cash inflows and outflows and find out the time period in which our capital will be uncovered. If the discounted payback period is less than the target period, we accept the project. If it is greater than the target period we reject the project.</p>	
marks	1	0
Question	Which of the following statements is correct? Statement I: If the total of the debit side of the trial balance is equal to the credit side of the trial balance, it is presumed that the posting to the balance sheet is accurate. Statement II: Trial balance is a statement and not an account.	
type	multiple_choice	

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option	Only Statement I is correct.	incorrect
option	Both Statement I and II are correct.	incorrect
option	Only Statement II is correct.	correct
option	Both Statement I and II are incorrect	incorrect
Solution	<p>Statement I is incorrect, if the total of the debit side of the trial balance is equal to the credit side of the trial balance; it is presumed that the posting to the ledger is accurate. After completion of the postings from journal or subsidiary books to the ledger, if still wants to verify the accuracy of the posting, therefore trial balance is prepared. The reason for agreement of a trial balance is that under the double entry system, each transaction is recorded two times. Statement II is correct; Trial balance is a statement and not an account. The purpose of it is to just verify the accuracy of the postings in the ledger. It is neither a part of the double entry system, nor does it appear in the actual books of accounts. It is just a working paper. Thus, the correct option is c.</p>	
marks	1	0
Question	which of the following statement is correct regarding the legal requirement relating to share capital ?	
type	multiple_choice	
option	company should mention under each head the classes of shares i.e preference shares equity shares	incorrect

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option	shares allotted as fully paid,for consideration other than cash must be specifically stated	incorrect
option	shares allotted as bonus shares must be separately stated and source should be stated	incorrect
option	all the above	correct
Solution	All the above statements are correct	
marks	1	0
Question	USD is available in Delhi at 1 USD = 46.10 USD rate in London is 1 USD=0.75 Euro.What will be the Euro/Re rate ?	
type	multiple_choice	
option	Rs.61.47	correct
option	Rs.64.17	incorrect
option	Rs.35.48	incorrect
option	Rs.34.58	incorrect
Solution	1 Euro = 46.10/0.75 = Rs.61.47	
marks	1	0
Question	Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below. Assertion (A): The Statement of profit and loss is prepared for a specific period to determine the operational results of an undertaking Reason (R): It is a statement of revenue earned and the expenses incurred for earning the revenue.	
type	multiple_choice	
option	Both Assertion (A) and Reason (R) are true; and	correct

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	Reason (R) is the correct explanation of Assertion (A)	
option	Both Assertion (A) and Reason (R) are true; and Reason (R) is not the correct explanation of Assertion (A)	incorrect
option	Assertion (A) is false but Reason (R) is true	incorrect
option	Assertion (A) is true but Reason (R) is fal	incorrect
Solution	<p>The Statement of profit and loss is prepared for a specific period to determine the operational results of an undertaking. It is a statement of revenue earned and the expenses incurred for earning the revenue. It is a performance report showing the changes in income, expenses, profits and losses as a result of business operations during the year between two balance sheet dates. Hence, the correct answer is option (a).</p>	
marks	1	0
Question	Which of the following techniques of capital budgeting is a traditional technique?	
type	multiple_choice	
option	Net Present Value	incorrect
option	Discounted Payback Period	incorrect
option	Average Rate of Return	correct
option	Terminal Value	incorrect
Solution	Accounting Rate of Return (ARR) is a traditional technique to evaluate capital budgeting decisions. It is	

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	based on an accounting concept and is used to find out the rate of return or the return from the investment. $ARR = \frac{\text{Average annual profit after tax} \times 10}{\text{Average Investment}}$ Average Investment = $\frac{[\text{Initial cost} + \text{Installation cost} - \text{Scrap Value}] + \text{SV} + \text{WC}}{2}$. SV = Scrap Value WC = Working Capital ARR does not consider Time value of money and also considers annual profits instead of cash flows.	
marks	1	0
Question	If interest on capital of the partners has not been paid, what adjustment entry shall be required:	
type	multiple_choice	
option	debit the capital account and credit the interest on capital account	incorrect
option	debit interest on capital account and credit the capital account	correct
option	debit the interest account and credit the expenses payable account	incorrect
option	no adjustment entry shall be required as it is internal matter for the firm	incorrect
Solution	To pay interest, the interest on capital account shall be debited and the capital account shall be credited.	
marks	1	0
Question	If a company forfeits a share with a face value of Rs.10 for which Rs.5 have already been received and then re-issue the share at a discount of Rs.1, how much amount will be credited to capital reserve account ?	
type	multiple_choice	

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option	Rs.5	incorrect
option	RS.4	correct
option	RS.1	incorrect
option	Rs.9	incorrect
Solution	Amount received Rs.5+9=14.Amount used for credit to share capital=10,balance amount=4	
marks	1	0
Question	A firm acquired lease hold premises and paid certain professional fee.the amount of professional fee is:	
type	multiple_choice	
option	revenue expenditure	incorrect
option	capital expenditure	correct
option	deffered revenue expenditure	incorrect
option	anyof the above	incorrect
Solution	The expenditure is non-recurring nature and also incurred as incidental to acquiring the asset,due to which it is capital expenditure	
marks	1	0
Question	Which of the following is the correct entry for goods distributed as free samples?	
type	multiple_choice	
option	Amount should be deducted from purchase and shown on the debit side of the profit and loss account	incorrect
option	Amount should be shown on the credit side of the Trading Account and debit	incorrect

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	side of profit and loss A/c as advertising Expense	
option	Either a or b	correct
option	Amount should be shown on the debit side of Profit and loss a/c only	incorrect
Solution	<p>Goods distributed as free samples are products given away by a business usually for promotional reasons. The goods distributed as free samples do not have a sales value and therefore cannot be recorded in the accounting records as sales. The journal entry for the distribution of the free sample would be debiting the "advertisement (or free sample) account" and crediting the "purchases account." The above journal entry increases advertisement expenses and reduces the purchase amount. Alternatively, it may be directly recorded in the credit side of the Trading A/c and debited to P/L A/c as advertisement expenses.</p>	
marks	1	0
Question	Which of the following costs is not capitalised according to capital budgeting?	
type	multiple_choice	
option	Installation cost	incorrect
option	Transportation cost	incorrect
option	Sunk cost	correct
option	All of the above	incorrect
Solution	<p>A sunk cost is the cost that has already been incurred and thus cannot be recovered. It is not a relevant cost as it does not affect the capital budgeting decisions. For example - The cost of land that has already been purchased will be a sunk cost for the decision to construct a factory or not. Installation cost is added to</p>	

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	the cost of the project and also used for calculating depreciation. The installation cost and transportation cost are added to the cost of assets and are capitalised.	
marks	1	0
Question	A firm has net profits of 40 and its capital and reserves are 210.If is has good will of 10.what is return on net worth.	
type	multiple_choice	
option	25%	incorrect
option	20%	correct
option	18.50%	incorrect
option	17.50%	incorrect
Solution	To calculate the ratio the tangible net worth will be 200(200-10).calculate will be as $40/200 \times 100 = 20\%$.	
marks	1	0
Question	A company is a govt company where:	
type	multiple_choice	
option	at least 51% of its total net worth is with the govt	incorrect
option	major portion of its shares is held by govt	incorrect
option	got,is managing that company	incorrect
option	none of the above	correct
Solution	A company is a govt company if at least 51% of its paid up capital is held by govt	
marks	1	0

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Question	If spot exchange rate = 2.0000,forward points =0.016666,forward period = 60days.calculate the interest differential by taking an year = 360 days	
type	multiple_choice	
option	3%	incorrect
option	4%	incorrect
option	5%	correct
option	6%	incorrect
Solution	Interest differential = (100 x no.of days in the year x forward points)/(spot rate x forward period) Interest differential = (100 x 360 x 0.016666)/(20000 x 60) = 5%	
marks	1	0
Question	Loan is obtained by X for purchase of a car for Rs.1.50 lac at 12% interest rate over two years.what is the amount of total amount to be paid at simple rate of interest ?	
type	multiple_choice	
option	186000	correct
option	172000	incorrect
option	160000	incorrect
option	150000	incorrect
Solution	principle + interest = 150000 + 36000 [(1.50 lac x 12 x 2)/100 = 36000] = 186000	
marks	1	0
Question	when a 2nd hand machinery is purchased,which of the following is not included in the original cost:	
type	multiple_choice	
option	agreement price	incorrect

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option	renovation or overhauling before installation	incorrect
option	installati0on and carriage	incorrect
option	none of the above	correct
Solution	All these are included in the cost of a 2nd hand machinery	
marks	1	0
Question	when sale of goods taken place on cash basis to another basis to another firm,what journal entry is passed	
type	multiple_choice	
option	debit the other firm account and credit cash account	incorrect
option	debit the goods account and credit cash account	incorrect
option	debit the cash account and credit sales account	correct
option	debit the cash account and credit the account of other firm	incorrect
Solution	when the goods have been sold ,the sales account will be credited and the cash account will be debited.	
marks	1	0
Question	Accrual basis of accounting is most commonly used in method particularly in _____ companies.	
type	multiple_choice	
option	Public Traded Companies	correct
option	Private limited Companies	incorrect
option	Joint Stock Companies	incorrect

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option	Cooperative Organizations.	incorrect
Solution	The accrual method is the more commonly used method, particularly by publicly-traded companies. One reason for the accrual method's popularity is that it smooths out earnings over time since it accounts for all revenues and expenses as they're generated. The cash basis method records these only when cash changes hands and can present more frequently changing views of profitability. Thus, the correct option is (a)	
marks	1	0
Question	A person wants to receive Rs.1250 every quarter for 5 years at 12% p.a rate of interest. How much he should invest now.	
type	multiple_choice	
option	Rs.18969.85	incorrect
option	Rs.18956.58	incorrect
option	Rs.18596.85	correct
option	Rs.18695.85	incorrect
Solution	$PV_{oa} = C \cdot \frac{1 - (1+i)^{-n}}{i}$ $PV_{OA} = 1250 \cdot \frac{1 - (1 + \frac{12}{4}\%)^{-5 \times 4}}{\frac{12}{4}\%}$ $= 1250 \cdot \frac{1 - \frac{1}{1.03^{20}}}{0.03}$	
marks	1	0
Question	The spot rate is Euro 1 = USD 1.3200 and 2 month forward Euro 1=USD 1,3325.the forward points are equal to	
type	multiple_choice	

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option	125	correct
option	250	incorrect
option	320	incorrect
option	325	incorrect
Solution	The spot rate is Euro 1 = USD 1.3200 and 2 month forward Euro 1 =USD 1.3325.The forward Euro 1 = USD 1.3325.the forward points are equal to 125 i.e difference between spot rate and forward rate.	
marks	1	0
Question	The Pillar 3 of the Base framework aims to promote market discipline through regulatory disclosure requirements. Which among the following principle(S) should be followed for Pillar 3 disclosures? I. Disclosures should be consistent over time II. Disclosures should be comparable across banks III. Disclosures should be objective in nature	
type	multiple_choice	
option	I and II	correct
option	I and III	incorrect
option	I and III	incorrect
option	I, II and III	incorrect
Solution	The Pillar 3 of the Basel framework alms to promote market discipline through regulatory disclosure requirements. BCBS has set out the following five guiding principles for banks' Pillar 3 disclosures. Principle 1: Disclosures should be clear: The disclosure shall be in a simple language understandable to all the stakeholders along with presentation of risk related information. Principle 2: Disclosures should be comprehensive Disclosures should describe a bank's main activities and all significant risks with the sufficient information on a bank's processes and	

	<p>procedures for identifying, measuring and managing those risks Principle 3: Disclosures should be meaningful to users. The disclosures should focus the information on how the significant current and emerging risks are managed by the bank. Further the information which is no longer meaningful or relevant to users or do not add value to users should be removed. Principle 4: Disclosures should be Consistent over time Disclosures should be consistent over time to enable key stakeholders to identify trends in a bank's risk profile across all significant aspects of its business including those arising from a bank's specific, regulatory or market developments. Principle 5: Disclosures should be comparable across banks. The level of detail and the format of presentation of disclosures should enable key stakeholders to perform meaningful comparisons of business activities, prudential metrics, risks and risk management between banks and across Jurisdictions. Hence, the correct answer is option (a)</p>	
marks	1	0
Question	<p>What are the different kinds of adjustments which are made to the bank statement balance while reconciliation? I. Bank errors II. Interest fees III. Unpresented checks</p>	
type	multiple_choice	
option	Only I and II	correct
option	Only II and III	incorrect
option	All I, II, III	incorrect
option	Only I and II	incorrect
Solution	<p>The first step in reconciling a bank statement is to compare financial record activities to bank statement activities. For any bank errors, unaccounted-for</p>	

	deposits, and unrepresented checks, adjustments to the bank statement balance should be made. Some personal or business accounts do not account for bank-related additions and charges, such as interest and maintenance fees. Adjustments should be made to the cash account records for these differences. Once corrections and adjustments are made, compare the balances to see if they match. If not, repeat the process until the accounts are reconciled. Thus, the correct option is (a)	
marks	1	0
Question	To calculate a forward rate in case of direct quote, if there is discount:	
type	multiple_choice	
option	the discount is added to purchase rate and deducted from selling rate.	incorrect
option	the discount is deducted from purchase rate and added to selling rate.	incorrect
option	the discount is added to purchase rate and selling rate	incorrect
option	the discount is deducted from purchase rate and selling rate	correct
Solution	To calculate a forward rate, in case of direct quote, the discount is deducted from the purchase rate and selling rate.	
marks	1	0

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Question	the instructions fed to the computer to process data are known as:	
type	multiple_choice	
option	software	correct
option	hardware	incorrect
option	program	incorrect
option	information	incorrect
Solution	the instructions that tell it what to do, are called software	
marks	1	0
Question	X wants to borrow Rs.25000 immediately and another Rs.20000 after a period of 2 years at 10% interest. He wants to pay it in monthly installments for 5 years. Calculate the amount of monthly payment ?	
type	multiple_choice	
option	RS.879.38	correct
option	Rs.897.54	incorrect
option	Rs.882.31	incorrect
option	Rs.863.78	incorrect
Solution	<p>we shall use the formula $A[r/[1-\{1/(1+r)^n\}]]$ where R is the amount per payment period, n = no of periods, r= rate per period.</p> <p>rate of interest being p.a and calculation to be made monthly, the ROI=0.10/12 and no of time period = 5x12=15.</p> <p>Before calculation, we shall convert the future value Rs.24000 to present value $= 24000/[(1+0.10/12)^{24}] = 16388.19$ hence total amount = 16388.19 + 25000 = 41388.19</p>	

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	EMI = $41388.19 \times (0.10/12) / ([1 - \{1/(1+0.10/12)^{60}\}] =$ Rs.879.38	
marks	1	0
Question	In the resale price method under transfer pricing:	
type	multiple_choice	
option	the price is determined by subtracting an appropriate gross mark up from the sale price	correct
option	the price is determined by addition an appropriate gross mark up from the sale price	incorrect
option	the price is determined equal to the sale price	incorrect
option	none of the above	incorrect
Solution	In the resale price method, the price is determined by subtracting an appropriate gross mark up from the sale price.	
marks	1	0
Question	if a bank desirous to set up money market mutual funds would to seek necessary clearance from_____	
type	multiple_choice	
option	SEBI	incorrect
option	IRDA	incorrect
option	RBI	correct
option	A and C	incorrect
Solution	Money Market Mutual Funds (MMMFs) come under the purview of SEBI regulations. However, banks desirous of setting up MMMFs would have to seek necessary clearance from RBI for undertaking this	

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	additional activity before approaching SEBI for registration.	
marks	1	0
Question	The firm had paid salary of Rs.2000 to a staff member but his personal account has been debited.what type of error it is:	
type	multiple_choice	
option	error of omission	incorrect
option	error of commission	incorrect
option	error of principle	correct
option	compensating error	incorrect
Solution	This is an error that involves nominal account and personal account.Hence it is an error of principle	
marks	1	0
Question	When the cash is withdrawn for personal expenses, the amount is debited to which of the following accounts?	
type	multiple_choice	
option	Drawings A/C	correct
option	Creditors A/C	incorrect
option	Capital A/c	incorrect
option	Cash A/C	incorrect
Solution	An accounting record called a drawing account is kept to keep track of the funds and other assets that business owners withdraw for their personal use. When the cash is withdrawn by the proprietor for personal purposes, the drawing account is debited and the cash account is credited, as there is an outflow of cash from the business. Therefore, the correct journal entry is: Drawings account a/c Dr. To Cash account.	

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marks	1	0
Question	AAA Ltd company wants to raise funds by issuing 20% irredeemable preference shares for Rs 3,000 or Rs 200 each at Rs 180 each. What shall be the cost for the issue of preference shares?	
type	multiple_choice	
option	10.50%	incorrect
option	11.11%	correct
option	9.58%	incorrect
option	12.45%	incorrect
Solution	<p>Cost of Irredeemable Preference Shares (KP) = $\frac{PD}{PO}$ (Annual preference dividend) PO (Net proceeds from the issue of preference shares = $\frac{20 \times 3000}{180 \times 3000} = \frac{20}{180} = 11.11\%$</p>	
marks	1	0
Question	Long-term capital loss can be adjusted against which of the following I. Long-term capital gain II. Short-term capital gain	
type	multiple_choice	
option	I only	correct
option	II only	incorrect
option	I and II	incorrect
option	None of the above	incorrect
Solution	<p>Inter-source permissible set-off is not applicable in case of long-term capital loss. A short-term capital loss is allowed to be set off against both short. term capital gain and long-term capital gain. However. a long-term capital loss can be set off only against the long-term capital gain and not against short-term capital gain.</p>	
marks	1	0

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Question	when the payment side of the cash book is overdraft,the pass book is the starting point,the amount:	
type	multiple_choice	
option	shall be added	incorrect
option	shall be deducted	correct
option	shall be kept constant	incorrect
option	any of the above	incorrect
Solution	when the payment side of the cash book is overcast,the pass book is the starting point,the amount shall be deducted	
marks	1	0
Question	Select the correct statement with reference to the Section 36 of Banking Regulation Act, 1949. I: The Reserve Bank may prohibit banking companies from entering into a particular transaction and can advise the banking company. II: RBI can appoint officers to observe how the affairs of the banking company are conducted.	
type	multiple_choice	
option	Only I	incorrect
option	Only II	incorrect
option	Both I and II	correct
option	Neither I nor II	incorrect
Solution	Section 36 mentions the powers of RBI. The Reserve Bank may prohibit banking companies from entering into a particular transaction and can advise the banking company. It can also assist the banking company by granting loans or advances under Section 18. It can direct the banking company to call for a meeting of its directors to discuss the matters of the	

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	company. It can also appoint officers to observe how the affairs of the banking company are conducted. Hence, the correct answer is option (c).	
marks	1	0
Question	A 10%, 6 years bond with face value of Rs.1000 has been purchased by Z for Rs.900. What is his yield till maturity?	
type	multiple_choice	
option	12.50%	correct
option	12.20%	incorrect
option	11.80%	incorrect
option	11.60%	incorrect
Solution	<p>If cost of capital i.e kd is the yield to maturity then $900 = 100(PVIFA A kd\% 9 \text{ years}) + 1000 (PVIF kd,9 \text{ years})$, more than one values have to be tried.</p> <p>1st calculation at PVIFA 6 years at 12% factor = 4.11141 and PVIF 6 years at 12% factor = 0.50663. The value = $(100 \times 4.11141 = 411.14) + (1000 \times 0.50663 = 506.63)$ = 917.77 (value more than the current market price)</p> <p>1st calculation at PVIFA 6 years at 15% factor = 3.78448 and PVIF 6 years at 12% factor = 0.43233. The value = $(100 \times 3.78448 = 378.45) + (1000 \times 0.43233 = 432.33) = 810.78$ (value less than the current market price).</p> <p>$YTM = 12\% + (15\%-12\%) \times [(917.77-900)/(917.77-810.78)]$</p> <p>$YTM = 12\% + (3\%) \times [17.77/106.00]$</p> <p>$YTM = 12\% + (3\%) \times 0.166$</p> <p>$YTM = 12\% 0.498 = 12.498$ say 12.50%</p>	
marks	1	0

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Question	which of the following risk is not associated while outsourced the banking activity	
type	multiple_choice	
option	operational risk	incorrect
option	legal risk	incorrect
option	reputation risk	incorrect
option	credit risk	correct
Solution	Outsourcing of activities can reduce Banks risk profile by transferring activities to others with greater expertise and scale to manage the risk associated with specialised business activities. It is not associated with Credit Risk. So, option(4) is correct.	
marks	1	0
Question	To calculate quick assets,which of the following is not reduced from current assets:	
type	multiple_choice	
option	Stocks	incorrect
option	inventories	incorrect
option	pre-paid expenses	incorrect
option	trade debtors	correct
Solution	Trade debtors are part of quick assets but other assets in the question are not quick assets although these are current assets.	
marks	1	0
Question	Fill in the blanks about the differences between a trial balance and a balance sheet?	
	Trial Balance	Balance Sheet

	I. It is prepared for _____ use.	i. It is for _____ use.
	II. It keeps a track of the company's finances.	ii. It is a legal document showing the _____ of the company.
	III. It does not require any accounting _____ to be prepared.	iii. It requires the signature of auditors.
type	multiple_choice	
option	I- conventions, i-external, ii-financial position, III-internal	incorrect
option	I- internal, i-external, ii-financial position, III-conventions	correct
option	I- external, i-internal, ii-financial position, III-conventions	incorrect
option	I- external, i-internal, ii-conventions, III- financial position	incorrect
Solution	<p>The key difference between a trial balance and a balance sheet is one of scope. A balance sheet records not only the closing balances of accounts within a company but also the assets, liabilities, and equity of the company. It is usually released to the public, rather than just being used internally, and requires the signature of an auditor to be regarded as trustworthy. A trial balance is a less formal document. There are no special conventions about how trial balances should be prepared, and they may be completed as often as a company needs them. A trial balance is often used as</p>	

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	a tool to keep track of a company's finances throughout the year, whereas a balance sheet is a legal statement of the financial position of a company at the end of a financial year. Thus, the correct option is (b)	
marks	1	0
Question	Which of the following is/are the features of the Balance Sheet?	
type	multiple_choice	
option	The word 'as at" is not mandatory in the heading of the Balance Sheet	incorrect
option	Total of both sides of the Balance Sheet is always equal.	incorrect
option	Prepaid expenses are treated as Current assets	incorrect
option	Both (b) and (c)	correct
Solution	The important features of preparing Balance Sheet are:-o The word 'as at' is mandatory in the heading of the Balance Sheet. Because it is true only for the date on which it is prepared. Total of both the sides of the Balance Sheet is always equal. (Prepaid expenses are treated as Current assets. Though cash cannot be realized from prepaid expenses, the service will be available against these without further payment. Thus, the correct option is (d)	
marks	1	0
Question	compilation of related data records maintained in some pre-arranged order is known as:	
type	multiple_choice	
option	database	incorrect

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option	data file	correct
option	data mart	incorrect
option	data group	incorrect
Solution	data file or file is a compilation of related data records maintained in some pre-arranged order. it is similar to manual files where in various papers are stored.	
marks	1	0
Question	Firm A had purchased goods from Firm B for Rs.500 but it recorded it in the sales ledger.The rectification will be as under:	
type	multiple_choice	
option	sales account debit,Firm B account credit for Rs.500	incorrect
option	debit purchase account and credit firm B account Rs.1000	incorrect
option	debit sales Rs.500 and debit purchases Rs.500 and credit Rs.1000 to Firm B	correct
option	debit sales Rs.1000 and credit purchase Rs.500 and Rs.500 to Firm B	incorrect
Solution	The sales account has been wrongly credited but purchase account has not been debited account of firm B has been wrongly debited instead of crediting it.	
marks	1	0
Question	which of the following risk is not associated while outsourced the banking activity	
type	multiple_choice	

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option	operational risk	incorrect
option	legal risk	incorrect
option	reputation risk	incorrect
option	credit risk	correct
Solution	Outsourcing of activities can reduce Bank's risk profile by transferring activities to others with greater expertise and scale to manage the risk associated with specialised business activities. It is not associated with Credit Risk. So, option(4) is correct.	
marks	1	0
Question	As per Generally Accepted Accounting Principles,the financial statements should be (a) relevant (b) reliable (c) comparable (d) consistent :	
type	multiple_choice	
option	a to d all	correct
option	a to c only	incorrect
option	b to d only	incorrect
option	a,c and d only	incorrect
Solution	As per generally accepted Accounting principles,the financial statements should be (a) relevant (b) reliable (c) comparable (d) consistent	
marks	1	0
Question	Firm X masde payment of rent to its landlord in cash.which of the following is correct journal entry in the books of Firm A:	
type	multiple_choice	
option	debit cash and credit rent account	incorrect
option	debit landlord and credit rent acco0unt	incorrect

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option	debit rent account and credit cash account	correct
option	debit rent account and credit landlord account	incorrect
Solution	Rent in a nominal expenses account due to which it will be debited,Cash is a real account due to which it will be credited as cash has gone out.	
marks	1	0
Question	which of the following does not match in the context of bill of exchange ?	
type	multiple_choice	
option	the bills which are drawn without any sale-demand bills	correct
option	the amount received from the private estate of insolvent person-dividend	incorrect
option	the amount not recoverable from the insolvent-bad debt	incorrect
option	none of the above	incorrect
Solution	The bills which are drawn without any sale are called accomdation bills	
marks	1	0
Question	which of the following statements is not correct,in the context of trial balance ?	
type	multiple_choice	
option	wrong balance of an account,affects the trial balance	incorrect

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option	trial balance takes care of arithmetic accuracy	incorrect
option	trial balance can be prepared at the end of accounting year only	correct
option	if debit and credit side of trial balance does not tally, there will be need to open a suspense account	incorrect
Solution	Trial balance can be prepared any time and not necessarily, at the end of accounting year.	
marks	1	0
Question	Based on the information given calculate the labour rate variance The standard time for the job is 500 hours The standard rate per hour is Rs 70 Actual time took 600 hours Actual wages paid Rs 45000	
type	multiple_choice	
option	Rs 3000 (F)	incorrect
option	Rs 3000 (A)	correct
option	Rs 7000 (F)	incorrect
option	Rs 7000 (A)	incorrect
Solution	<p>Labour Rate Variance or LRV is the variation between the actual and expected or standard cost of labour. This variance is due to the difference in the standard and actual labour rate, while labour hours remain the same for production. Std. labour cost = (500 hours X 70) =Rs 35,000 Actual wages paid 40000 Actual rate per hour: 45000/600 hours = R 75 Labour Rate variance = Actual time (Std. rate - Actual rate) = 600 hours (70 - 75) = 3000 (A)</p>	
marks	1	0

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Question	which of the following is not the revenue expenditure ?	
type	multiple_choice	
option	it is shown in the profit and loss account	incorrect
option	the benefit is available for a long period	correct
option	the expenditure is for working capital and maintaining the fixed assets	incorrect
option	the amount spent is relatively small	incorrect
Solution	the benefit of this expenditure is for a short period of say, one year	
marks	1	0
Question	which of the following is correct in the context of cash books:	
type	multiple_choice	
option	All receipts are recorded on the credit side and payments on the debit side	incorrect
option	all receipts are recorded on the debit side and payments on the credit side	correct
option	all receipts and payments are recorded on the credit side	incorrect

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option	all receipts an payments are recorded on the debit side	incorrect
Solution	In a cash book,all receipts are recorded on the debit side and payments on the credit side	
marks	1	0
Question	X purchased two bonds with face value of Rs.1000 each and coupon of 8% and maturity of 6 years. If YTM is increased by 1% then % change in price of Bond-2 would be:	
type	multiple_choice	
option	Rs.44.83 increase	incorrect
option	Rs.44.83 decrease	correct
option	Rs.48.33 increase	incorrect
option	Rs.48.33 decrease	incorrect
Solution	At 8% YTM,the market price of 6 years Bond is Rs.1000.If YTM is increased by 1% its price will be = $80 \text{ PVIFA } (9\%,6) + 1000(9\%,6\text{years})=80 \times 4.4859) + 1000 \times 0.5963 = 358.87 + 596.30 = 955.17$.so % change = 44.83	
marks	1	0
Question	As per RBI guidelines, the banks are required to classify their Non-Performing Assets (NPAs) into different categories. Which among the following options is not a category of NPA?	
type	multiple_choice	
option	Sub-standard assets	incorrect
option	Loss assets	correct
option	Doubtful assets	incorrect
option	Stressed assets	incorrect

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Solution	RBI guidelines provide a framework for classification of Non-Performing Assets on the basis of how long they remain in the NPA category. Sub-standard assets: An asset is classified as a substandard asset if it remains as an NPA for a period less than or equal to 12 months. Doubtful assets: An asset is classified as doubtful asset if it remains as an NPA for more than 12 months. Loss assets: An asset is considered as a loss asset which cannot be recovered by the lending Institutions Stressed assets = NPAs + Restructured loans Written off assets. Hence, the correct answer is option (d).	
marks	1	0
Question	cash book maintained by a firm is a:	
type	multiple_choice	
option	book of original entry only	incorrect
option	ledger account only	incorrect
option	both the book of original entry and ledger account	correct
option	neither book of original entry nor ledger account	incorrect
Solution	Cash book maintained by a firm is both of original entry and ledger account.	
marks	1	0
Question	The process of recording transaction in the book of original entry is called:	
type	multiple_choice	
option	recording	incorrect
option	journalizing	correct
option	posting	incorrect
option	summarizing	incorrect

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Solution	The process of recording transaction is called journalizing	
marks	1	0



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